Prime Value Growth Fund
Fund Update – January 2019

- Global share markets started 2019 strongly following the US Federal Reserve's dovish interest rate guidance
- The Australian share market rose 3.9% in January, albeit lagging its global peers. Small caps outperformed large caps during the month
- The Fund rose 3.2% during the month with a number of holdings posting double digit share price gains

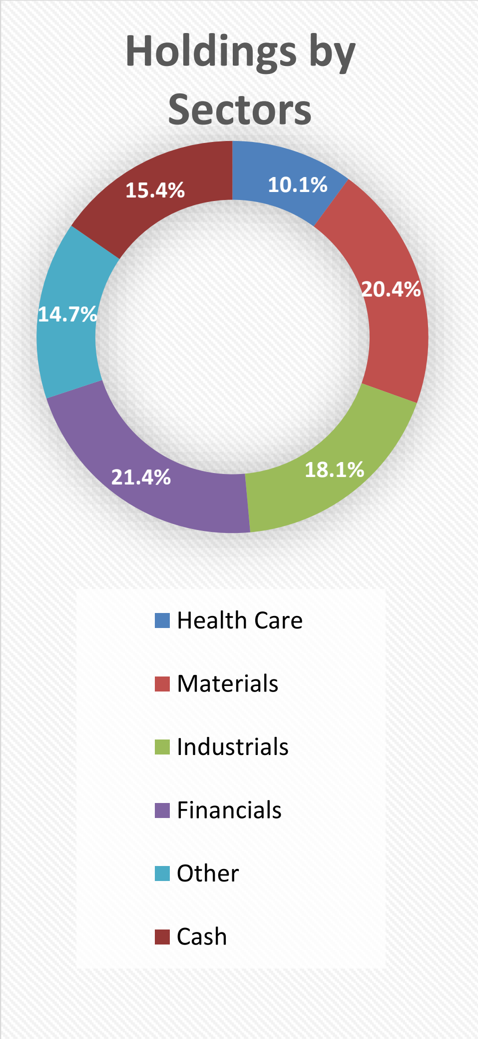
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**11.0%**	7.9%	3.1%
5 Years (p.a.)	**2.9%**	7.1%	(4.2%)
3 Years (p.a.)	**3.9%**	10.0%	(6.1%)
1 Year	**(2.6%)**	1.1%	(3.7%)
3 Months	**(1.1%)**	1.4%	(2.5%)
1 Month	**3.2%**	3.9%	(0.7%)

*Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Westpac	Financials
ANZ	Financials
Orora	Materials

The top five holdings make up approximately 32.1% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Recommended Investment Period	3 + years



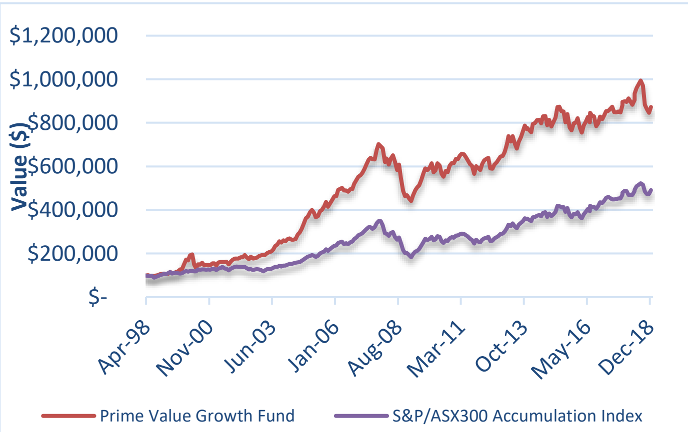
Market review

Share markets had a positive start to 2019 across the world, following a weak close to 2018. January this year proved to be strongest start to a calendar year since 1987. Emerging markets were up 7.2% and whilst Developed markets were up 7.3%. The US S&P 500 Index led gains (+8.0%), followed by the ASX 200 (+3.9%) and the Nikkei 225 (+3.8%).

Global bonds had a volatile month and rallied hard after a dovish Fed commentary. The Australian Dollar rose to 0.7200. Bulk commodity prices were mixed in January, with iron ore up US$13.0/t to US$84.5/t following supply disruptions in Brazil. Brent oil prices rose US$8.09/bbl in January to US$61.89/bbl on OPEC cuts and US sanctions on Venezuela.

Within the Australian share market, Energy (+11.5%), IT (+9.3%) and Telcos (+7.8%) sectors outperformed, while Financials (-0.2%), Consumer Staples (+2.8%) and Industrials (+3.1%) underperformed the most. Notably, the rise was very broad-based, with only 17% of the ASX 100 Index ending the month lower.

The key to the markets strong performance had been accommodative comments from the US Federal Reserve. The Fed downgraded US economic growth from "strong" to "solid". They also dialled back forward guidance, and "will be patient as it determines what future adjustments" to rates may be appropriate. The statement was more cautious than the market anticipated, highlighting the Fed would hold interest rate for as long as necessary.



This graph shows how $100,000 invested at the Fund's inception has increased to $873,100 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a $100,000 investment would have increased to $491,300 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.8171	$ 1.8087
Withdrawal price	$ 1.8033	$ 1.7951
Distribution (31/12/2018)	$ 0.1000	$ 0.1013
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
** Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review and strategy

The Fund rose 3.2% in January with fund performance improving from the second half of December and has continued into early February. For the 12 months to January 2019, the Fund fell 2.6% underperforming ASX300 Accumulation Index's 1.1% in broad terms, the Fund's exposure to smaller companies detracted from performance.

Key contributors to fund performance in January were **Smartgroup** (SIQ +17.8%), **CSL** (CSL +5.2%) and **Macquarie Group** (MQG +7.2%). Detractors during the month included **Resmed** (RMD -17.8%), **Westpac** (WBC -2.0%) and **Commonwealth Bank** (CBA -3.4%).

Portfolio activity was not significant during the month. However, it doesn't mean we were dormant. We initiated positions in four new companies in early February. These investments are in companies from across different industries and invested for their growth potential. We have owned three of these companies in the past and have revisited them on account of better valuations or positive fundamental changes to their outlooks. Resmed posted a quarterly update during the month, as part of its usual routine of keeping the market informed. The company's quarterly results were lower than the market's expectations leading to a sharp decline to its share price. On our analysis, we believe the softer result was driven by delays to earnings contributions from recent software acquisitions and the conclusion of stronger sales in certain jurisdictions as government incentives lapsed. There was little to suggest that there had been a deterioration in Resmed's core business. Ironically, the negative short term price reaction was in part due to the fact that Resmed has been one of the strongest performing stocks on the ASX over the past two years—Resmed has been a significant contributor to Fund performance over the last two years. We sold approximately 30% of our holding in Resmed prior to the company's announcement but have not sold down our position any further.

Funds management activity will increase further into the next three months. We expect to meet a large number of companies that will help us understand the extent of the housing slowdown is impacting business. More importantly we seek out companies that thrive and grow over the next few years, which should lead to shareholder wealth creation.

Top Contributors (Absolute)	Sector
SIQ	Industrials
CSL	Health Care
A2M	Consumer Staples
Top Detractors (Absolute)	**Sector**
RMD	Health Care
CBA	Financials
WBC	Financials

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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