

Prime Value Growth Fund

Fund Update – June 2018



- The Australian share market stood out as one of the best performing markets in June, up by 3.2%
- Performance across share markets were varied for FY18, with the Australian and US share markets posting double digit total returns against much more subdued returns across Europe and Asia
- Fund performance was solid through FY18, up by 12.9% for the year, with returns generated from a variety of companies covering a broad range of businesses and market capitalisation

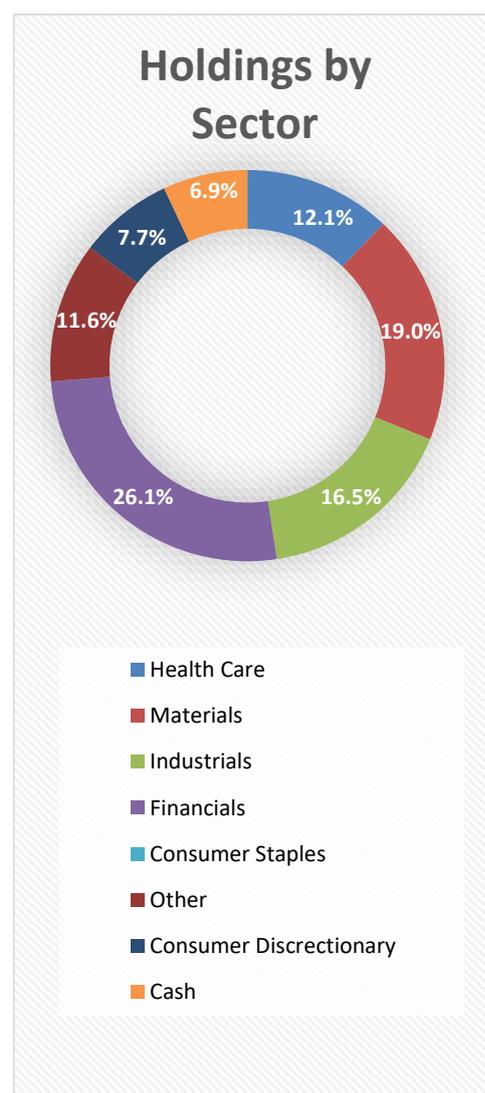
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.8%	8.4%	3.4%
5 Years (p.a.)	7.1%	10.0%	(2.9%)
3 Years (p.a.)	6.1%	9.1%	(3.0%)
1 Year	12.9%	13.2%	(0.3%)
3 Months	8.6%	8.4%	0.2%
1 Month	2.8%	3.2%	(0.4%)

*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
Commonwealth Bank	Financials
ANZ Bank	Financials

The top five holdings make up approximately 30.3% 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

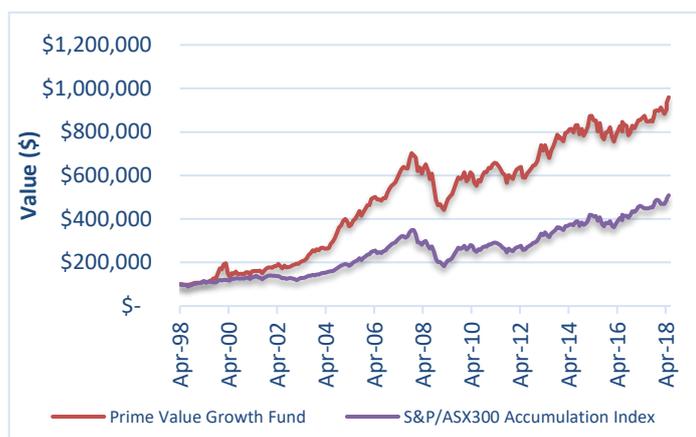


Market review

Equity markets finished the 2018 financial year mixed. The US market was up marginally by 0.5% in June but Europe's Stoxx50 Index fell 0.3%. Emerging equity markets fell for a third consecutive month – notably, the Shanghai Composite Index fell 8% in June and the Chinese Yuan also weakened significantly. With the exception of oil, commodity prices and resources stocks were lower on account of emerging market developments and US-China trade tensions.

The S&P/ASX 200 Accumulation Index rose 3.2% in June and was up 13.2% for the financial year. Large cap companies performed well during the month, with the ASX Small Ords Accumulation Index posting a more modest 1.1% rise.

Most sectors gained in June, with the exception of the Telco sector (-5.8%) which was carried lower on Telstra's share price decline. The Energy (+7.8%) sector gained the most due to a rally in the crude oil price (+10.6%), backed by strong performances from the IT (+6.3%) and Consumer Staples (+6.2) sectors. It was notable that the ASX Small Ords Index lagged towards the end of the month, reflecting the view that valuations of smaller capitalisation companies are becoming expensive.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$959,500 (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 \$508,800 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	\$ 2.5699	\$ 2.5505
Withdrawal price	\$ 2.5607	\$ 2.5413
Distribution (30/06/2018)	\$ 0.4948	\$ 0.4948
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

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Fund review and strategy

The Fund rose 2.8% in June, and posted a strong 12.9% return for the 2018 financial year. Key positive contributors during the month included **Macquarie Group**, **Westpac** and **Commonwealth Bank**. Detractors to performance included **Reliance Worldwide**, **Credit Corp** and **Monadelphous**.

Investors would be aware that we structure the portfolio across a range of categories, rather than by industries, to generate returns from a range of ideas. The positive outcome from this approach was evident in the key contributors to fund performance in FY18, which included A2 Milk (A2M), Reliance Worldwide (RWC), CSL, Orora (ORA) and Bapcor (BAP).

A core Prime Value philosophy is our belief that minimising mistakes leads to superior long-term performance. That discipline has helped us avoid a number of companies which underperformed during the financial year, including retail-related companies such as Baby Bunting (BBN), Domino's Pizza (DMP), and Harvey Norman (HVN) and IT/telco companies such as Hansen Technologies (HSN) and Vocus (VOC).

There is an old investing rule-of-thumb that says when there is modest and stable global growth, consider buying growth stocks. The rule has applied over the last few years but we don't know if it will continue to apply for the next, so we are not hanging our "investing" hat at it. Rather, the Prime Value portfolios remain favourably positioned in well-managed companies able to compound earnings growth - backed by reasonable valuations - from a diverse range of sectors. They have generally paid solid and consistent franked dividends, and have cash ready to take advantage of market volatility.

Top Contributors (Absolute)	Sector
Macquarie Group	Financial
Westpac	Financial
Commonwealth	Financial
Top Detractors (Absolute)	Sector
Reliance Worldwide	Industrial
Credit Corp	Financial
Monadelphous Group	Industrial

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

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