# Prime Value Growth Fund
# Fund Update – June 2019

- Equities, bonds and gold rallied strongly in response to central banks' communication in monetary policy
- The Australian market continued its post-election rally and performed strongly led by industrial and resources companies
- The Fund rose 2.4% in June which posted a small negative 0.2% return for FY19 and 11.2% p.a since inception. Key detractors to Fund performance in FY19 were the Fund's underweight positions to large cap companies such as the banks and Telstra while healthcare, resources and industrial companies including Cleanaway and Amcor were key contributors

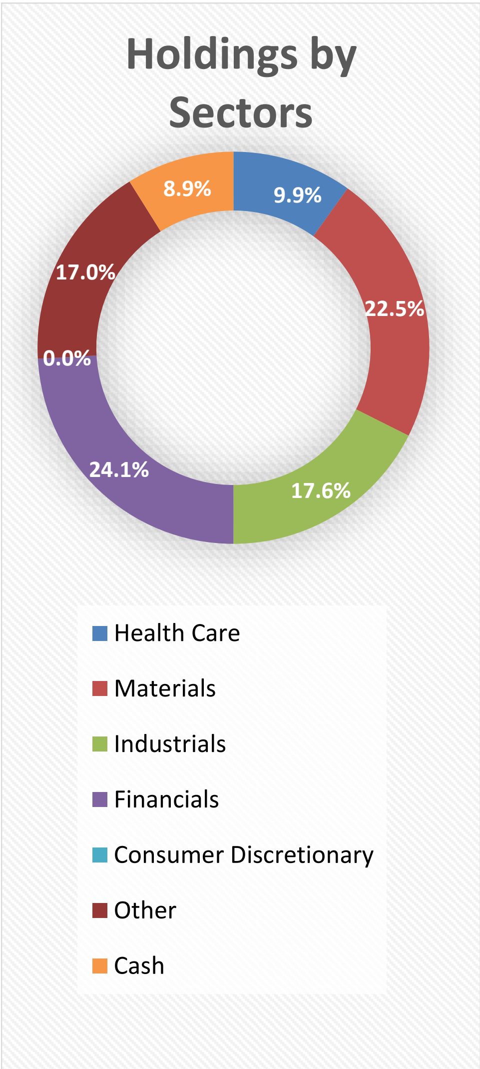
| | Total Return* | S&P/ASX 300 Accumulation Index | Value Add |
|---|---|---|---|
| Since Inception (p.a.) | **11.2%** | 8.5% | 2.7% |
| 5 Years (p.a.) | **3.7%** | 8.9% | (5.2%) |
| 3 Years (p.a.) | **6.1%** | 12.8% | (6.7%) |
| 1 Year | **(0.2%)** | 11.4% | (11.6%) |
| 3 Months | **5.7%** | 8.0% | (2.3%) |
| 1 Month | **2.4%** | 3.6% | (1.2%) |

*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 Bank | Financials |
| ANZ | Financials |
| Amcor | Materials |

The top five holdings make up approximately 33.2% 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 |

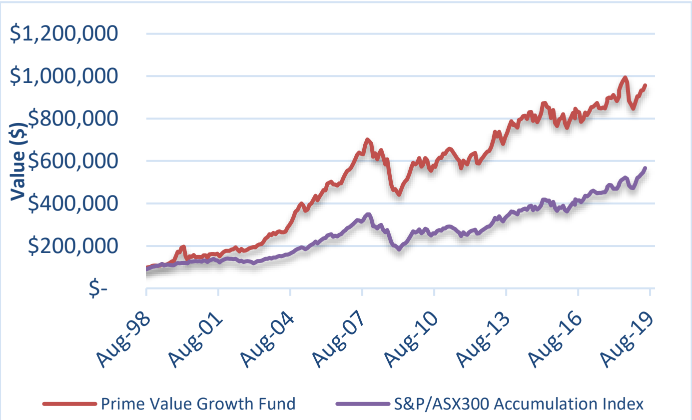


## Market review

Global markets rebounded in June after a sharp sell-off in May, with Developed Markets gaining 6.6% and Emerging Markets rising 6.3% (in US$ terms). In local currency terms, the rebound was driven by the S&P 500 Index (+7.0%), followed by the Euro Stoxx 50 (+6.0%) and MSCI Asia ex Japan (+5.4%) indices.

Among MSCI developed world global sectors, the cyclical Materials (+10.7%), IT (+8.7%) and Consumer Discretionary (+7.8%) sectors outperformed the most, while the defensive REITs (+2.1%), Utilities (+3.8%) and Communication Services (+4.0%) sectors underperformed the most.

The ASX 300 Accumulation Index recorded a 3.6% rise in June, underperforming the rise in Developed Markets by 2.2%. By sector, Materials (+6.4%), Industrials (+5.4%) and REITs (+4.2%) sector outperformed the most, while Consumer Discretionary (-1.5%), IT (+1.0%) and Energy (+2.1%) underperformed the most. Clearly the most significant event in June was the RBA's decision to reduce the cash rate by 25 basis points. Although the decision was widely anticipated, it was significant as Australia joined other developed economies in loosening its monetary policy to lend support to the economy that is showing. The RBA rate decision, signs of the property market stabilising and a strong resources sector led by strong iron ore prices were key factors in underpinning the Australian market performance in June.




This graph shows how $100,000 invested at the Fund's inception has increased to $957,500 (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 $566,900 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 | $ 1.8618 | $ 1.8531 |
| Withdrawal price | $ 1.8478 | $ 1.8391 |
| Distribution (30/06/2019) | $ 0.1061 | $ 0.1074 |
| 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 2.4% in June, to post a small negative 0.2% return for FY19. The Fund distributed 20.61 cents per unit for FY19. It was a year of two halves, with fund performance recovering during the second half of the financial year to offset a weaker first half. While we took a cautious positioning during the first half, including holding a large cash position, due to a slowing global economy that was facing potentially higher interest rates, our position change in January this year. Central banks changed direction on interest rates—looking to lower interest rates rather than raising rates—which prompted us to opportunistically invest our cash into the market. We ended FY19 with approximately 9% in cash vs 18% in January this year.

The performance of the Fund for FY19 was below our expectations both in absolute and relative terms. The main reasons for the underperformance were the Fund's underweight positions in large cap companies such as the banks and Telstra which posted exceptional rallies over the past six months, due to lower interest rates and despite poor operating outlooks.

We look to build on our positions into FY20. Fund turnover was higher than normal over the past six months and we anticipate activity to remain high for the next six. We expect markets to be fast moving and want to be positioned to take advantage of opportunities that arise, including taking profits on holdings that have done well. However, unlike the last six months where some of our positions were more macro driven, such as gold and interest rate sensitive exposures (which has worked very well), we expect to be more bottom-up stock focussed in the next six months. We have an active pipeline of research driven ideas that we expect to take action on over the next few months. We believe these are high quality companies that should deliver solid returns for investors from current levels. However, there are segments of the market that are expensive, such as 'growth' and 'momentum' stocks where we are cautious on and will be looking to avoid getting into de-rating traps.

Key contributors during the month included **BHP** (+9.0%), **Goodman Group** (+12.2%) and **CSL** (+10.7%). Key detractors during the month included **Bravura** (-14.0%), **Netwealth** (-15.8%) and **JB Hifi** (-8.1%).

Bravura fell during the month as a new bid from a private equity firm for competitor GBST emerged. Bravura had launch an initial bid for GBST recently, which we view as a positive for the company. The cost synergies were significant and Bravura gains key customers. The likelihood of a successful competing bid looks high which is prompting is to re-evaluate Bravura's competitive position in the sector.

| Top Contributors (Absolute) | Sector |
|---|---|
| BHP | Materials |
| Goodman Group | Real Estate |
| CSL | Health Care |
| **Top Detractors (Absolute)** | **Sector** |
| Bravura Solutions | Information Technology |
| Netwealth Group | Financials |
| JB Hi-Fi | Consumer Discretionary |

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


**Contact details:**
Brittany Shazell, Dora Grieve, Julie Abbott, Riza Crisostomo, Serena Shi & Daizi Zheng
Client Services Team
Phone: 03 9098 8088
Email: info@primevalue.com.au
Web: www.primevalue.com.au

**Mail:**
Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000