

Prime Value Growth Fund

Fund Update – March 2018



- “Big picture factors”, particularly concerns about tit-a-tat trade restrictions between China and the US, drove share market performances in March. The Australian ASX300 Accumulation Index fell 3.7%.
- While this fall seems significant in light of the recent long period of benign share market volatility, it is within the norms of market ebbs and flows.
- The Fund fell 3.2%, outperforming the ASX300 Accumulation Index’s 3.7% decline, with the Fund’s holding of smaller companies contributing to the better relative performance.

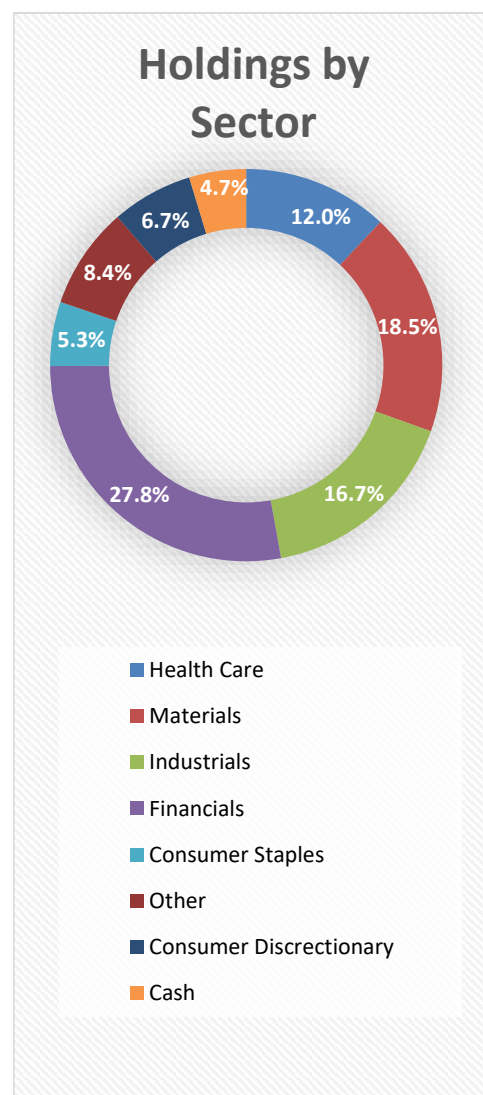
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.5%	8.0%	3.5%
10 Years (p.a.)	3.8%	5.2%	(1.4%)
5 Years (p.a.)	4.3%	7.6%	(3.3%)
3 Years (p.a.)	0.4%	3.9%	(3.5%)
1 Year	3.5%	2.9%	0.6%
3 Months	(1.7%)	(3.8%)	2.1%
1 Month	(3.2%)	(3.7%)	0.5%

*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

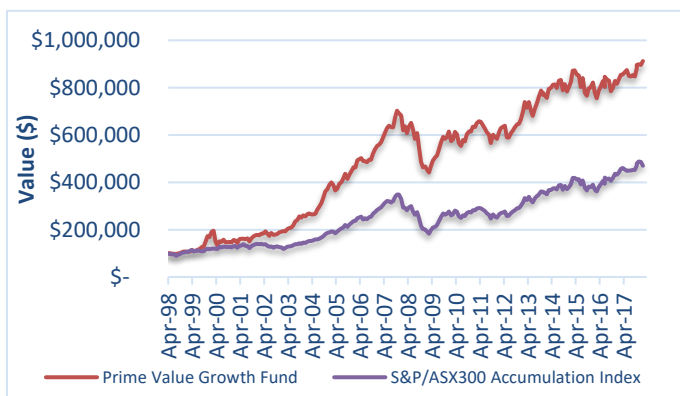
The top five holdings make up approximately 34.5% of the portfolio

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
Research Rating	Lonsec - Investment Grade Zenith - Approved



Market review

Equity markets declined towards the end of March, largely due to concerns of a trade tariff tit-a-tat between China and the US. The Australian share market underperformed (down -3.7%), weighed down by the banks amid new misconduct allegations at the Banking Royal Commission hearings. The Materials sector also underperformed, reflecting a large decline in bulk commodity prices, namely iron ore and coal. Higher beta sectors such as Financials, Materials and IT also drove the decline in global equity markets. The Australian dollar fell US 1.2 cents to USD 0.7670 reflecting the decline in bulk commodity prices, while US bond yields remained higher than their Australian counterparts. Oil prices rose 2.8% to US\$67.64 a barrel (Brent), largely driven by a surprise drop in US inventories. The only sector to produce a positive return during the month was the REITs (+0.1%), supported by the decline in global bond yields. Utilities, also considered a bond proxy, also performed well in a relative sense (-0.8%). Telecommunications (-6.2%) was the major laggard, followed by financials (-5.8%) and Materials (-4.2%). Consistent with FY18 market performance-to-date, company size was a key factor, with small-caps (-2.3%), outperforming mid-caps (-2.9%), large-caps (-4.1%), and mega-caps (-4.7%).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$883,500 (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 \$469,500 over the same period. The returns exclude the benefits of imputation credits.

Fund review and strategy

The Fund outperformed its benchmark after fees in March, falling 3.2% relative to the 3.7% decline in the ASX300 Accumulation Index. In absolute terms, the major contributors to performance were **Bingo Industries (BIN)**, **REA Group** and **Reliance Worldwide (RWC)**. The major detractors were **BHP**, **Westpac** and **ANZ**. Notably, the Fund's outperformance in March can be attributed to a larger holding in small and mid-cap companies, where we find better value and opportunities.

The market volatility experienced in the March quarter is a reminder to remain vigilant of a build-up of risks in financial markets. It is likely that some of the volatility will continue, particularly that being driven by factors such as the seemingly unpredictable US/Trump policy decisions. Despite the more volatile back-drop, the Fund has successfully invested through numerous cycles and has developed a strong track record for both capital preservation and building long term capital growth. A key component of this success is the lack of focus on 'market' investing or replicating the index. We look to invest in well managed companies that are able to compound growth over a period of time. Companies such as REA and Reliance Worldwide fit that criteria. REA is a familiar name to most, and we have held it over a long period and over the many growth horizons it has experienced. In the early days, growth came from adoption of on-line classifieds. In more recent years, growth has been driven by higher priced 'depth' products as the company moves to create value from its platform.

We continue to be optimistic in identifying well-managed, lowly-gearred, highly cash generative companies on reasonable valuations which will see long term outperformance.

Top Contributors (Absolute)	Sector
Bingo Industries	Industrials
REA Group	IT
Reliance Worldwide	Industrials

Top Detractors (Absolute)	Sector
BHP	Materials
Westpac	Financials
ANZ	Financials

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

Contact details:

Esther Oh, Julie Abbott & Serena Shi
 Client Services Team
 Phone: 03 9098 8088
 Fax: 03 9098 8099
 Email: info@primevalue.com.au
 Web: www.primvalue.com.au

Mail:

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.3663	\$ 2.3565
Withdrawal price	\$ 2.3483	\$ 2.3387
Distribution (31/12/2017)	\$ 0.1000	\$ 0.1014
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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