

Prime Value Growth Fund

Fund Update – November 2018



- A notable softening in the US interest rate strategy resulted in global stocks rallying late in the month
- The Australian share market fell for a third consecutive month, partly attributable to the Australian Dollar which rose 3.3% in November
- The Fund fell 2.1% in November. A high cash position and robust portfolio construction helped limit downside compared to the ASX300 Accumulation's Index's 2.2% decline

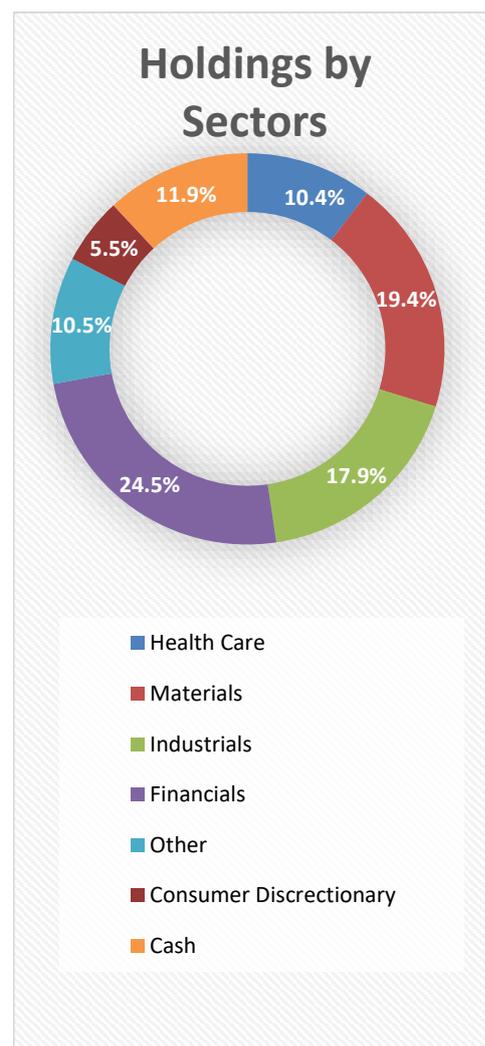
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.0%	7.8%	3.2%
5 Years (p.a.)	2.4%	5.8%	(3.4%)
3 Years (p.a.)	2.6%	7.7%	(5.1%)
1 Year	(3.5%)	(1.0%)	(2.5%)
3 Months	(13.1%)	(9.3%)	(3.8%)
1 Month	(2.1%)	(2.2%)	0.1%

*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
ANZ	Financials
Westpac	Financials
Macquarie Bank	Financials

The top five holdings make up approximately 34.9% 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

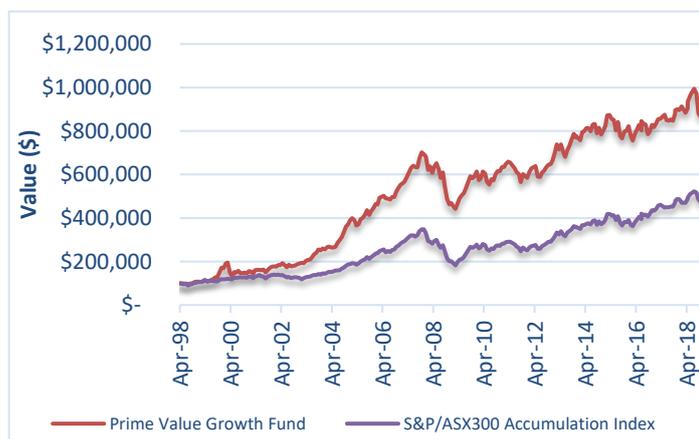


Market review

Global share markets performed better in November following declines in previous month. The MSCI All Country World Index rose by 1.3% in November whilst Emerging Markets led the gainers by rising 4.1%. There were no major surprises to emerge from the US Mid-term elections, which proved to be a relief for markets in general. Notably, the US Federal Reserve chairman, Jerome Powell noted that US interest rates 'remained just below the broad range of estimates of the level that would be neutral'. Markets interpreted the comments as positive for interest rates and risk assets. Correspondingly, after selling off in the early part of the month, the US 10 year Treasury bond yield fell 14 basis point over the month to 3.01% (as at end of November).

The Australian market underperformed its peers in major share markets, with the ASX300 Accumulation Index falling 2.2% during the month. The Energy (-10.3%) and Resources (-6.5%) sectors were the key sectors contributing to the weaker Australian market. The Bank sector performed exceeding well, despite three major banks going ex-dividend for the month, to post a 2.5% gain. Comparatively, the Small Ordinaries Accumulation Index performed better than the broader market, declining by 0.4%.

The Australian Dollar emerged as one of the better performing currencies over the month, gaining 3.3% against the US Dollar. Narrowing US Dollar: Australian Dollar interest rate differentials worked in the favour of the Australian Dollar.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$864,300 (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 \$474,100 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	\$ 1.8676	\$ 1.8604
Withdrawal price	\$ 1.8534	\$ 1.8464
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 fell 2.1% during the month, marginally outperforming the ASX300 Accumulation Index's 2.2% decline. Holding a high cash position and robust portfolio construction assisted in limiting the downside in November.

Key contributors to fund performance in November were fast food chain operator **Collins Foods** (CKF +14.7%), **ANZ Bank** (ANZ +3.4%) and **Sydney Airport** (SYD +5.6%). Detractors during the month included **CSL** (-5.6%), **BHP** (-4.7%) and **Bapcor** (BAP -10.1%).

It's pleasing that we continue to uncover good investment ideas despite the more challenging market conditions. Collins Foods has been one of these successes. Collins Foods' 14.7% share price increase in November came on the back of a 25.9% increase in the reported 1H19 underlying profit after tax to \$219m. The company's KFC Australian business continued to deliver strong results with same store sales growth improving across all states. Looking forward, Collins Foods will build on the strong successes of its initial two Taco Bell stores with another 50 stores planned for the next few years.

We regularly meet with the management of our investee companies, and that of its competitors and peers. These meetings help us understand the industry and companies better, particularly chances that are affecting the company. The work done in the lead up to making an investment in Collins Foods in no different and including visited one of its peers, Restaurant Brands in New Zealand.

On a shorter term note, the recent Australian Dollar strength impacted the share price of holdings such as CSL, Orora and to an extent Bravura and Reliance Worldwide. These companies have substantial offshore operations that are broadly unaffected by short term currency movements.

Top Contributors (Absolute)	Sector
Collins Food	Consumer Discretionary
ANZ	Financials
Sydney Airport	Industrials
Top Detractors (Absolute)	Sector
CSL	Health Care
BHP	Materials
Bapcor	Consumer Discretionary

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

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