

Prime Value Growth Fund

Fund Update – October 2018



- October was a weak month for equity markets. The Australian share market moved in lock step with offshore markets
- Defensive assets, including gold, were preferred, pushing aside company fundamentals
- The Fund posted a -9.1% return for the month of October. Defensive holdings including Orora, Austbrokers and Collins Food, and a high cash position, assisted in softening the fall

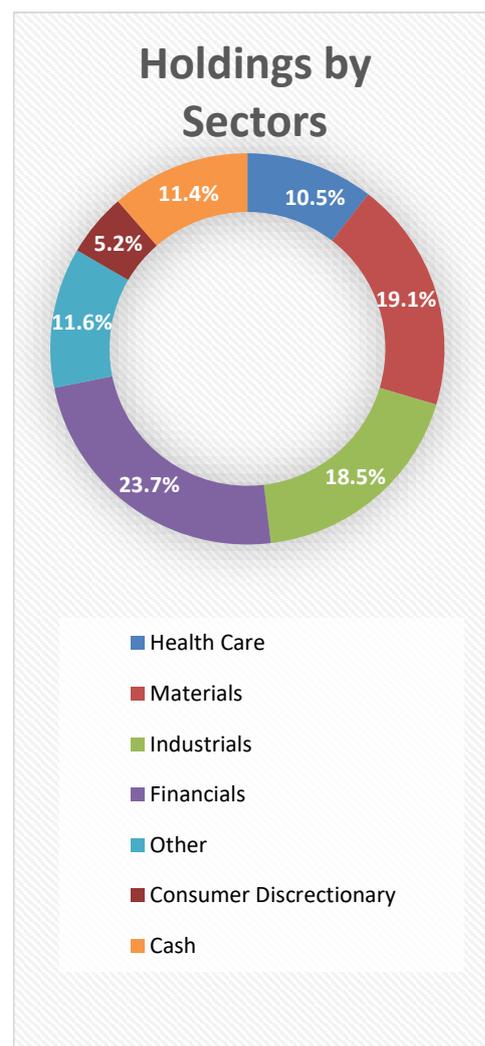
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.2%	8.0%	3.2%
5 Years (p.a.)	2.3%	6.0%	(3.7%)
3 Years (p.a.)	3.5%	8.2%	(4.7%)
1 Year	0.2%	2.9%	(2.7%)
3 Months	(9.7%)	(6.0%)	(3.7%)
1 Month	(9.1%)	(6.2%)	(2.9%)

*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
Macquarie Bank	Materials

The top five holdings make up approximately 34.8% 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

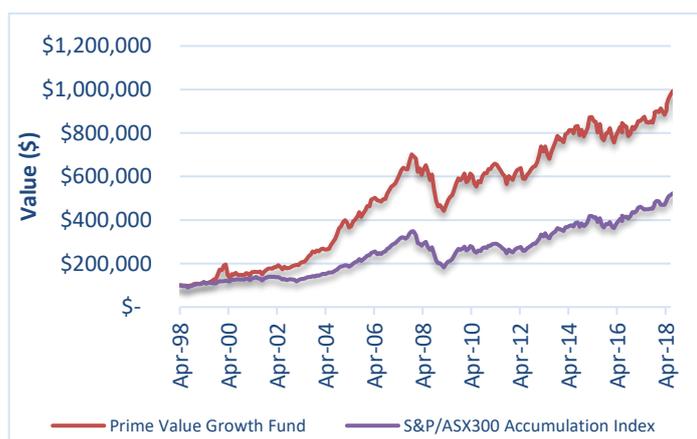


Market review

Global share markets declined, in a difficult month for equities although gains towards the end of the month softened the falls. The Technology sector had the largest falls across all sectors and countries, with Energy not too far behind. The ASX200 Accumulation Index fell 6.1% during the month, in line with the global sell-off, the largest monthly drawdown in over three years. Banks (-132 points) and Resources (-135 points) carried the largest impact to bring the Australian market lower, although Technology was the worst-performing sector. During the month, large caps performed better over small and mid-cap counterparts. The growth sensitive materials, industrials & energy sectors underperformed, while REITs, utilities, consumer staples outperformed. The Australian dollar fell to \$0.7090 on US dollar strength.

The IT (-11.2%), health care (-7.0%) and energy sectors (-10.5%) led declines in the Australian market, while the defensive REITs (-3.1%) and utilities (-4.0%) sectors outperformed. The Australian gold sector also outperformed, recording a 21.8% month on month rise, the largest monthly outperformance since June 2016.

With the sell-off, the broader market is now trading in-line with the long term average of 14.5x. The Industrials ex Financials multiple continues to trade slightly above the long term average at 19.9x, down from the recent high of 22.2x.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$882,700 (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 \$484,600 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	\$ 1.8727	\$ 1.8654
Withdrawal price	\$ 1.8585	\$ 1.8512
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 posted a -9.1% return for the month of October, a period where general market weakness was prevalent across most sectors. Company fundamentals were broadly set aside as the market largely favoured defensives assets, including gold exposure—this is not unusual although it entailed some degree of performance reversion following several of the Fund's holdings strong performance in the preceding months. Key contributors to fund performance in October were packaging company **Orora** (ORA +1.2%), insurance broker **Austbrokers** (AUB +1.1%) and fast food chain operator **Collins Food** (CKF +3.6%). Detractors during the month included **BHP** (-7.0%), salary packaging company **Smartgroup** (SIQ -16.3%) and waste management company **Bingo** (BIN -23.9%).

Through this period of heightened market volatility we raised our cash position to quite a high level (12% at its highest point). We deemed it appropriate to protect our investors capital during such periods. However, we are also coming across opportunities as long term investors. We typically don't seek to time the market (in other words, trade in-out of the market). Having been investing through many business and market cycles, our experience tells us that being patient through market cycles will yield the best returns. It is for this reason we have stayed invested in high quality companies—these companies will weather both market and economic volatility the best and are well positioned in a market recovery. Towards the end of October, we drew down on our cash position to take advantage of opportunities raised by the market volatility.

Market drawdowns are inevitable, but the Fund's cash position remains quite high, at the time of writing. We expect to use this opportunity to invest in attractively priced quality businesses that have emerged as a result of the broad market sell-off.

Top Contributors (Absolute)	Sector
Orora	Financials
AUB Group	Financials
Collins Foods Limited	Consumer Discretionary
Top Detractors (Absolute)	Sector
Bingo Industries	Industrials
BHP	Materials
Smartgroup Corporation	Industrials

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

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