

Prime Value Opportunities Fund

Fund Update – April 2018



- Global equity markets stabilised in April, posting the first positive month this year
- The Australian share market rebounded strongly. Higher base metal and oil prices saw the Energy and Materials sectors post the best gains
- The Fund achieved a strong month, rising by 3.0% but marginally underperforming the ASX300 Accumulation Index performance of 3.8%. Contributors were broad based, largely large cap companies

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.8%	8.0%	4.8%
5 Years (p.a.)	10.3%	8.0%	2.3%
3 Years (p.a.)	8.8%	8.0%	0.8%
2 Years (p.a.)	9.3%	8.0%	1.3%
1 Year	9.5%	8.0%	1.5%
3 Months	2.9%	2.0%	0.9%
1 Month	3.0%	0.7%	2.3%

* 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). 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.

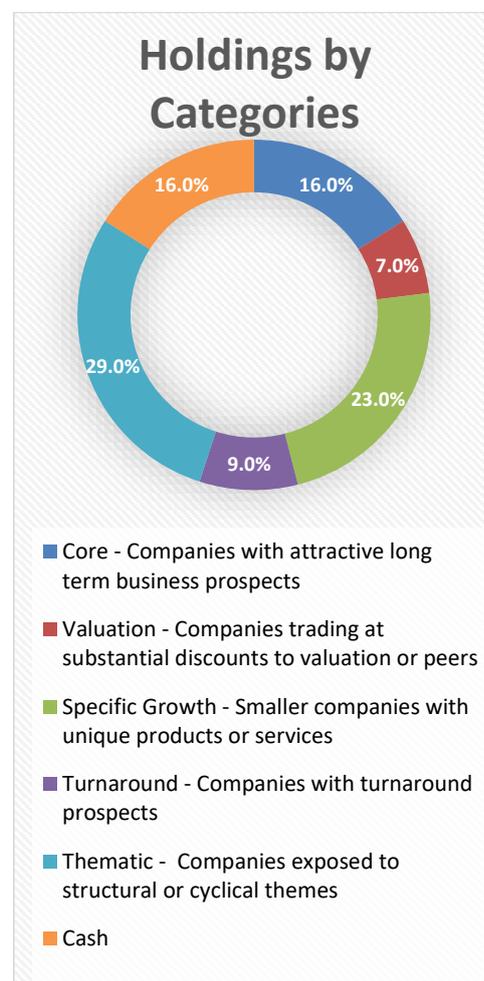
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	14.9%	66.5%
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%	(1.2%)	1.2%	6.3%	77.0%
FY 2018	(1.2%)	1.0%	0.4%	4.2%	1.6%	0.4%	(0.2%)	2.5%	(2.5%)	3.0%			9.4%	93.7%

Top five holdings	Sector
CSL Limited	Healthcare
BHP Limited	Materials
Westpac	Financials
Orora Limited	Materials
Commonwealth Bank	Financials

The top five holdings make up approximately 29.4% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8.0% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure [#]	0 - 20%
Distributions	Half-yearly
Recommended Investment Period	3 + years
Research Rating	Lonsec - Investment Grade Zenith – Approved

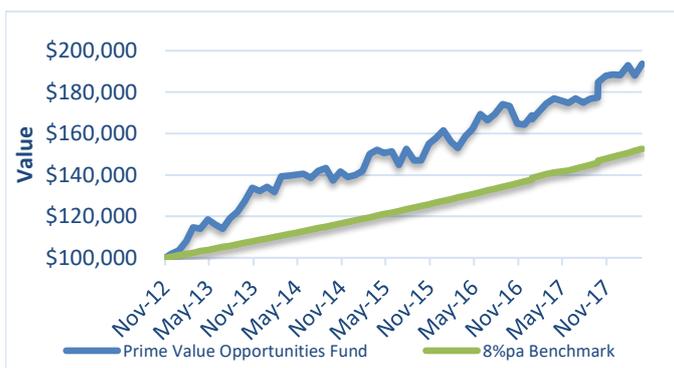
[#] The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



Market review

Global equity markets stabilised in April, posting the first positive month this year. Although the performances across global equity markets were mixed, they came on the back of several notable developments. Tensions surrounding a potential US-China trade war eased following Chinese President Xi's 'reconciliatory tone' against the backdrop of a strong US corporate reporting season. Rising US bond yields drove the US dollar higher, in line with easing trade tensions and political risks. With large moves in the US Dollar, Europe's Stoxx 50 (+5.8%) and Japan's Nikkei (+4.7%) indices rallied as weaker domestic currencies drove export driven sectors. Oil rose 9% to a 4-year high, on expectations the US would reimpose sanctions on Iran.

The Australian share market (as measured by the ASX300 Accumulation Index) rebounded strongly, rising +3.8% to a 7-week high. Higher base metal and oil prices saw the Energy (+10.8%) and Materials (+7.6%) sectors post the best gains. Financials (+0.2%) was the weakest sector, affected by negative sentiment due to the ongoing allegations of misconduct revealed by the Royal Commission, questions over bank-lending standards, and high-profile resignations of senior management.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$193,700 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$152,600 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.6891	\$ 1.6533
Withdrawal price	\$ 1.6763	\$ 1.6407
Distribution (31/12/17)	\$ 0.0200	\$ 0.0197
Indirect Cost Ratio (ICR)	0.95%* p.a.	0.95%* p.a.
Performance fee	15%**	15%**

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
 ** Of performance (net of management fees) above the agreed benchmark, subject to a high water mark

Fund review and strategy

The Fund rose 3.0% in April, and is up by 9.4% for FY18 to date. Overall, performance was good and the Fund recovered the losses from March (-2.5% decline). Drivers of Fund performance were again broad-based, with the larger companies making a significant contribution in April. The leading contributors to April performance were **CSL**, **BHP** and **Treasury Wines**, while the key detractors during the month were **Boral**, **Credit Corp** and **Bingo**.

There was little news of significance for the stocks held within the Fund, with market attention dominated news headlines related to the Banking Royal Commission into the financial services sector. The second round focused on financial advice and had a major impact on stocks in the sector, particularly AMP. The Fund does not have direct exposures to the financial advice market, with our preferred exposure in the diversified financial services sector including insurance broker AUB Group, debt collector Credit Corp and Macquarie Bank.

We have managed to avoid a large number of profit downgrades over the past year, so Boral's downgrade to FY18 earnings expectations, due to the weather-related impact on work in Queensland and the US, was disappointing. We have halved our holding on Boral and are currently deciding whether to fully exit our position, weighing a recovery in Boral's outlook against the other opportunities that we have in our pipeline.

Going forward, we are comfortable with the Fund's strategy. We believe a keen focus on bottom-up analysis and stock selection will provide both capital growth and downside capital protection during periods of equity market volatility. We have an active pipeline of ideas, several of which are stocks which have been sold off due to the market's focus on transient events.

Top contributors (absolute)	Sector
CSL	Health Care
BHP	Materials
Treasury Wines	Consumer Staples
Top detractors (absolute)	Sector
Boral	Materials
Credit Corp	Financials
Bingo	Industrials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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.primevalue.com.au

Mail:

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

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