

Prime Value Opportunities Fund

Fund Update – December 2018



- Global share markets sold off in December, led by the US market. The Australian share market performed extremely well in that context, falling by 0.2%. The mining and defensive sectors were significant contributors
- The Australian share market is trading below its long term average PE ratio of 14.5x and yielding 6% (gross). We believe the market is offering many opportunities for the medium to long term investor
- The Fund fell 1.8% in December. For the year, the Fund fell 2.8% compared to the ASX300 Accumulation Index's -3.1% and the Small Ordinaries Accumulation Index -8.7%

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.3%	8.0%	2.3%
5 Years (p.a.)	6.4%	8.0%	(1.6%)
3 Years (p.a.)	4.3%	8.0%	(3.7%)
1 Year	(2.8%)	8.0%	(10.8%)
3 Months	(11.5%)	2.0%	(13.5%)
1 Month	(1.8%)	0.7%	(2.5%)

* 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). 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.

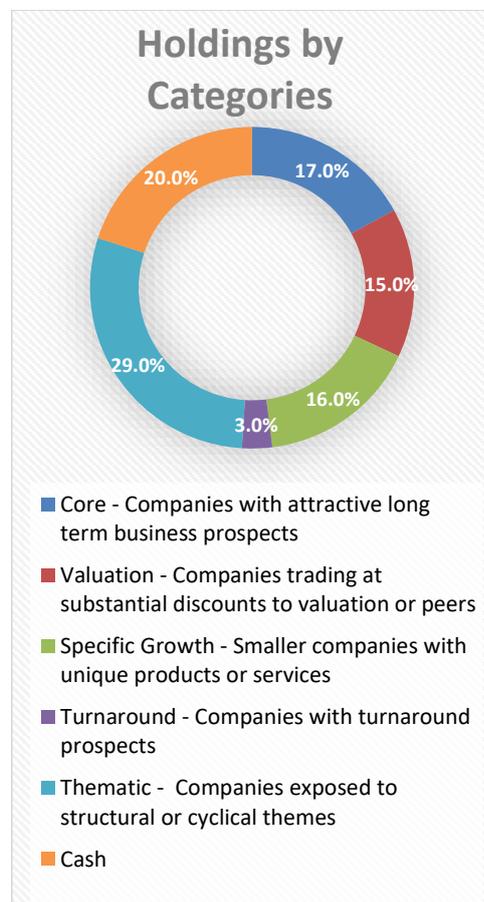
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	2.1%	2.4%	14.3%	102.4%
FY 2019	1.7%	2.6%	(1.9%)	(8.2%)	(1.9%)	(1.8%)							(9.5%)	110.8%

Top five holdings	Sector
BHP	Materials
CSL	Healthcare
Westpac	Financials
Orora	Materials
ANZ	Financials

The top five holdings make up approximately 30.3% 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	Zenith – Recommended Lonsec - Recommended

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

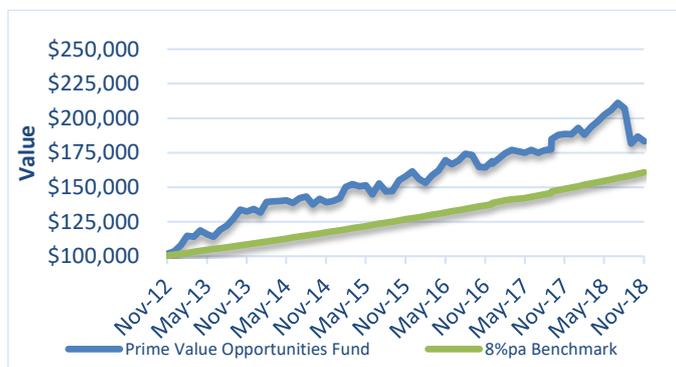


Market review

Global markets fell sharply in December, led by the US share market. Investors had to deal with a number of events during the month including the continued US China trade war and higher US Interest rates. For context, since the US market peaked in September, investors appeared to have priced in every conceivable macro risk. Australia was the best performing major market, falling by a relatively small 0.2%. Global bonds rose significantly, driven primarily by a fall in inflation expectations. The Australian Dollar fell to \$0.7040 against the US Dollar. Oil declined again, while gold continued to rise as investors sought safe havens.

Within Australian stock sectors, Materials (+5.3%), Health Care (+2.9%) and Utilities (+2.9%) outperformed the most, while Telcos (-5.0%), IT (-4.0%) and Financials (-3.1%) underperformed the most.

With the recent pull back, the Australian share market is trading below its long term average PE ratio of 14.5x and yielding 6% (gross). Better valuations and fundamentals that are still robust point toward investment opportunities opening up for longer term investors. Earnings and economies will still expand in 2019, just not at 2018's pace. Perhaps surprising to some, key fundamentals turned quite bullish for risk assets amid the fourth-quarter stock market volatility. In pricing slower growth, the yield on the 10-year US Treasury bond fell from 3.25% to 2.65% and the US Federal Reserve became more dovish, both of which are supportive of higher valuations.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$183,200 (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 \$167,000 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	\$ 1.5120	\$ 1.4822
Withdrawal price	\$ 1.5006	\$ 1.4710
Distribution (31/12/2018)	\$ 0.0300	\$ 0.0290
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 fell 1.8% in December, with fund performance improving from the second half of December and has continued into early January. For the year, the Fund fell 2.8% compared to the ASX300 Accumulation Index decline of 3.1% and the 8.7% fall in the Small Ordinaries Accumulation Index. The Fund's long term performance of double digit returns continues to track well on an absolute basis.

In a year where an estimated 80% of asset classes globally posted negative returns (in US Dollar estimates), the Fund performed relatively better than most. In particular, despite holding a reasonably high proportion of small and mid-cap companies, the Fund performed well compared to the Small Ordinaries Index due to good stock picks, whilst portfolio construction assisted in preserving capital. Through the year, the Fund benefited from having the flexibility to invest across all parts of the stock market. For example, in the last quarter of the year, we reduced the Fund's exposure to smaller companies whilst increasing our cash position. This helped to preserve capital. Just as importantly, the Fund's high cash position sets up significant investment opportunities for the longer term, as valuations have become more attractive following the market declines over the past few months.

Key contributors to fund performance in December were **BHP** (+11.5%), **Evolution Mining** (EVN +17.5%) and **CSL** (CSL +4.4%). Detractors during the month included **ANZ Bank** (ANZ -8.7%), **Collins Foods** (CKF -15.9%) and **Smartgroup** (SIQ -12.7%).

Stock specific news flow was limited and stock price movements were largely dictated by offshore events. Low liquidity further amplified short term price movements. During the month, the Fund benefited from its defensive and gold exposures. BHP continued to perform to our expectations that strong cash flow and balance sheet would enable it to reward shareholders through a return of capital.

We are viewing the current market negative sentiment positively, believing it has led to broadly more attractive valuations. With the Fund's cash position elevated, we are seeing many more opportunities to deploy capital into well-managed and well-priced investments.

Top contributors (absolute)	Sector
BHP	Materials
Evolution Mining	Materials
CSL	Healthcare
Top detractors (absolute)	Sector
ANZ	Financials
Collins Foods	Consumer Discretionary
Smartgroup	Industrials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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