

Prime Value Opportunities Fund

Fund Update – February 2018



- The Australian share market ended February broadly flat, with an early market correction more than offset by a better than expected reporting season
- The Fund outperformed, rising 2.5% in February, to bring the annual Fund return to 12.9%. The performance contribution was broad based – across large and small cap companies - with a large number of holdings reporting positive earnings and dividend growth

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.1%	8.0%	5.2%
5 Years (p.a.)	11.0%	8.0%	3.0%
3 Years (p.a.)	8.7%	8.0%	0.7%
2 Years (p.a.)	12.3%	8.0%	4.3%
1 Year	12.9%	8.0%	4.9%
3 Months	2.7%	1.9%	0.8%
1 Month	2.5%	0.6%	1.9%

* 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). 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%					9.0%	86.0%

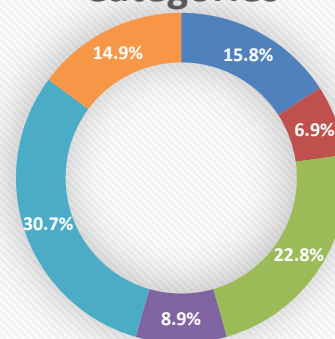
Top five holdings	Sector
BHP Billiton	Materials
CSL Limited	Healthcare
Westpac Banking Corporation	Financials
Commonwealth Bank	Financials
Orora Limited	Materials

The top five holdings make up approximately 30.7% 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%
Distribution	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

Holdings by Categories

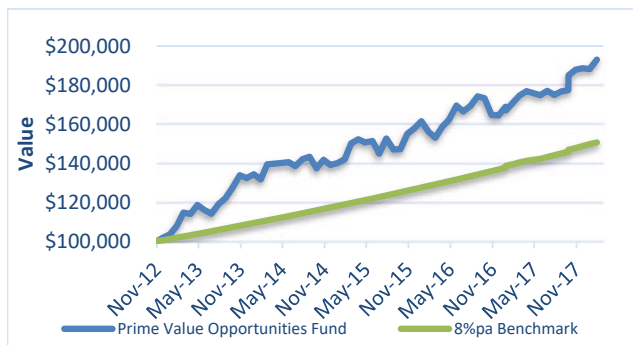


- Core - Companies with attractive long term business prospects
- Valuation - Companies trading at substantial discounts to valuation or peers
- Specific Growth - Smaller companies with unique products or services
- Turnaround - Companies with turnaround prospects
- Thematic - Companies exposed to structural or cyclical themes
- Cash

Market review

Australian equities outperformed global peers in February, with the S&P/ASX 300 Accumulation Index rising 0.3% despite the broader sell-off in global equity markets. The US equity market entered official correction territory before recovering over the month. The pull-back was driven by rising bond yields and concerns about inflationary pressures, against a backdrop of elevated valuations. The Australian dollar fell 3 cents to USD 0.78 despite a rise in bulk commodity prices. Oil prices fell 4.7% to USD 65.78 a barrel (Brent), reflecting a declining market risk appetite. The gold price fell 2% despite increased risk aversion, reflecting increased expectations of US interest rate hikes and US dollar strength.

The domestic reporting season was better than expected, although forecast earnings growth (ex-Resources) remains very moderate relative to expectations for corporate earnings globally. Those higher growth companies which continued to deliver performed very strongly. Health Care was the strongest performing sector over the reporting season, while Consumer Staples also performed well. The major laggards were Telcos, Energy and Utilities. Mid-caps outperformed (+0.9%) large-caps (+0.3%) while small-caps were flat.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$193,000 (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 \$150,600 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	\$ 1.6827	\$ 1.6448
Withdrawal price	\$ 1.6699	\$ 1.6324
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 & strategy

The Fund outperformed during February, rising 2.5% in the month and bringing the annual return to 12.9%. Despite a volatile start to the month, we maintained our positions into the reporting season and were rewarded with a number of strong share price performances including **A2 Milk**, **CSL** and **Nine Entertainment Co**. Detractors to performance during the month were **Ramsay Healthcare**, **CBA** and **Link Administration**.

There were a number of drivers to Fund performance in February, underpinned by a favourable reporting season for our holdings. CSL, which sits in the Fund's "core" category, and Flight Centre, which sit in the Fund's "value" category due to the market focus on the structural decline in "bricks and mortar" travel, both produced excellent results and upgraded guidance for the full year.

Nine Entertainment Co is another company in the Fund's "value" category, due to market concerns about the structural decline in the Free-to-Air TV industry which have led to attractive valuations for investors with a longer-term view. We shunned Nine Entertainment Co when it listed in December 2013 at \$2.05, concerned about declining Free-to-Air viewership which meant a shrinking share of advertising dollars as well as rising content costs. We held these concerns for a long period of time but adjusted our views when industry data suggested that Free-to-Air advertising was stabilising and had the potential to post some growth into 2018. Furthermore, with the Nine Network's viewership improving, market share gains in the TV advertising pool would follow. The combination of attractive valuations and low expectations introduced an attractive opportunity for the Fund to invest in Nine Entertainment Co.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
Nine Entertainment Co	Consumer Discretionary
CSL	Health Care
Top detractors (absolute)	Sector
Ramsay Health Care	Health Care
CBA	Financials
Link Administration	IT
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

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street

Melbourne VIC 3000

Web: www.primevalue.com.au

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Opportunities Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.