

Prime Value Opportunities Fund

Fund Update – February 2019



- Global share markets continued to rebound from the weak December quarter. Australia was one of the best performing markets in February
- Banks, resources and technology related sectors led the Australian share market's strong February performance
- The Fund rose 3.4% in February. The Company Reporting period was a key driver of stock performances during the month. Companies with offshore businesses are performing well but domestically focussed companies face a softer environment

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.2%	8.0%	3.2%
5 Years (p.a.)	7.0%	8.0%	(1.0%)
3 Years (p.a.)	8.5%	8.0%	0.5%
1 Year	1.3%	8.0%	(6.7%)
3 Months	4.7%	1.9%	2.8%
1 Month	3.4%	0.6%	2.8%

* 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.

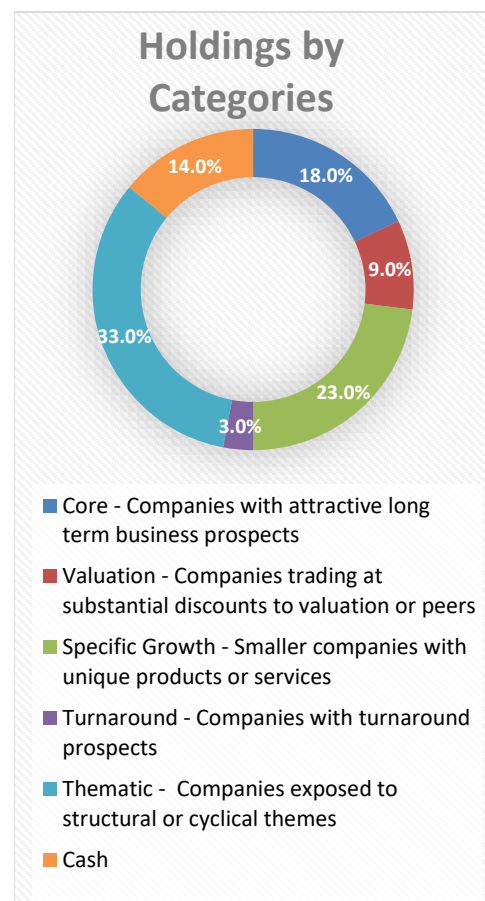
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)	3.2%	3.4%					(3.4%)	95.5%

Top five holdings	Sector
BHP	Materials
CSL	Healthcare
Westpac	Financials
Amcor Limited	Materials
Macquarie Group	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

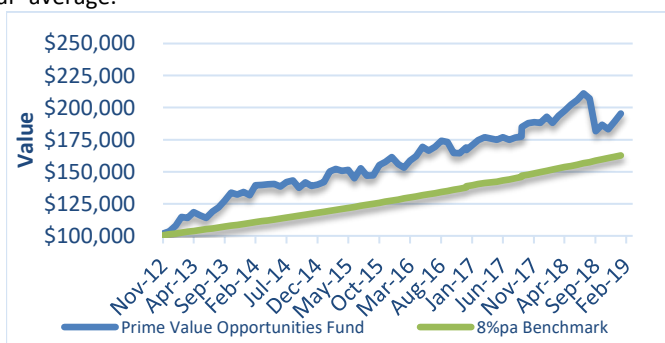
Global markets rallied in February, with Emerging markets up 1.1% and Developed markets up 3.4%. The Australian market rose 6.0% (ASX300 Accumulation Index) and was the best performing major Developed market in local currency terms followed by the Euro Stoxx 50 (+4.4%) and the S&P500 (+3.2%).

Global bonds sold off due to a rise in inflation expectations from higher oil prices. The Australian Dollar fell to \$0.7110 against the US Dollar, driven by the market pricing in a 25 basis point cut from the RBA by early 2020.

Bulk commodity prices were mixed in February, with iron ore up US\$0.50/t to US\$85/t, while thermal coal fell, but hard coking coal rose. Brent oil prices rose US\$4.14/bbl in February to US\$66.03/bbl on falling US inventories. Gold prices fell on a stronger US dollar.

The Australian equity market's 6.0% gain in February backed up the strong January gains to post a cumulative 10.1% return for the first two months of 2019. All sectors posted positive returns in February with the exception of Consumer Staples (-1.5%), whilst the Financials Sector (+9.1%) had its strongest monthly return since October 2011. The Financials sector performance was driven by the Banks, whilst large cap Miners held the fort for the Resources sector.

The Small Ordinaries Accumulation Index rose 6.8% in February. We note that The Small Ordinaries Index is currently trading on a one-year forward PER multiple of 16.8x, an 11% premium to its five-year average.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$195,500 (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 \$162,700 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	\$ 1.5966	\$ 1.5652
Withdrawal price	\$ 1.5846	\$ 1.5534
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 rose 3.4% in February. Fund performance improved from the second half of December last year and has continued into early March. For the 12 months to February 2019, the Fund rose 1.3% whilst the Fund's long term performance of double digit returns continues to track well on an absolute basis.

Four key factors drove the Australian market in February: 1) A significant relief rally in the major banks, following a benign royal commission outcome; 2) Vale, the world's largest iron producer, suffered a significant mining disaster leading to about 5% of global iron ore supply being impacted. Along with tightness in base metal markets. This pushed Resources up +6.3%; 3) The Australian Reporting season was better-than-expected on both reported earnings and forward-looking earnings; and 4) The RBA downgrade their GDP growth forecasts for Australia and made a meaningful change their outlook for the cash rate. The RBA had previously had a hiking bias but in early February suggested that "The probabilities appear to be more evenly balanced" between an interest rate hike and cut.

Whilst the Fund posted positive returns for February, it lagged the ASX300 Accumulation's 6% gain. Key detractors of Fund performance compared to the ASX300 Accumulation Index were underweight positions in both major banks and the resources sector. Several single stock positions were also detractors to performance including CSL and Orora. Both CSL and Orora have been significant positive contributors to fund performance over the past two years.

On single stocks positions, key contributors to fund performance in February were BHP (BHP +6.9%), Cleanaway (CWY +20.2%) and ANZ Bank (ANZ +11.9%). Detractors during the month included Smartgroup (SIQ -18.9%), Bingo (BIN -20.1%) and Nufarm (NUF -16.0%).

In terms of outlook, the Fund's strategy remains consistent – we believe stock-picking will yield superior performance outcomes. We are positioning the portfolio toward quality companies with good growth potential and are working on reducing the number of investments we hold in the portfolio.

Top contributors (absolute)	Sector
BHP	Materials
Cleanaway	Industrials
ANZ Bank	Financials

Top detractors (absolute)	Sector
Smartgroup	Healthcare
Bingo	Industrials
Nufarm	Materials

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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