

Prime Value Opportunities Fund

Fund Update – January 2019



- Global share markets started 2019 strongly following the US Federal Reserve's dovish interest rate guidance
- The Australian share market rose 3.9% in January, albeit lagging its global peers. Small caps outperformed large caps during the month
- The Fund rose 3.2% during the month with a number of holdings posting double digit share price gains

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.8%	8.0%	2.8%
5 Years (p.a.)	7.5%	8.0%	(0.5%)
3 Years (p.a.)	6.6%	8.0%	(1.4%)
1 Year	0.5%	8.0%	(7.5%)
3 Months	(0.6%)	2.0%	(2.6%)
1 Month	3.2%	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.

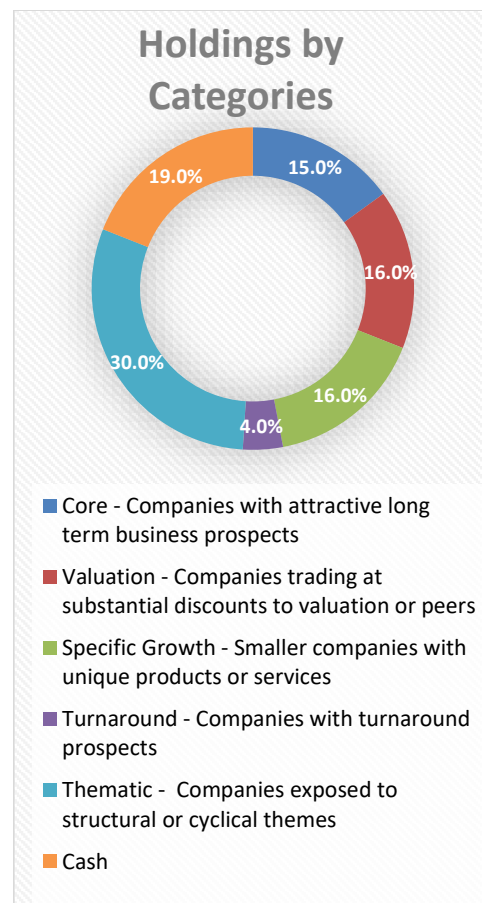
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)	3.2%						(6.6%)	89.1%

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



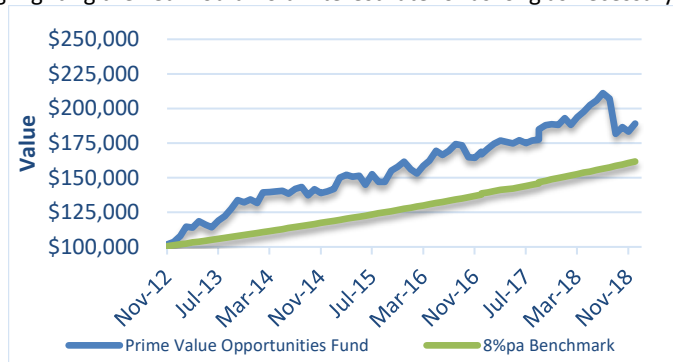
Market review

Share markets had a positive start to 2019 across the world, following a weak close to 2018. January this year proved to be strongest start to a calendar year since 1987. Emerging markets were up 7.2% and whilst Developed markets were up 7.3%. The US S&P 500 Index led gains (+8.0%), followed by the ASX 200 (+3.9%) and the Nikkei 225 (+3.8%).

Global bonds had a volatile month and rallied hard after a dovish Fed commentary. The Australian Dollar rose to 0.7200. Bulk commodity prices were mixed in January, with iron ore up US\$13.0/t to US\$84.5/t following supply disruptions in Brazil. Brent oil prices rose US\$8.09/bbl in January to US\$61.89/bbl on OPEC cuts and US sanctions on Venezuela.

Within the Australian share market, Energy (+11.5%), IT (+9.3%) and Telcos (+7.8%) sectors outperformed, while Financials (-0.2%), Consumer Staples (+2.8%) and Industrials (+3.1%) underperformed the most. Notably, the rise was very broad-based, with only 17% of the ASX 100 Index ending the month lower.

The key to the markets strong performance had been accommodative comments from the US Federal Reserve. The Fed downgraded US economic growth from "strong" to "solid". They also dialled back forward guidance, and "will be patient as it determines what future adjustments" to rates may be appropriate. The statement was more cautious than the market anticipated, highlighting the Fed would hold interest rate for as long as necessary.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$189,100 (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 \$161,700 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	\$ 1.5712	\$ 1.5403
Withdrawal price	\$ 1.5594	\$ 1.5287
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 3.2% in January with fund performance improving from the second half of December and has continued into early February. For the 12 months to January 2019, the Fund rose a marginal 0.5% whilst the Fund's long term performance of double digit returns continues to track well on an absolute basis.

Key contributors to fund performance in January were **Smartgroup** (SIQ +17.8%), **CSL** (CSL +5.2%) and **Macquarie Group** (MQG +7.2%). Detractors during the month included **Resmed** (RMD -17.8%), **Westpac** (WBC -2.0%) and **Commonwealth Bank** (CBA -3.4%).

Portfolio activity was not significant during the month. However, it doesn't mean we were dormant. We initiated positions in four new companies in early February. These investments are in companies from across different industries and invested for their growth potential. We have owned three of these companies in the past and have revisited them on account of better valuations or positive fundamental changes to their outlooks.

Resmed posted a quarterly update during the month, as part of its usual routine of keeping the market informed. The company's quarterly results were lower than the market's expectations leading to a sharp decline to its share price. On our analysis, we believe the softer result was driven by delays to earnings contributions from recent software acquisitions and the conclusion of stronger sales in certain jurisdictions as government incentives lapsed. There was little to suggest that there had been a deterioration in Resmed's core business. Ironically, the negative short term price reaction was in part due to the fact that Resmed has been one of the strongest performing stocks on the ASX over the past two years—Resmed has been a significant contributor to Fund performance over the last two years management. We sold approximately 30% of our holding in Resmed prior to the company's announcement but have not sold down our position any further.

Funds management activity will increase further into the next three months. We expect to meet a large number of companies that will help us understand the extent of the housing slowdown impacting businesses. More importantly we seek out companies that thrive and grow over the next few years, which should lead to shareholder wealth creation.

Top contributors (absolute)	Sector
SmartGroup	Industrials
CSL	Healthcare
Macquarie Group	Financials
Top detractors (absolute)	Sector
Resmed	Healthcare
Westpac	Financials
Commonwealth Bank	Financials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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