

Prime Value Opportunities Fund

Fund Update – January 2018



- Share markets started 2018 on an optimistic note, as global economic growth continues to accelerate
- The Australian market was an exception, as the stronger Australian Dollar and increases in long term government bond yields weighed on selected sectors
- The Fund fell 0.2% in January. The Fund exited NextDC, Webjet and Eclix to fund acquisitions in new positions

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.8%	8.0%	4.8%
5 Years (p.a.)	11.8%	8.0%	3.8%
3 Years (p.a.)	9.8%	8.0%	1.8%
2 Years (p.a.)	9.8%	8.0%	1.8%
1 Year	12.7%	8.0%	4.7%
3 Months	1.8%	2.0%	(0.2%)
1 Month	(0.2%)	0.7%	(0.8%)

* 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.

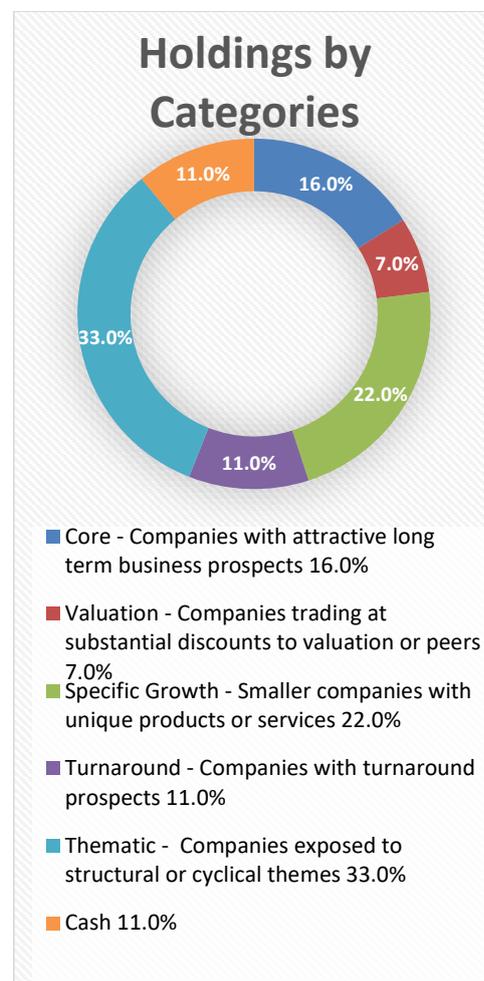
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)						6.2%	83.2%

Top five holdings	Sector
BHP Billiton	Materials
Westpac	Financials
CSL Limited	Health Care
Commonwealth Bank	Financials
Orora Limited	Materials

The top five holdings make up approximately 31.1% 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

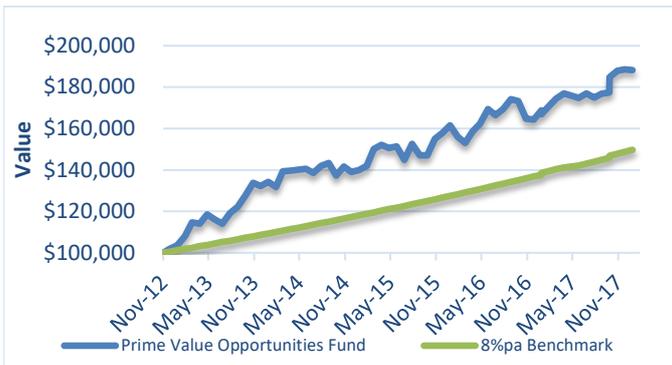


Market review

The Australian share market fell 0.4% in January, underperforming global equity markets which continued to rally. While emerging markets outperformed, the momentum in US equity markets accelerated. A strong fourth quarter reporting period, positive earnings revisions and the benefits of a weakening US dollar were the key drivers. However, by month-end, rising global bond yields were again the central focus. Suffice to say, it was a more challenging month for bond-yield sensitive sectors.

Domestically, the strongest performing sectors were Health Care (+3.2%) and Information Technology (+2.5%). The major underperformers were Utilities (-4.5%), REITs (-3.3%) and Industrials (-2.1%). Mid-caps outperformed (-0.1%) large-caps (-0.4%) and small-caps (-0.5%).

On the economic front, domestic data such as jobs growth, retail sales, and residential approvals was strong. However, December inflation of 1.9% year-on-year was weaker than expected and remains below the RBA's 2-3% target band. US, European and Chinese activity data was also generally strong. The Australian dollar rose 2.8 cents to USD 0.8100, largely reflecting US dollar weakness. Oil prices continued to strengthen, up 3.1% to US\$ 69.05 a barrel (Brent).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$188,250 (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 \$149,720 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	\$ 1.6414	\$ 1.6090
Withdrawal price	\$ 1.6290	\$ 1.5968
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 fell 0.2% in January (after fees), performing marginally better than the S&P/ASX 300 Accumulation Index's 0.4% decline. In absolute terms, the Fund's major contributors to performance were **A2 Milk**, **Reliance Worldwide** and **CSL**. The major detractors were Orora, NextDC and Macquarie Atlas.

Big Data, Artificial Intelligence and Bitcoin — three of the latest buzzwords that have recently caught the media's and the stock market's attention. Whatever your views of these three aspects of technology, there is one thread that's common across all three — they collect and store data from a myriad of sources and require significant amounts of computing power. This is one reason why we seek opportunities in technology infrastructure and have invested in companies such as NextDC, a data centre operator. NextDC has been building data centres in major Australian cities, and has been gradually filling these centres with clients handling ever increasing computing needs. NextDC has reached our valuation target and we recently exited our position as a result. However, we maintain an active watch on this and sectors that help enable growing computing needs.

As we write this update, share markets appear to be undergoing a correction. To put this in context, the US market recorded 12 months of consecutive positive returns in 2017. Hence, a correction will not look unusual. In broad terms, while there are risks relating to policy tightening by global central banks, the outlook for economic and corporate growth remain encouraging. We continue to identify a number of companies that are well positioned to generate strong cash flows from their underlying businesses. We will be looking to use the cash in our portfolios to add to quality companies during periods of market weakness.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
Reliance Worldwide	Industrials
CSL	Health Care

Top detractors (absolute)	Sector
Orora	Materials
NextDC	Information Technology
Macquarie Atlas	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

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.