

Prime Value Opportunities Fund

Fund Update – July 2018



- The Australian share market underperformed global peers in July, with the US and European equity markets rising strongly while Emerging markets lagged
- A good start to the financial year with the Fund up by 1.7% in July
- Stock-specific company events were a key influence on performance

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.4%	8.0%	5.4%
5 Years (p.a.)	11.6%	8.0%	3.6%
3 Years (p.a.)	10.5%	8.0%	2.5%
1 Year	17.6%	8.0%	9.6%
3 Months	6.2%	2.0%	4.2%
1 Month	1.7%	0.7%	1.0%

* 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.

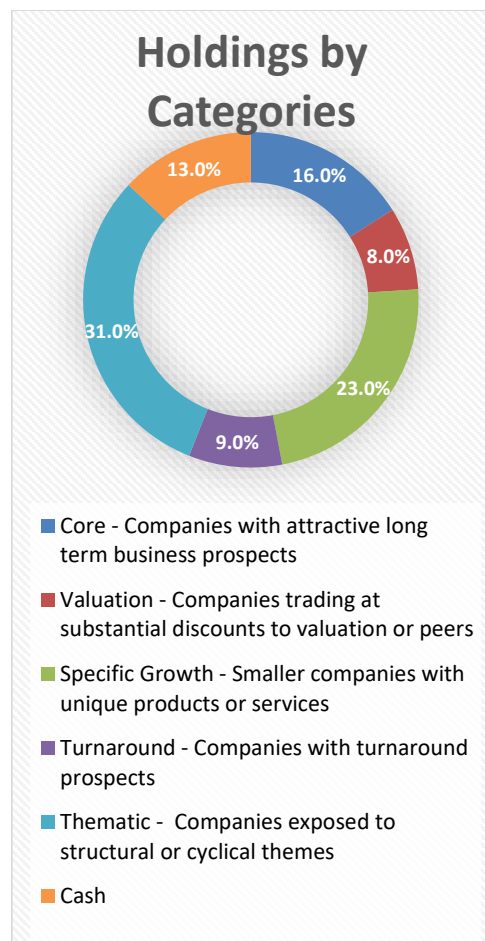
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%												1.7%	105.8%

Top five holdings	Sector
BHP	Materials
CSL	Healthcare
Westpac	Financials
Orora	Materials
Reliance Worldwide	Industrials

The top five holdings make up approximately 31.2% 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 - Investment Grade

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



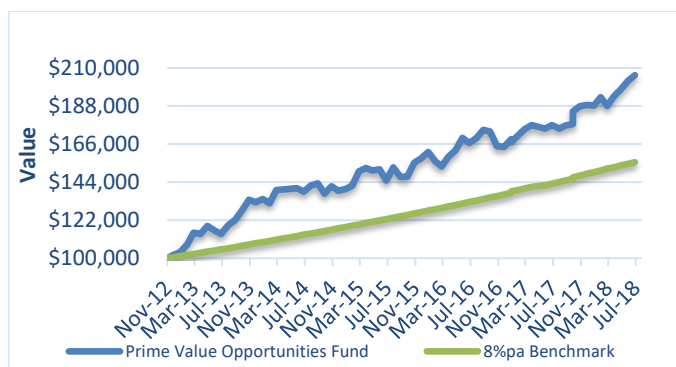
Market review

Equity markets had a strong start to the financial year. The US market rose 3.6% in July, while the European Stoxx600 index was up 3.2%. Emerging markets continued to underperform. The Shanghai Composite Index rose just 1.0%, amid concerns about the potential impact of US tariffs on Chinese imports, and is down 13.0% this year.

Iron ore rose 4.8% but other commodity prices were weaker, mainly due to fears that tariffs would dampen Chinese growth and hence demand for commodities. Copper (-4.9%), nickel (-4.9%) and lead (-10.6%) all fell, while oil (-7.7%) also came under pressure due to expectations of oil higher supply from OPEC producers.

The Australian market underperformed its major global peers, with the S&P/ASX 200 Accumulation Index rising 1.4%. Small companies underperformed, with the Small Ords falling 1.1% while the Top 50 rose 1.6%.

The Telco sector (+7.9%) outperformed, led by Telstra (TLS +8.4%) which recovered somewhat but is still down 21.8% over the year. Industrials (+3.5%), Consumer Discretionary (+2.1%), Healthcare (+2.1%), and Financials (+2.0%) were also strong while Gold (-6.4%) and Utilities (-1.4%) lagged.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$205,800 (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 \$155,500 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	\$ 1.7133	\$ 1.6769
Withdrawal price	\$ 1.7003	\$ 1.6643
Distribution (30/06/2018)	\$ 0.0792	\$ 0.0673
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 1.7% in July, a pleasing start to the new financial year, and it is up 17.6% over the last 12 months. Key contributors to fund performance in July were **Reliance Worldwide, Cleanaway** and **BHP Billiton**. Detractors during the month included **Nine Entertainment, IAG** and **A2 Milk**.

While fund activity was negligible in July, there were some interesting corporate developments affecting our holdings. BHP received a US\$10.8bn bid for its US shale assets from BP. The sale price was higher than expected and allows BHP to exit a low returning business, further reduce debt and underpin future capital returns to shareholders. Shareholder value creation is not limited to merely "growth", and with BHP we believed a renewed focus on the most productive parts of its business, combined with very strong cash flows and rapidly reducing debt, would be positive for shareholder returns. This has been the case.

Nine Entertainment also proposed a merger with media company Fairfax. The rationale for the merger is sound. Both companies have spent considerable amount of effort repositioning from old media to digital, with an emphasis on content. A merged entity will offer larger scope and a stronger platform to compete in an evolving media/telecommunication sector.

Our near term focus will be on the August reporting period. We look for sign posts that help reinforce the investment rationale of our holdings. At the same time, one of the key lessons we have learnt from almost 20 years of investment history is to focus on things that matter: good management teams, strong business models and decent valuations, and not being too focused on the short term.

Top contributors (absolute)	Sector
Reliance Worldwide	Industrials
Cleanaway Waste	Industrials
BHP	Materials
Top detractors (absolute)	Sector
Nine Entertainment	Consumer Discretionary
A2M	Consumer Staples
Insurance Australia	Financials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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