

Prime Value Opportunities Fund

Fund Update – May 2019



- The Australian share market posted a fifth consecutive positive month, despite falls in all other major share markets
- A combination of the surprise election result, significant fall in bond yields and the rise in iron ore prices led to the ASX300 Accumulation Index gaining 1.8% in May
- The Fund rose 0.3% in May, a robust outcome, given the Fund holds a much smaller position in banks and other high-yield blue-chips, and the Small Ordinaries Index which fell 1.2%

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.3%	8.0%	3.3%
5 Years (p.a.)	7.6%	8.0%	(0.4%)
3 Years (p.a.)	6.1%	8.0%	(1.9%)
2 Year	7.5%	8.0%	(0.5%)
1 Year	2.3%	8.0%	(5.7%)
3 Months	3.5%	2.0%	1.5%
1 Month	0.3%	0.7%	(0.3%)

* 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.

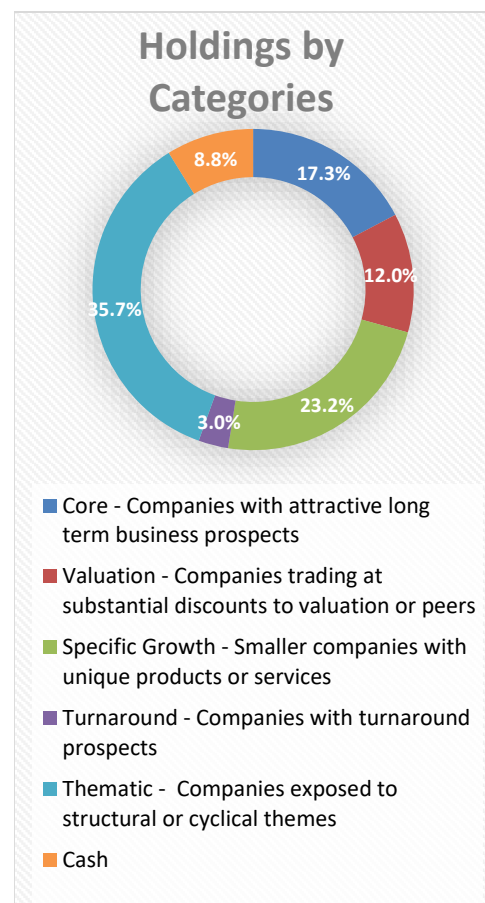
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	0.2%	2.9%	0.3%		(0.4%)	101.6%

Top five holdings	Sector
BHP	Materials
Westpac	Financials
CSL	Health Care
Amcors	Materials
Macquarie Group	Financials

The top five holdings make up approximately 29.8% 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

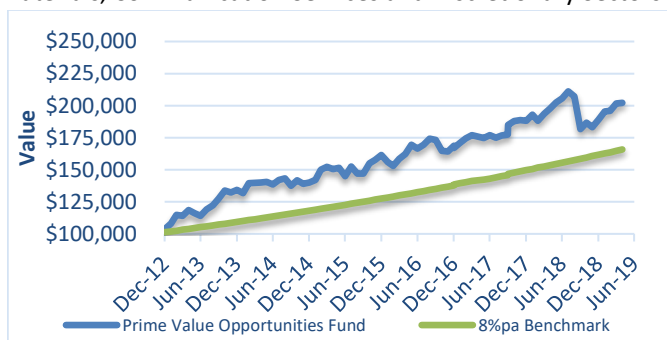


Market review

The ASX300 Accumulation Index closed the month 1.8% higher, while Developed Market and Emerging Markets equity indices fell by 5.7% and 7.2% respectively. The Australian share market benefited from a mid-month rally after the unexpected Federal Election outcome, with the Banks driving returns 9.9% higher. Australian banks received further positive news during the month when APRA proposed to loosen a key lending criteria to mortgage loans. The rotation to Banks and the broader blue chip yield companies and Consumer/Housing cycle plays was short lived within the month, giving back three-quarters of these return into month-end as Australian market was affected by the sentiment of falling global equity returns.

Large caps companies performed better than their small and mid-cap counterparts, whilst the Resources sector performance was mixed across the size-biased indices. The 10 year Australian bond yield fell below the cash rate to 1.46% from 1.79% the previous month. Within the Resources sector, the Metals and Mining companies outperformed its peers due to higher Iron prices, which closed at 9% higher at US\$103.5/t, whilst the Energy sector fell on lower Oil prices, with the Brent oil price closing 11% lower at US\$64.5/bb.

The Australian share market has returned 15.6% so far this year, leading global and regional indices, through strong returns within Materials, Communication Services and Discretionary Sectors.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$202,200 (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 \$165,800 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	\$ 1.6251	\$ 1.5930
Withdrawal price	\$ 1.6127	\$ 1.5810
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 posted robust performance in May gaining 0.3%, with contributions from a range of holdings. Fund performance was below the broader ASX300 Accumulation Index due to the Fund's lower weighting in the banking sector and a higher weighting in small and mid-cap companies. The banking sector accounts for approximately 22.5% of the ASX300 Index, and appreciated 9.9% in May. In comparison, the Fund holds 13.8% in banks. We have opportunistically increased our holdings in banks over the last two months and hence participated in the banks' recent strong performance—however, holding a large position in banks will not be a permanent feature for the Fund as we look to re-deploy our capital to more attractive investment opportunities.

During the month we increased our allocation to banks, consumer and building related companies to position the portfolio for the potential stimulus around the election and a possible interest rate cut, both of which would be positive for the market.

Key contributors during the month included **Evolution Mining** (+21.3%), **Resmed** (+11.2%) and **JB Hi Fi** (+9.0%). Key detractors during the month included **Reliance Worldwide** (-24.8%), **Macquarie Group** (-10.7%) and **Downer** (-9.9%).

Evolution Mining was one of the best performing gold stocks in May and more than recovered its share price decline in the previous month. While the gold price was up just 2% in May, gold stocks saw much larger increase on the back of safe haven demand. Evolution Mining presented at the Macquarie Conference indicating they have a healthy organic growth pipeline, but are also looking for assets in North America.

The Fund's high conviction positions in Amcor, Resmed and Collins Food performed well due to good operational fundamentals and continues to validate the future growth potential of these companies.

Reliance Worldwide announced a disappointing profit downgrade to its FY19 EBITDA to \$260-270m (from \$280-290m) due to: i) lack of a US freeze event; ii) a slowdown in Australia; iii) US retailer destocking; and iv) softer trading conditions in Spain. Tariffs are also a risk, representing a \$10-12m headwind. We continue to hold a position in Reliance Worldwide but are monitoring the company closely.

Top contributors (absolute)	Sector
Evolution Mining	Materials
Resmed	Healthcare
JB Hi Fi	Consumer Discretionary

Top detractors (absolute)	Sector
Reliance Worldwide	Industrials
Macquarie Group	Financials
Downer	Industrials

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

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