

Prime Value Opportunities Fund

Fund Update – November 2018



- A notable softening in the US interest rate strategy resulted in global stocks rallying late in the month
- The Australian share market fell for a third consecutive month, partly attributable to the Australian Dollar which rose 3.3% in November
- The Fund fell 1.9% in November. A high cash position and robust portfolio construction helped limit downside compared to the ASX300 Accumulation's Index's 2.2% decline

| | Total Return* | Benchmark (8% pa) | Value Add |
|------------------------|----------------|----------------------|-----------|
| Since inception (p.a.) | 10.8% | 8.0% | 2.8% |
| 5 Years (p.a.) | 7.1% | 8.0% | (0.9%) |
| 3 Years (p.a.) | 5.8% | 8.0% | (2.2%) |
| 1 Year | (0.7%) | 8.0% | (7.3%) |
| 3 Months | (11.6%) | 1.9% | (13.5%) |
| 1 Month | (1.9%) | 0.6% | (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.

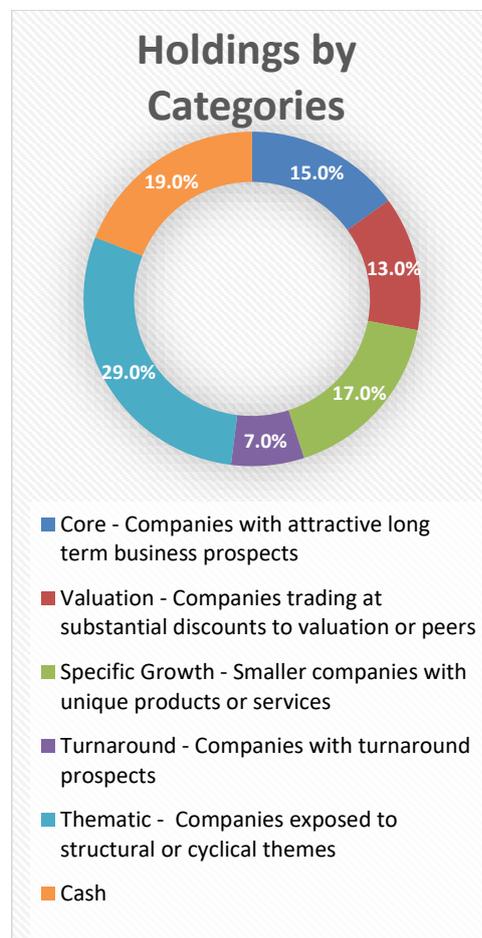
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---------|--------|--------|--------|--------|--------|------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | (0.6%) | 4.0% | (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%) | | | | | | | | (7.7%) | 110.8% |

| Top five holdings | Sector |
|-------------------|------------|
| BHP | Materials |
| CSL | Healthcare |
| Westpac | Financials |
| ANZ | Financials |
| Orora | Materials |

The top five holdings make up approximately 30% 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 share markets performed better in November following declines in previous month. The MSCI All Country World Index rose by 1.3% in November whilst Emerging Markets led the gainers by rising 4.1%. There were no major surprises to emerge from the US Mid-term elections, which proved to be a relief for markets in general. Notably, the US Federal Reserve chairman, Jerome Powell noted that US interest rates 'remained just below the broad range of estimates of the level that would be neutral'. Markets interpreted the comments as positive for interest rates and risk assets. Correspondingly, after selling off in the early part of the month, the US 10 year Treasury bond yield fell 14 basis point over the month to 3.01% (as at end of November).

The Australian market underperformed its peers in major share markets, with the ASX300 Accumulation Index falling 2.2% during the month. The Energy (-10.3%) and Resources (-6.5%) sectors were the key sectors contributing to the weaker Australian market. The Bank sector performed exceeding well, despite three major banks going ex-dividend for the month, to post a 2.5% gain. Comparatively, the Small Ordinaries Accumulation Index performed better than the broader market, declining by 0.4%.

The Australian Dollar emerged as one of the better performing currencies over the month, gaining 3.3% against the US Dollar. Narrowing US Dollar: Australian Dollar interest rate differentials worked in the favour of the Australian Dollar.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$186,600 (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 \$159,600 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 | \$ 1.5432 | \$ 1.5125 |
| Withdrawal price | \$ 1.5316 | \$ 1.5011 |
| 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 fell 1.9% during the month. Holding a high cash position and robust portfolio construction assisted in limiting the downside in November. Despite recent declines, it's pleasing that Fund's long term performance continues to be good in both absolute terms and relative to the broader market.

Key contributors to fund performance in November were fast food chain operator **Collins Foods** (CKF +14.7%), **ANZ Bank** (ANZ +3.4%) and **Sydney Airport** (SYD +5.6%). Detractors during the month included **CSL** (-5.6%), **BHP** (-4.7%) and **Bapcor** (BAP -10.1%).

It's pleasing that we continue to uncover good investment ideas despite the more challenging market conditions. Collins Foods has been one of these successes. Collins Foods' 14.7% share price increase in November came on the back of a 25.9% increase in the reported 1H19 underlying profit after tax to \$219m. The company's KFC Australian business continued to deliver strong results with same store sales growth improving across all states. Looking forward, Collins Foods will build on the strong successes of its initial two Taco Bell stores with another 50 stores planned for the next few years.

We regularly meet with the management of our investee companies, and that of its competitors and peers. These meetings help us understand the industry and companies better, particularly changes that are affecting the company. The work done in the lead up to making an investment in Collins Foods in no different and including visited one of its peers, Restaurant Brands in New Zealand.

On a shorter term note, the recent Australian Dollar strength impacted the share price of holdings such as CSL, Orora and to an extent Bravura and Reliance Worldwide. These companies have substantial offshore operations that are broadly unaffected by short term currency movements.

| Top contributors (absolute) | Sector |
|-----------------------------|------------------------|
| Collins Food | Consumer Discretionary |
| ANZ Bank | Financials |
| Sydney Airport | Industrials |

| Top detractors (absolute) | Sector |
|---------------------------|------------------------|
| CSL | Healthcare |
| BHP | Materials |
| Bapcor | Consumer Discretionary |

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

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