

Prime Value Opportunities Fund

Fund Update – October 2018



- October was a weak month for equity markets. The Australian share market moved in lock step with offshore markets
- Defensive assets, including gold, were preferred, pushing aside company fundamentals
- The Fund posted a -8.2% return for the month of October. We took the opportunity, drawing down on our high cash position, to invest in quality companies trading at attractive prices

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.3%	8.0%	3.3%
5 Years (p.a.)	7.3%	8.0%	(0.7%)
3 Years (p.a.)	7.0%	8.0%	(1.0%)
1 Year	2.9%	8.0%	(5.1%)
3 Months	(7.3%)	2.0%	(9.3%)
1 Month	(8.2%)	0.7%	(8.9%)

* 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.

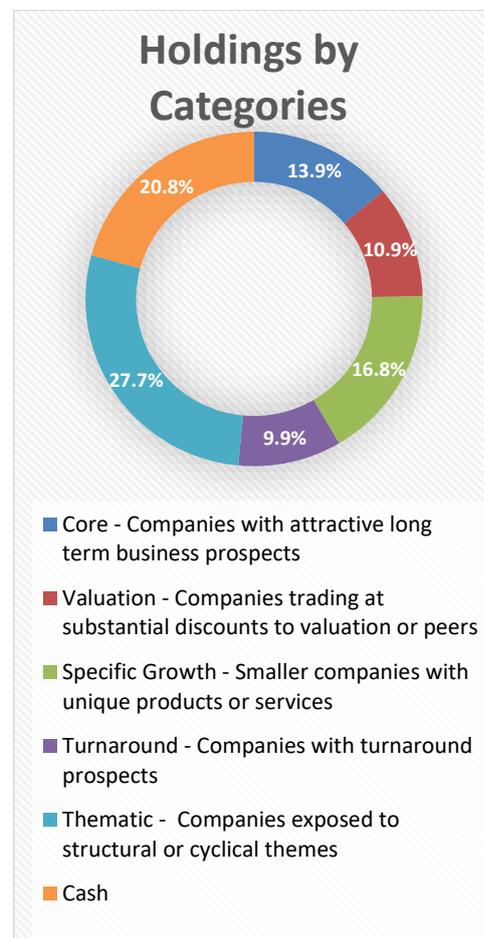
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)									(6.0%)	113.0%

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

The top five holdings make up approximately 28.7% 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 declined, in a difficult month for equities although gains towards the end of the month softened the falls. The Technology sector had the largest falls across all sectors and countries, with Energy not too far behind. The ASX200 Accumulation Index fell 6.1% during the month, in line with the global sell-off, the largest monthly drawdown in over three years. Banks (-132 points) and Resources (-135 points) carried the largest impact to bring the Australian market lower, although Technology was the worst-performing sector. During the month, large caps performed better over small and mid-cap counterparts. The growth sensitive materials, industrials & energy sectors underperformed, while REITs, utilities, consumer staples outperformed. The Australian dollar fell to \$0.7090 on US dollar strength.

The IT (-11.2%), health care (-7.0%) and energy sectors (-10.5%) led declines in the Australian market, while the defensive REITs (-3.1%) and utilities (-4.0%) sectors outperformed. The Australian gold sector also outperformed, recording a 21.8% month on month rise, the largest monthly outperformance since June 2016.

With the sell-off, the broader market is now trading in-line with the long term average of 14.5x. The Industrials ex Financials multiple continues to trade slightly above the long term average at 19.9x, down from the recent high of 22.2x.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$181,700 (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 \$158,600 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	\$ 1.5586	\$ 1.5276
Withdrawal price	\$ 1.5468	\$ 1.5160
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 posted a -8.2% return for the month of October, a period where general market weakness was prevalent across most sectors. Company fundamentals were broadly set aside as the market largely favoured defensives assets, including gold exposure—this is not unusual although it entailed some degree of performance reversion following several of the Fund's holdings strong performance in the preceding months. Key contributors to fund performance in October were packaging company **Orora** (ORA +1.2%), insurance broker **Austbrokers** (AUB +1.1%) and fast food chain operator **Collins Food** (CKF +3.6%). Detractors during the month included **BHP** (-7.0%), salary packaging company **Smartgroup** (SIQ -16.3%) and waste management company **Bingo** (BIN -23.9%).

Through this period of heightened market volatility we raised our cash position to quite a high level (25% at its highest point). We deemed it appropriate to protect our investors capital during such periods. However, we are also coming across opportunities as long term investors. We typically don't seek to time the market (in other words, trade in-out of the market). Having been investing through many business and market cycles, our experience tells us that being patient through market cycles will yield the best returns. It is for this reason we have stayed invested in high quality companies—these companies will weather both market and economic volatility the best and are well positioned in a market recovery. Towards the end of October, we drew down on our cash position to take advantage of opportunities raised by the market volatility.

Market drawdowns are inevitable, but the Fund's cash position remains high. We expect to use this opportunity to invest in attractively priced quality businesses that have emerged as a result of the broad market sell-off.

Top contributors (absolute)	Sector
Orora	Materials
Austbrokers	Financials
Collins Foods	Consumer Discretionary
Top detractors (absolute)	Sector
BHP	Materials
Smartgroup Corporation	Industrials
Bingo Industries	Industrials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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