Prime Value Opportunities Fund
Fund Update – September 2018

- Major share markets were mixed during the month. The Australian share market was a notable laggard with a number of major sectors weaker
- While corporate news were uneventful, it's noteworthy to highlight long term government bond yields increased across many developed economies and oil prices continued to climb
- The Fund posted a -1.9% return for the month of September and returned 2.3% for the September quarter

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**13.1%**	8.0%	5.1%
5 Years (p.a.)	**10.2%**	8.0%	2.2%
3 Years (p.a.)	**12.1%**	8.0%	4.1%
1 Year	**16.7%**	8.0%	8.7%
3 Months	**2.3%**	1.9%	0.4%
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.

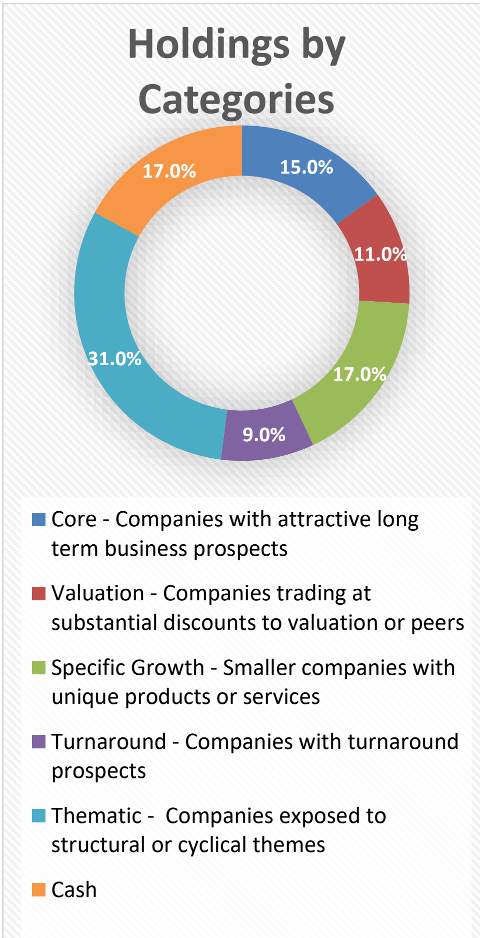
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**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)										**2.4%**	**107.1%**

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

The top five holdings make up approximately 28.0% 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

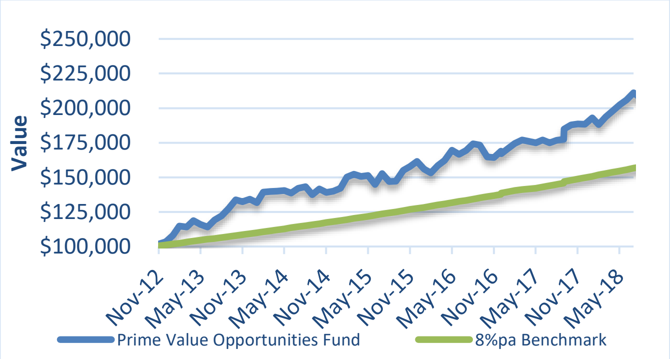


Market review

Global equity markets were mostly positive in September, with the US S&P 500 (+0.4%) reaching fresh highs and Chinese shares (Shanghai Composite +3.4%) outperforming, while European markets (Stoxx 600 -0.6%) were mixed. Key market events included additional US tariffs on Chinese imports, followed by retaliatory action. Chinese authorities also announced stimulus measures to offset emerging weakness in the economy.

As was generally expected, the US Federal Reserve increased interest rates by 25 basis points and the yield on the US 10-year bond rose 20 basis points to 3.06%, a 7-year high. Australian bonds were also weaker, with the 10 year yield rising 15bp to 2.67%. In commodity markets, oil rose 4.9% in anticipation of sanctions against Iran which will reduce global oil production. Iron ore (+3.7%) and copper (+4.7%) were also stronger. The Australian dollar rose 0.4% to US$ 0.7218 over the month.

The Australian market (ASX200 -1.8%) was one of the worst performers, with the increases in the Energy (+4.0%) and Materials (+2.7%) sectors more than offset by falls in the Healthcare (-8.4%) and Consumer Discretionary (-4.7%) sectors. The banks (-1.9%) continued to come under pressure amidst the ongoing Royal Commission and softening property prices. Small companies (-0.9%) continued to outperform the Top 50 companies (-1.9%).



This graph shows how $100,000 invested at the Fund's Inception has increased to $207,100 (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 $157,500 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	$ 1.7247	$ 1.6897
Withdrawal price	$ 1.7117	$ 1.6769
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 -1.9% return for the month of September and 2.3% for the September quarter. The fund rose 16.7% over the year. While there was some weakness towards the end of the quarter, we are pleased with the overall Fund performance generating returns in excess of its 8% p.a. objective and the ASX300 Accumulation Index.

Key contributors to fund performance in September were industrial equipment supplier **Seven Group** (SVW +9.5%), software company **Bravura** (BVS +5.3%) and auto parts supplier **Bapcor** (+3.0%). Detractors during the month included **CSL** (-11.0%), **ANZ** (-4.5%) and packaging company **Orora** (ORA-4.1%).

The surge in the price of oil has been topical in the recent month—the price at the bowser has risen significantly and is now getting widespread media attention—which tells us that it's starting to affect household budgets at a time when the wealth effect from softening house prices would detract from consumer spending. This is another reason why we are cautious on companies with exposure to discretionary spending.

While we don't take investment positions on commodity prices, we have a long-held view that oil is a later stage commodity. In other words, demand for oil generally picks up and remains quite strong as the economic cycle strengthens. This view appears to play out in the current cycle. However, what strikes us is that energy sector capital expenditures have been flat or declining since 2010. It seems a matter of time before energy companies increase their capital investments to meet the mounting demand for oil. Leading global engineering company WorleyParsons (WOR) should be well positioned to grow future revenues on the back of this scenario and this is one reason why we hold WorleyParsons.

Top contributors (absolute)	Sector
Seven Group	Industrials
Bapcor	Consumer Discretionary
Bravura	Information Technology

Top detractors (absolute)	Sector
CSL	Health Care
ANZ	Financials
Orora	Materials

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

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