Prime Value Growth Fund
Fund Update – December 2019

- Global equity markets enjoyed a strong end to the year as trade tensions between China and US eased as a result of a progress in negotiations
- The ASX300 Accumulation Index ended the year on a soft note, down 2.0%, weighed down by banks
- The Fund fell 2.9% during the month. For the 2019 calendar year, the Fund posted a return of 11.8%

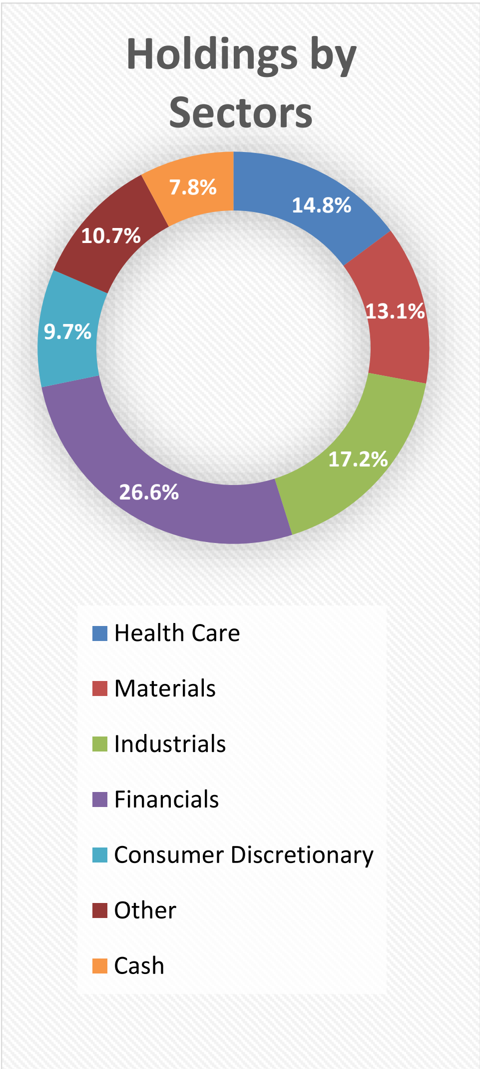
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.9%**	8.5%	2.4%
5 Years (p.a.)	**3.4%**	9.1%	(5.7%)
3 Years (p.a.)	**4.5%**	10.3%	(5.8%)
1 Year	**11.8%**	23.8%	(12.0%)
3 Months	**(0.7%)**	0.7%	(1.4%)
1 Month	**(2.9%)**	(2.0%)	(0.9%)

*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) standards. 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.

Top five holdings	Sector
Commonwealth	Financials
BHP	Materials
CSL	Health Care
Macquarie Group	Financials
Qantas Airways	Industrials

The top five holdings make up approximately 36.1% of the portfolio

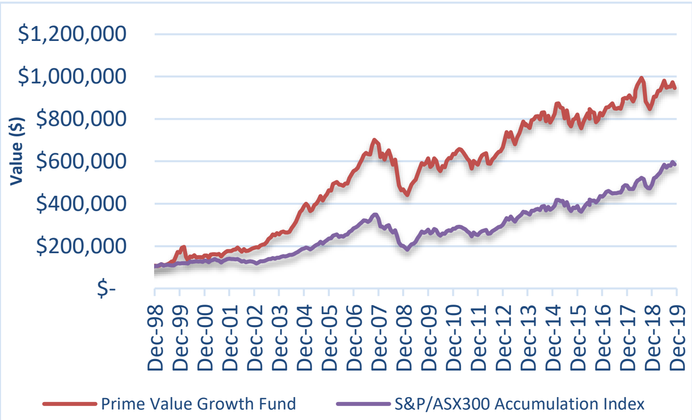
Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Recommended Investment Period	3 + years



Market review

Global equity markets enjoyed a strong end to the year with the MSCI World Index gaining +2.7% in December, taking 2019 gains to +26%, the best year since 2013. The US S&P500 Index was one of the best performing indices, returning +3.0% with the market boosted by the US and China intention to sign a phase one trade deal. This led to optimism that additional increases in tariffs will be averted. We caution that, details are yet to be worked out, and a re-escalation is possible given the volatile feature of Trump's administration and their posturing for re-election in late 2020. Europe's Stoxx50 and Japan's Nikkei indices gained +1.2% and +1.7% respectively. The UK's FTSE100 Index had a strong month gaining +2.8%, boosted by the Conservatives landslide victory in December. We hope this will lead to a sensible resolution to the UK's Brexit situation.

The Australian share market ended 2019 on a soft note, with the ASX300 Accumulation Index falling 2.0% in December, after a strong performance through 2019. Similar to other markets, the share market rally over 2019 made up for losses in 2018 when markets were heavily sold down due to concerns of interest rate hikes against a backdrop of softening economic growth. During this window of 'weakness' the US Federal Reserve subsequently abandoned its rate hike agenda and delivered three 0.25% rate cuts over 2019. Similarly, the RBA also moved to cut interest rates three times in Australia. The market in December was weighed down by weakness primarily in the Financials and Consumer Staples sectors. The IT sector also came under pressure shedding -4%, with Wisetech falling -14% following yet another research firm questioning the company's accounting practices. The Small Ordinaries Accumulation Index fell by a small 0.3%, unencumbered by the declines of larger financial stocks.



This graph shows how $100,000 invested at the Fund's inception has increased to $945,900 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a $100,000 investment would have increased to $585,400 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$1.7260	$1.7130
Withdrawal price	$1.7190	$1.7060
Distribution (31/12/2019)	$ 0.1000	$ 0.1003
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
** Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review and strategy

The Fund posted a decline of 2.9% in December. For the 2019 calendar year, the Fund was up 11.8%. The Fund enjoyed a strong start to the year, although performance lagged that of the broader market due to an underweight position in the large cap banking sector that rallied strongly as the RBA cut interest rates and on an unexpected Federal election outcome.

Fund performance during the second of 2019 was more subdued in an absolute sense. Whilst the Fund performed broadly in line with the market during the second half of 2019, some performance was offset by a market rotation, away from secular growth towards value and cyclical stocks. We expect global growth to remain subdued 2020 and believe quality growth companies will deliver longer-term outperformance. The Fund maintains a large position in small and mid-cap growth companies.

The top contributors to Fund performance during the month were **Australian Finance Group** (+9.6%), **BHP** (+1.8%) and **Service Stream** (+7.7%). Detractors to fund performance included **AMA** (-27.8%), **Collins Food** (-13.5%) and **Goodman Group** (-9.8%).

Service Stream's subsidiary, Comdain Infrastructure, through a JV consortium, was awarded its largest contract to date—a 10-year asset services contract by Sydney Water initially estimated to contribute $60m revenue per annum for Service Stream. This award demonstrates the underlying growth levers of Service Stream which offset lower NBN activations over the next few years. We believe Service Stream is well positioned to diversify away from its historical focus on NBN related contracts to more sustainable, long dated work and other growth infrastructure services: Australia houses ageing national infrastructure assets that requires regular maintenance. The NBN has grown substantially, with the focus shifting to maintaining the network as opposed to expanding the network. Finally, the commercial telecom networks will be spending billions in the next few years as 5G expenditure ramp up.

Collins Food reported a solid first half 2020 results in late November—the company reported good growth in KFC Australia, which offset weaker earnings in KFC Europe and start-up losses in Taco Bell. We note that while KFC Europe earnings declined for a second consecutive half, Germany's sales performance provides optimism for improvement in the Netherlands. Finally, the Taco Bell store rollout opportunity, which is at a very early stage, remains very compelling

Top Contributors (Absolute)	Sector
Australian Finance Group	Financials
BHP	Materials
Service Stream	Industrials
Top Detractors (Absolute)	**Sector**
AMA	Industrials
Goodman Group	Real Estate
Collins Food	Consumer Discretionary

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

Contact details:
Brittany Shazell, Dora Grieve, Julie Abbott, Riza Crisostomo, Serena Shi & Daizi Zheng
Client Services Team
Phone: 03 9098 8088
Email: info@primevalue.com.au
Web: www.primevalue.com.au

Mail:
Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000