Prime Value Growth Fund
Fund Update – January 2020

- First stage progress in US-China trade negotiations boosted share markets, before selling off on concerns on the coronavirus outbreak
- The Australian share market reached new highs in January, breaching 7000 points during the month
- The Fund gained 4.4% during the month, with healthcare companies the main contributors to performance

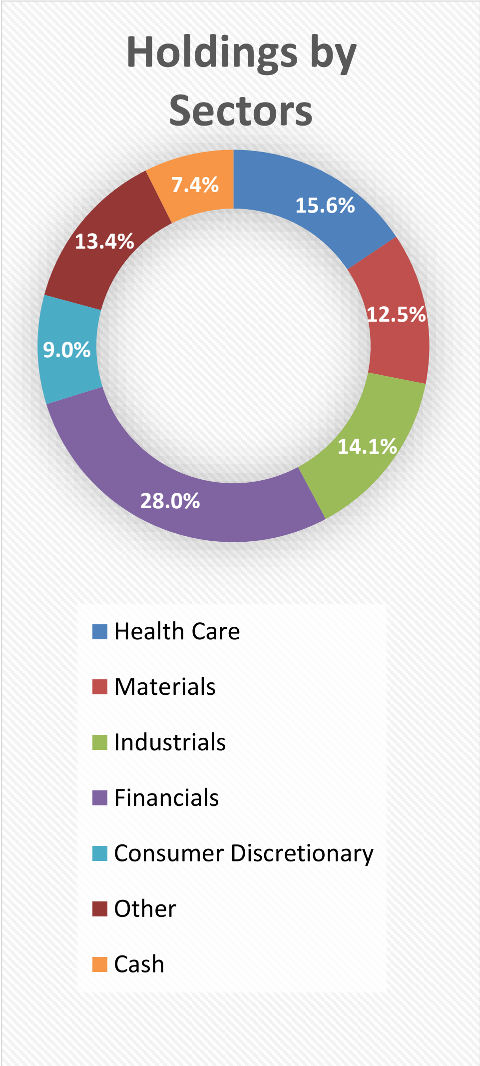
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**11.1%**	8.7%	2.4%
5 Years (p.a.)	**3.7%**	9.4%	(5.7%)
3 Years (p.a.)	**6.5%**	12.4%	(5.9%)
1 Year	**13.1%**	25.0%	(11.9%)
3 Months	**3.7%**	6.0%	(2.3%)
1 Month	**4.4%**	4.9%	(0.5%)

*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) 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
ANZ	Financials

The top five holdings make up approximately 37.5% 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



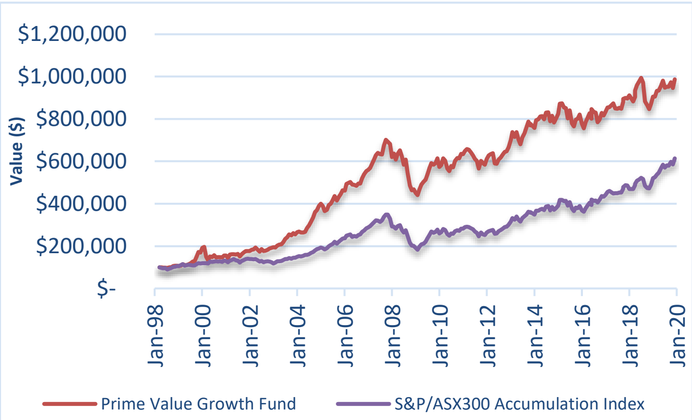
Market review

Share markets initially rallied hard through most of January following on from positive US-China trade progress, before selling off sharply on coronavirus fears. Emerging markets underperformed Developed markets sharply. Among global Developed Market sectors, Utilities, IT and REITs outperformed, while Energy, Materials and Financials underperformed the most. The Australian Dollar was the weakest performing G10 currency, falling 3.4c on the month to US$0.669 against the US Dollar. Global bond yields fell sharply on coronavirus contagion fears, with Australian 10 year bond yields declining 42 basis points to 0.95%.

Bulk commodity prices were mixed in January. Iron ore fell US$7.06/t to US$84.94/t, but both thermal and metallurgical coal prices rose. Brent crude declined US$7.84/bbl to US$58.16/bbl, the lowest in over a year. Gold prices rose US$69.45/oz to US$1,584.20/oz, near the highest since 2013.

President Donald Trump and China's Vice Premier Liu He signed the US-China Phase One trade deal on January 16. The deal included increasing China's imports of US goods and services by more than US$200bn over two years, a suspension of tariffs on US$160bn in Chinese goods and a halving to 7.5% of tariffs on US$120bn in US imports from China.

Despite crisis induced volatility seen both domestically and abroad, the ASX300 Index reached a new historical high in January at 7087. The broad benchmark posted a somewhat surprising 4.9% return (notwithstanding some retracement to end the month). Large Caps were preferred over Small Caps in January at the headline, and within the subcomponents, with Industrials outperforming Resources across all size biased indices. By sector, Health Care (+12.0%), IT (+11.1%) and Consumer Staples (+8.2%) outperformed in Australia, while Utilities (+0.6%), Energy (+0.7%) and Materials (+1.8%) underperformed the most.



This graph shows how $100,000 invested at the Fund's inception has increased to $987700 (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	$1.8022	$1.7951
Withdrawal price	$1.7886	$1.7815
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 gain of 4.4% in January. The top contributors to Fund performance during the month were **CSL** (+13.2%), **Resmed** (+14.4%) and **Commonwealth Bank** (+6.7%). Detractors to fund performance included **Downer** (-9.3%), **Qantas** (-9.8%) and **Webjet** (-9.7%).

Resmed, a global medical device maker for the sleep apnoea market, reported another quarter of double-digit revenue growth. Benefitting from a number of masks launched in the past 15 months, Resmed reported well balanced growth in the US and in major markets outside of the US. Just as important, Resmed's efforts to ensure patients are adequately supplied with consumables such as masks through a step up in the re-supply chain is also giving the company a market advantage.

Downer had a short term setback, reporting an impact from project underperformance, lower revenues in Engineering and construction due to a smaller pipeline of work, and $10m impact from restructure costs (redundancies) as the company repositions its construction efforts. Whilst disappointing, Downer's transition to a lower risk services company, from a contact led company, will result in a better quality company which investors will be willing to attribute better value.

Unfortunately travel related companies Qantas and Webjet has been affected by the travel ban surrounding the outbreak of Coronavirus in China. We continue to monitor the situation. Neither Qantas nor Webjet have large exposures to the China market but both their share prices have been caught up in the impact of the Coronavirus. It's reasonable to expect some short term disruption to travel patterns, and affect profits at the margin, but we do not believe their core operations are affected. Our holdings in IDP Education, a provider of English language testing student placement services, has also been impact where share price is concerned. We note that IDP Education's share price has recovered strongly after reporting profit growth for the first half of FY20. Management has commented the business remains resilient due to the diversity of its customers, with measures taken to offset disruptions. We continue to hold Qantas, Webjet and IDP Education as we believe the operations of these companies are strong, and will ride over these transient events.

Top Contributors (Absolute)	Sector
CSL	Health Care
Commonwealth Bank	Financials
Resmed	Health Care
Top Detractors (Absolute)	**Sector**
Qantas	Industrials
Webjet	Consumer Discretionary
Downer	Industrials

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