Prime Value Growth Fund
Fund Update – November 2019

- Equity markets had a solid month in November driven by optimism of a US-China trade deal and potentially further monetary policy easing in 2020 by the Reserve Bank of Australia
- Defensive sectors continued to perform well within the Australian market
- The Fund rose 2.2% during the month. Contributions from CSL, Qantas and EML Payments offset detractors from banks

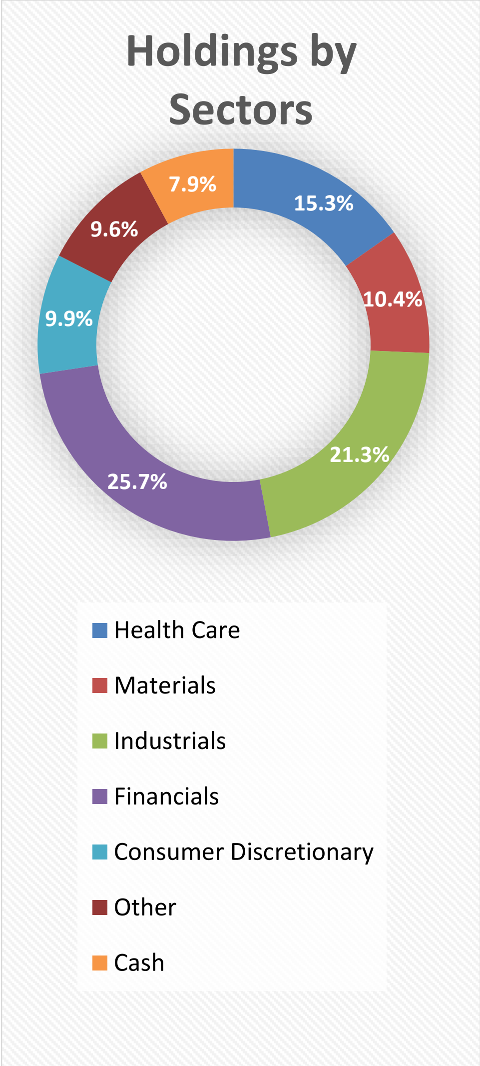
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**11.1%**	8.6%	2.5%
5 Years (p.a.)	**4.5%**	10.0%	(5.5%)
3 Years (p.a.)	**6.9%**	12.7%	(5.8%)
1 Year	**12.7%**	26.0%	(13.3%)
3 Months	**2.7%**	4.8%	(2.1%)
1 Month	**2.3%**	3.2%	(0.9%)

*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
CSL	Health Care
BHP	Materials
Qantas Airways	Industrials
Macquarie Group	Financials

The top five holdings make up approximately 35.7% 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



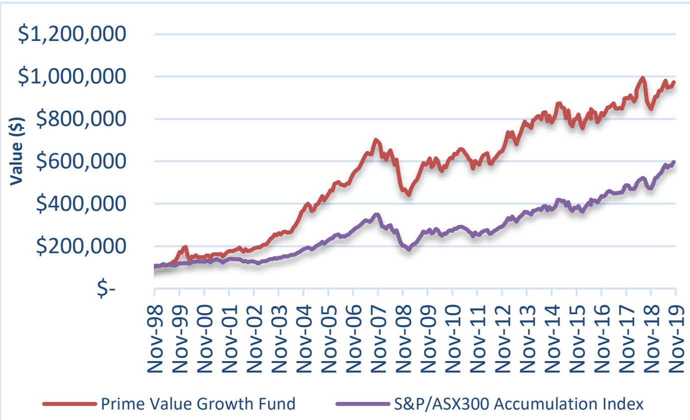
Market review

Global markets rallied in November. Developed markets rose 3.2% in local currency terms, while emerging markets lagged, with a rise of only 0.6%. By index, the S&P500 Index led markets, with a total return of 3.6%, followed by the ASX300 Accumulation Index (+3.2%) and Euro Stoxx 50 Index (+2.8%). The main focus of markets this month was the ongoing trade dispute between the US and China. Early in the month, China raised hopes a deal could be reached to end the trade war after the US agreed to roll back some tariffs. However, the following day, US President Donald Trump announced he was yet to agree to a tariff roll back.

Bulk commodity prices were mixed in November, with iron ore up US$4.0/t to US$87.0/t, but both thermal and hard coking coal fell. Brent oil prices ended the month up US$2.20/bbl to US$62.43/bbl. Gold prices fell $50.80/oz to $1,460.14/oz on the rise of the USD, reduced trade war risks and tentative signs of a recovery in global growth

The ASX300 Accumulation Index rose 3.2%. By sector, IT (+11.0%), Health Care (+8.2%) and Consumer Staples (+8.2%) led the rise in Australia, while Financials (-2.0%), Utilities (-0.6%) and REITS (+2.3%) underperformed the most.

Defensives sectors continued to perform strongly. After Technology, and Health Care, Consumer Staples (+8.1%) continued to outperform in a rising market despite high valuations. In Health care, CSL (+10.7%) and Cochlear (+10.6%) were key contributors to the rise. For Consumer Staples, the key positive contributors to the sector outperformance were A2 Milk (+22.7%) and Coca-Cola (+12.1%). Banks lagged. Except for CBA (+2.7%) all the banks in the ASX 100 posted a negative total return in November, with 4 of the 5 worst performers being banks (WBC -10.2%, BOQ -10.1%, NAB -6.6%, BEN -5.8%).



This graph shows how $100,000 invested at the Fund's inception has increased to $974,100 (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 $597,100 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	$1.8495	$1.8424
Withdrawal price	$1.8355	$1.8284
Distribution (30/06/2019)	$ 0.1061	$ 0.1074
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 2.2% in November, underperforming the ASX300 Accumulation Index's 3.2% rise. CSL (+10.7%), Qantas (13.9%) and EML Payments (+19.7%) were key contributors to fund performance this month. The Fund's holdings in banks, ANZ (-7.1%) and Westpac (-13.1%), and Smartgroup (-20.7%) were key detractors.

Smartgroup fell heavily after its long serving CEO resigned. Whilst the business remains robust and highly cash generative, we intend to re-assess our investment in Smartgroup following the leadership change.

Getting macro calls right is difficult. Although there's another month to go, we look to close 2019 on a strong note. This year has been exceptional. No one would have predicted the Australian share market would be one of the best performing share markets globally this year—it's another reminder of the follies of trying to predict where markets land. Few have successfully and consistently been able to do so.

Bottom up approach with a focus on company fundamentals. Fund performance this year had been strongly supported by our healthcare investments into companies such as CSL, Fisher & Paykel Healthcare and Resmed. All three companies operate on a global scale and are subject to significant competitive pressures. Their share price appreciation this year truly reflects some of the characteristics we look for: strong businesses that are led by great management teams, with the ability to compound earnings growth. Having benefitted from the strong price appreciation this year, we do not expect a similar share price trajectory in 2020. We will, at some point next year, start to reduce our positions, or may even exit certain positions as opportunities turn up.

In the small/mid cap space, where the Fund has a 45% exposure, Collins Food, Credit Corp and City Chic have been standout performers this year. All three companies appreciated over 50% through the year.

On the downside, the banks have been a disappointing contributor to performance, particular in the past six months. The Fund currently holds 12% in commercial banks, less than half of banks' weighting in the main stock market indices.

Preparing for new opportunities. Turning to 2020, we are preparing for new opportunities to emerge. Share markets have been somewhat benign for past six months, hence we won't be surprised if markets trade somewhat choppier over the next six months. We intend to take advantage of sell downs to opportunistically invest in high quality companies at attractive/lower prices.

We believe share markets have the potential to do reasonably well in 2020: interest rates are poised to stay low (some would say lower). The prospect of fiscal policy and a potential upswing in the global economy could be key factors for a positive environment for equity markets

Top Contributors (Absolute)	Sector
CSL	Healthcare
QAN	Industrials
EML	Information Technology
Top Detractors (Absolute)	**Sector**
Westpac	Financials
ANZ	Financials
SIQ	Industrials

Platforms

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

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