

Prime Value Emerging Opportunities Fund Update – April 2017



- Global share markets, including Australia, were marginally higher in April due to US corporate earnings and positive sentiments from the French presidential election
- Australian resources companies had a poor month as commodity prices fell. However, industrials, healthcare and utility companies' performance more than offset declines in the resources sector
- The Fund fell 1.8% for the month. There were no discernible trends or themes affecting our holdings in April with performances of the Fund holdings mixed

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.0%	8.0%	2.0%
1 Year	4.4%	8.0%	(3.6%)
3 Months	(1.6%)	2.0%	(3.6%)
1 Month	(1.8%)	0.6%	(2.4%)

* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

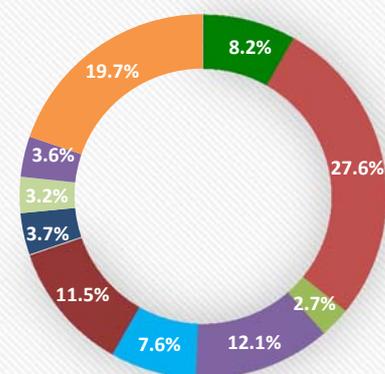
The Prime Value Emerging Opportunities Fund is a concentrated portfolio of companies with a market capitalisation of less than \$500 million at the time of first purchase by the Fund. The Fund may hold up to 30% in previously held companies which have grown their market cap above \$500m. Investors should be aware there may be greater price volatility with an investment in the small and micro-cap sector, than with larger companies.

Top five holdings	Sector
Nick Scali	Consumer Discretionary
Service Stream	Industrials
National Veterinary Care	Healthcare
Beacon Lighting Group	Consumer Discretionary
Skydive the Beach Group	Consumer Discretionary

* The top five holdings make up approximately 21.6% 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% pa
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 20%
Unlisted Exposure	0 – 20%
International Exposure	0 – 10%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	12.1%

Holdings by Sectors



Financials	8.2%
Consumer Discretionary	27.6%
Consumer Staples	2.7%
Industrials	12.1%
Health Care	7.6%
Information Technology	11.5%
Utilities	3.7%
Materials	3.2%
Real Estate	3.6%
Cash	19.7%

Market review

The Australian share market rose 1% in April, but underperformed major global equity indices. Equity markets were generally lower during the first half of the month, weighed down by a combination of a lack of Trump policy progress, softer US economic data, rising geopolitical tensions and the upcoming French Presidential elections. However, sentiment turned positive mid-month on the French election outcome, a positive US earnings season and the end-of-month unveiling of Trump's much anticipated tax reform proposals.

Domestic economic data, such as the rate of unemployment was generally stronger than expected. House prices kept climbing, with the CoreLogic-RP Data price index up 12.9% year-on-year to March. The Australian dollar dropped 1.5 cents to USD0.748, weighed down by the falling iron ore price. There was significant divergence in sector performance during the month with the mining and metals sub-sectors underperforming on falling commodity prices, whilst the telecommunication sector was the clear underperformer, following TPG's announcement that it would build Australia's fourth mobile network. The standout sectors were industrials (+4.1%) and health care (+3.4%). Mid-caps (+1.7%) outperformed large caps (+1%), with small-caps once again underperforming (-0.2%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$116,190 (net of fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$112,720 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$ 1.1877
Withdrawal price	\$ 1.1783
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%** p.a.
* Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC ** of performance (net of management fees) above the agreed benchmark, subject to positive performance	

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Fund review & strategy

The Fund fell 1.8% in April with **National Veterinary Care**, **Sky Dive the Beach** and **BWX** key positive contributors to the April performance. Declines in **GTN**, **Cabcharge** and **Motorcycle Holdings** detracted from performance during the month.

We highlight three key features of the Fund that investors should be aware of:

- First, the weighted average market capitalisation of the portfolio is currently \$264m – the majority of our investments are profitable, and at the larger end of the market capitalisation spectrum.
- Second, the portfolio has a small (4%) exposure to the resource sector, via a mining company and a mining services company. The Fund's relatively small exposure to the resource sector is a key reason for the Fund's robust performance over the past few months, compared to the broader emerging companies sector. Whilst we make macro observations of the economy and of the market environment, we do not make investment decisions based on macro predictions. For this reason, the Fund holds a relatively small exposure to the resource sector. With more than 1,000 companies listed with a market capitalisation of below \$500m, there are many quality companies to choose from which enables us to build a well-diversified portfolio.
- Third, we invest in each of our 32 holdings currently in the portfolio without referencing a stock market index. Each company is selected on the basis of the quality of its balance sheet and management, even before considering the earnings profile of the company. We believe it's critical to invest in companies with good capital structure and management—without these two factors, any prospect of sustainable growth will prove to be fleeting. Each of our top five holdings: **Nick Scali**, **Service Stream**, **National Veterinary Care**, **Beacon Lighting** and **Sky Dive the Beach** have that commonality of strong balance sheets and good management to drive future earnings.

Top contributors (absolute)	Sector
National Veterinary Care	Healthcare
Skydive the Beach	Consumer Discretionary
Beacon Lighting	Consumer Discretionary
Top detractors (absolute)	Sector
Netcomm Wireless	IT
Service Stream	Industrials
GR Engineering	Materials

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