

Prime Value Emerging Opportunities Fund Update – August 2016



- The Prime Value Emerging Opportunities Fund invests in companies in the diversified emerging companies sector
- Fund performance continues to be strong, up 2.9% for the month. Since inception (Oct 2015), the Fund has returned 25.2%
- A number of our investments rallied after reporting good results including Helloworld (+36.5%), and retailers Nick Skali (23.3%) and Beacon Lighting (+21.4%)

	Total Return*	Benchmark (8% pa)	S&P/ASX Emerging Companies Accum Index
Since inception	25.2%	7.2%	29.9%
6 Months	18.9%	4.0%	27.8%
3 Months	9.9%	2.0%	9.3%
1 Month	2.5%	0.7%	-3.2%

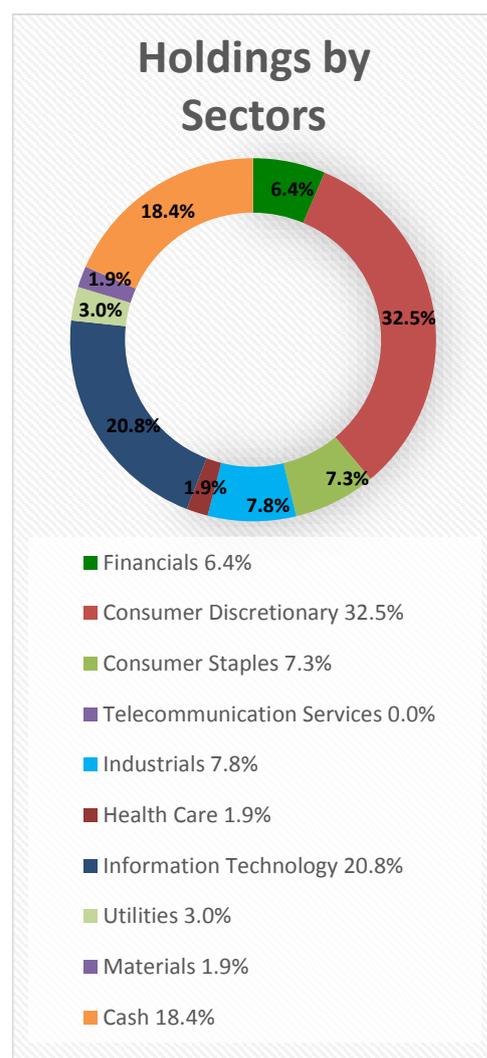
* Fund returns are calculated net of management fees and performance fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily 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
Catapult	Information Technology
Appen Ltd	Information Technology
Vita Group Ltd	Consumer Discretionary
PWR Holdings Ltd	Consumer Discretionary
Service Stream Ltd	Industrials

* The top five holdings make up approximately 26.4% 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 – 10%
International Exposure	0 – 20%
Distribution	Half-yearly
Recommended investment period	3 + years



Market review

The Australian market declined 1.6% in August, following a strong July. Global equity markets were broadly flat, with emerging markets outperforming. The reporting season delivered a mix of winners and losers, with increased volatility. Overall outcomes were broadly in-line with modest market expectations, while stocks trading on premium valuations were highly sensitive to outlook statements. Discretionary retail was the best performing sub-sector.

Domestic economic data was strong, with July employment numbers and residential building approvals exceeding expectations. The Australia dollar weakened against most currencies. In contrast, the US dollar strengthened on comments from the Fed Chair, although market expectations for a rate hike have since unwound. The oil price rose \$US4.58 to US\$47.04 a barrel. Gold fell marginally and the price of iron ore closed flat for the month.

Three sectors posted positive returns for the month: IT (+4.6%), energy (+2.4%) and consumer staples (+1.9%). The worst performing sectors were telecommunications (-6.5%), utilities (-5.7%) and industrials (-4.3%). Mid-caps outperformed (-0.1%), while the returns from mega-caps (S&P/ASX top 20), large-caps and small-caps were all broadly in-line with the overall market return.

	Direct Investment	Platform Investment
APIR Code	PVA0013AU	PVA0013AU
Minimum Investment	\$20,000	N/A
Issue price	\$1.2572	\$1.2572
Withdrawal price	\$1.2472	\$1.2472
Indirect Cost Ratio (ICR)	1.25%	1.25%
Performance fee	20% ¹ pa	20% ¹ pa

¹ of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance

Fund review & strategy

The Fund returned another positive month, up 2.9% for August and has returned 25.2% since inception in October 2015. As an active manager, successful stock selection underpins our fund performance. We believe that it takes tremendous effort, skill and experience to establish, develop and maintain a solid alpha generating investment process that works over a long period of time. There will be periods, such as the recent August company reporting season, where shorter term considerations, and at times, irrational behaviour influences significant share price movements. Such an environment allows us to take advantage of market inefficiencies by focussing on the longer term picture.

Beacon Lighting (+21.4% in August) is an example of an investment we made as the market focussed on the short term, presenting a good investment opportunity. We invested in the company in early June this year, after the company announced a profit downgrade in mid-May. **Beacon's** share price fell significantly on the downgrade but we believe a number of the factors causing the softer than expected sales would be short lived, including the timing of Easter and clearance activities under taken by the troubled Masters stores. The investment was made with view that the company was very well managed and has good products. With a strong position in the market, **Beacon** should be able to stay on course for profit growth over the next few years.

Infigen Energy (-25.6%) was a key detractor to fund performance during the month but has been a significant contributor to the performance since its inclusion. **Infigen** reported a FY16 underlying profit from continuing operations of \$7m and expects FY17 earnings before interest depreciation and tax of approximately \$130m, up 8.3% FY16. Debt levels continue to decline against a backdrop of strong demand for renewable energy which would allow **Infigen** to pursue a number of options to grow the business.

Top contributors (absolute)	Sector
Helloworld	Consumer Discretionary
Nick Scali	Consumer Discretionary
Beacon Lighting	Consumer Discretionary

Top detractors (absolute)	Sector
Infigen Energy	Utilities
BWX Limited	Consumer Staples
Dacian Gold	Materials

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