Prime Value Emerging Opportunities Fund Update – August 2017

- Materials, energy and industrial companies led the Australian share market performance in August
- Company reporting season was typically volatile, with short term considerations the main driver of share price performance
- On balance, there were more companies reporting positively than negatively in the portfolio. We look to opportunistically build on positions where the market may be focused on transient events. The Fund returned 1.8% in August

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.6%	8.0%	2.6%
1 Year	(3.2%)	8.0%	(11.2%)
3 Months	5.7%	2.0%	3.7%
1 Month	1.8%	0.7%	1.1%

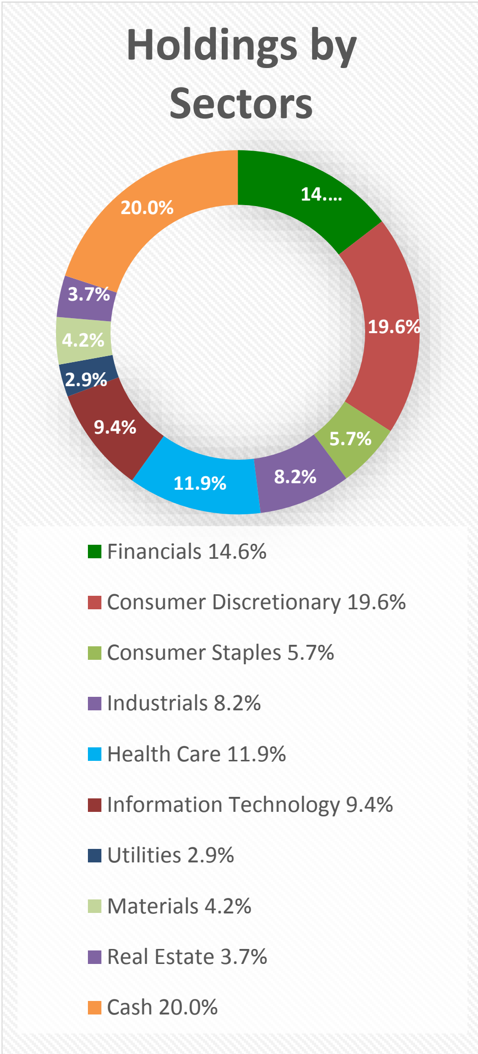
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily 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
Appen Limited	Information Technology
Service Stream	Industrials
Pinnacle Investments	Financial
Imdex Ltd	Materials
National Veterinary	Health Care

* The top five holdings make up approximately 23.7% of the portfolio

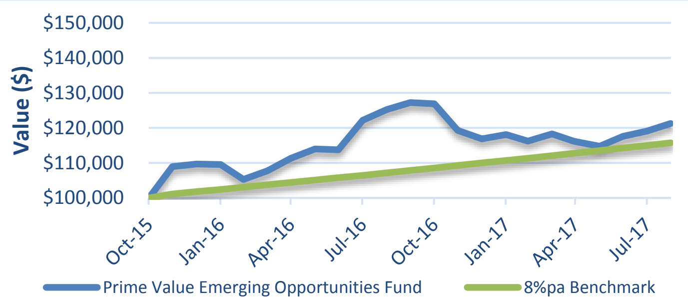
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% pa
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 20%
Unlisted Exposure	0 – 20%
International Exposure	0 – 10%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	10.6%



Market review

The S&P/ASX 300 Accumulation Index rose 0.8% in August, outperforming global equities in local currency terms (+0.2%). Emerging markets (+2.1%) outperformed, reflecting the strong performance of commodity prices. Geopolitical tensions rose in August, with movements in global bond yields and a rising gold price reflecting a more 'risk-off' market environment. At least to date, political rhetoric and potential trade consequences have been a greater focus than the actual threat of a military strike on the Korean peninsula. Domestic investor attention was centred on the August company reporting season, with the usual mix of winners and losers. The overall outcome was generally considered to be lacklustre, with FY18 guidance a key area of market disappointment. Naturally, we were more focused on stock specific issues.

Relative sector performance reflected a combination of stock, sector and macro drivers during August. The better performing sectors were Consumer Staples (+5.2%), Industrials (+4.6%) and the Resource sectors (Energy +5.2% and Materials +4.5%). The key underperformers were Telcos (-7.2%), primarily driven by Telstra and Vocus, as well as the banks, which declined 2.5% (primarily driven by CBA). Small caps significantly outperformed (+2.7%) mid-caps (+0.8%) and large-caps (+0.5%) over the month. The major laggard was mega-caps, which declined 0.8%.



This graph shows how $100,000 invested at the Fund's Inception has increased to $121,250 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $115,730 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.2078
Withdrawal price	$ 1.1982
Distribution (30/06/2016)	$0.0092
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

Fund review & strategy

The Fund rose 1.8% in August. The largest positive contributors to Fund performance were **Imdex**, **PSC Insurance** and **Service Stream**, all of which rose by double digit percentages. **GNG Engineering**, **Freedom Insurance** and **Catapult** were key detractors during the month. With the exception of **GNG**, the major contributors and detractors during the month were largely influenced by their specific result announcements - we note that August is a typically volatile month as company results drive share price movements

Insurance brokerage **PSC Insurance** flies under most investors' radars, but we are quite happy for it to remain so. The company's FY17 results reaffirms the qualities of the company we invested for: A steady, highly cash generative business that will grow through most business conditions. We have a high regard for PSC's management team.

We invested in **Service Stream** approximately 18 months ago. The company has been a major contributor to the Fund's performance since then. Our premise for investing, similar to other investments in the Fund, starts with the balance sheet and cash flows. Service Stream is well capitalised and doesn't carry any debt. Management has been driving the company well: winning and executing work related to the National Broadband roll-out has led to good cash flow growth. We believe Service Stream has further opportunities to grow, including diversifying into other services.

GNG had a very disappointing month due to contractual disputes in mining related work. We had halved our holding in May and made a full exit in August, deciding funds could be better invested elsewhere while the current issues were resolved. We invested in GNG knowing that disputes in the contracting or mining services sector arise from time to time. Our investment as based on our belief that our capital was well protected. GNG is not only well-managed but the company has no debt. In other words, we are confident that GNG is not a company that would go under should issues such as contractual disputes arise. Despite these recent disputes, GNG remains well capitalised and is positioned to win new work. The company remains in our pipeline of ideas.

Top contributors (absolute)	Sector
Imdex	Materials
PSC Insurance	Financials
Service Stream	Industrials
Top detractors (absolute)	**Sector**
GNG Engineering	Materials
Freedom Insurance	Financials
Catapult	Information Technology

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