

Prime Value Emerging Opportunities Fund Update – December 2016



- Equity markets globally continued to draw on the optimism generated by the US election and traded up strongly
- Contributing positively to performance for the fund were Service Stream, Lifestyle Communities and Appen. Detracting from performance were holdings in GTN, Catapult Group and PSC Insurance
- The Fund does not typically 'behave like the market'. Our universe is large and we seek to identify attractive opportunities independent of the general share market environment

	Total Return*	Benchmark (8% pa)	S&P/ASX Emerging Companies Accum Index
Since inception (pa)	13.4%	8.0%	21.3%
1 Year (pa)	6.6%	8.0%	24.6%
3 Months	-8.1%	2.0%	-6.1%
1 Month	-2.0%	0.7%	0.3%

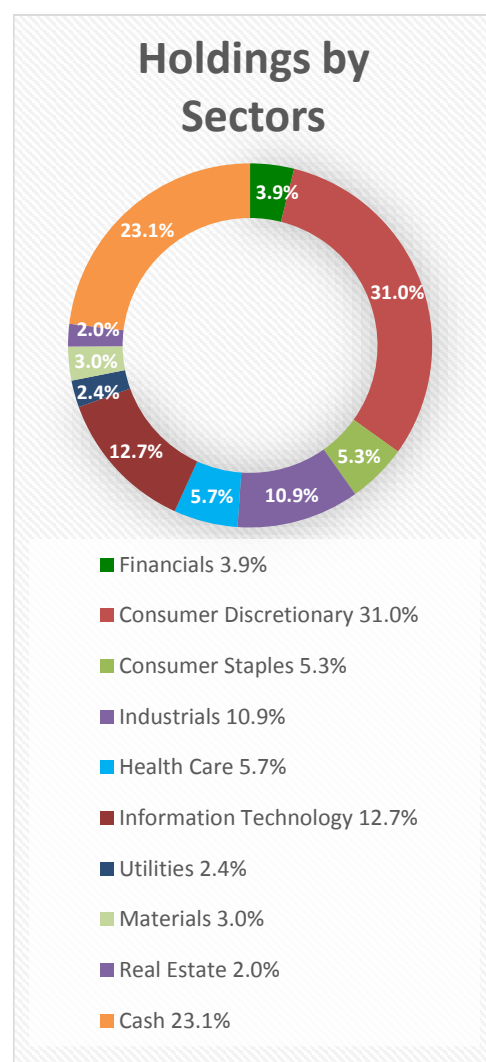
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily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

* The top five holdings make up approximately 21.3% of the portfolio

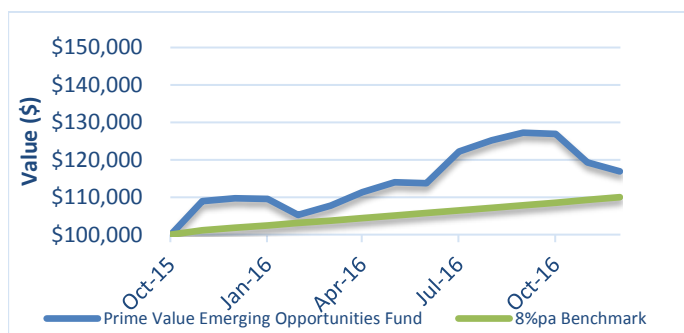
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% pa
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 20%
Unlisted Exposure	0 – 20%
International Exposure	0 – 10%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	13.4%



Market review

Global equity markets traded higher in December, building on the positive sentiment emerging from the US election, economic data that sign-posted better-than-expected growth and rising expectation that governments may spend their way to growth. Oil prices also reacted to a significant OPEC agreement to cut oil production, joined later by a Russian commitment. Traders did not stop to assess the likelihood of successful enforcement of oil production cuts, which has proven to be extremely difficult in the past. WTI oil traded 8.7% higher in December.

The ASX300 Accumulation Index returned 4.3% for the month. Financials were a key contributor to the index rise, as concerns of banks capital requirements and bad debts eased. The sector also benefitted from the slip-stream of global financials which traded higher due to higher bond yields benefitting their books. Utilities, which had lagged the market in prior months, due to their sensitivities to rising bond yields, were another stand out sector in December. Not surprisingly, the Energy sector also performed well due to the surge in the oil price whilst the material sector continued to be robust. Selected small caps started to post a recovery after the sector endured a significant sell-off in the preceding months. However, the recovery was not broad-based indicating cautiousness for high PE stocks and those dependent on acquisitions to grow.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$116,880 (net of fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$110,000 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment	Platform Investment
APIR Code	PVA0013AU	PVA0013AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.1735	\$ 1.1735
Withdrawal price	\$ 1.1641	\$ 1.1641
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

The information contained in this Fact Sheet is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Emerging Opportunities Fund must obtain and read the PDS dated 23 October 2015 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Emerging Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review & strategy

The Fund fell 2.0% in December but has increased 13.4% since inception (annualised since October 2015). **Service Stream**, **Lifestyle Communities** and **Appen** performed well and were key contributors to the December performance. Declines in **GTN**, **Catapult** and **PSC Insurance** detracted from performance during the month.

Service Stream is major contractor to the NBN for the roll-out of fibre optic networks, although the company services other telecommunications and utility companies. We invested in **Service Stream** for two reasons in addition to its role as a major NBN service provider. First, the company has no debt and this should allow **Service Stream** to withstand economic volatility. Second, the company is creating value by increasing margins and expanding into new markets which will reduce but not eliminate its exposure to the NBN.

GTN and **Catapult** were sold down as a result of investor profit taking. **GTN** announced an entitlement issue to raise \$60m at \$2.90 per share in early December. The Funds were raised to acquire Radiate, a leading short form radio advertising platform in the US. Entry into the US could provide **GTN** with a material long-term opportunity. The total US radio advertising market is approximately 18x the size of the Australian market. The company estimates the US short form radio market at A\$410-550m. We took up our share of the entitlement issue as we view Radiate as a compelling opportunity for **GTN**.

Catapult's management advised that its FY17 revenue is expected to be in the range of \$61-65.5m. Management has also set aside \$3-5m to establish its 'prosumer' division, a segment of the market **Catapult** estimates could be 10-20x the size of the elite sports market. We believe Investors decided to sell-down the company as the 'prosumer' investment would mean a lower near-term profit profile. We continue to hold our investment in **Catapult**.

Top contributors (absolute)	Sector
Service Stream	Industrials
Lifestyle Communities	Real Estate
Appen Limited	IT
Top detractors (absolute)	Sector
GTN	Consumer Discretionary
Catapult	IT
PSC Insurance	Financials

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