

# Prime Value Emerging Opportunities Fund Update – February 2016



- The Prime Value Emerging Opportunities Fund invests in companies in the diversified emerging companies sector
- The Fund is benchmark agnostic and is managed actively to identify opportunities and preserve capital
- Portfolio construction continues to form a significant part of the investment process to build a diversified exposure
- The Fund fell 3.8% in February, but is up 7.2% since inception (Oct 2015)

	Total Return*	Benchmark (8% pa)	S&P/ASX Emerging Companies Accum Index
Since inception	5.3%	3.1%	0.3%
3 Months	-3.3%	1.9%	0.8%
1 Month	-3.9%	0.6%	3.2%

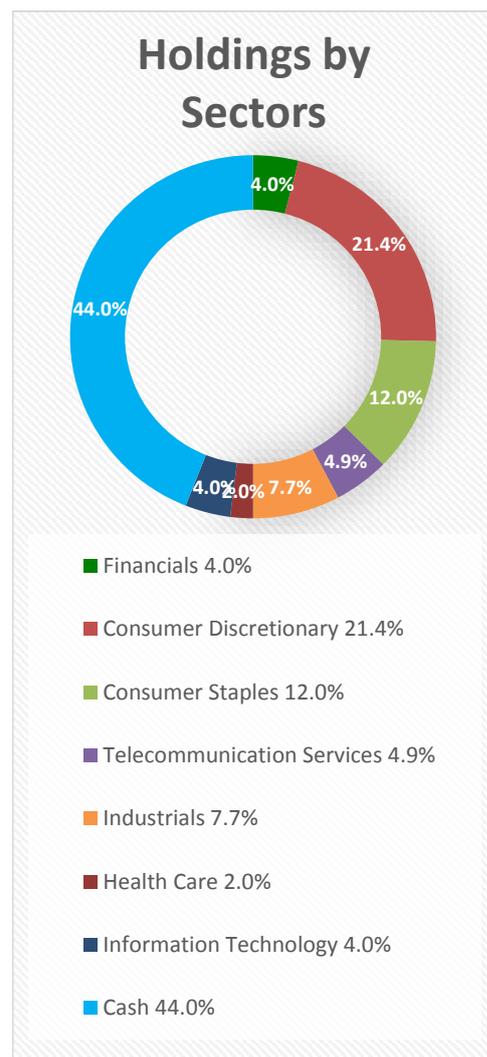
\* Fund returns are calculated net of management fees and performance fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily 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
PWR Holdings	Consumer Discretionary
Capilano Honey	Consumer Staples
Collins Foods	Consumer Discretionary
Appen	Information Technology
Xenith IP Group	Industrials

\* The top five holdings make up approximately 18.6% 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 – 10%
International Exposure	0 – 20%
Distribution	Half-yearly
Recommended investment period	3 + years



## Market review

Equity markets declined in February with the S&P/ASX300 Accumulation Index falling 1.7%. Despite the decline, equity markets took on a 'risk-on' tone midway through February which continued into March. A weakening global economic backdrop (particularly in China) and deflationary fears in Europe continued to weigh on markets in the first half of February, while the global sell-off in banks continued. By contrast, the metals and mining sector performed strongly on rising iron ore (+17.8%) and gold prices (+10.3%). Brent oil closed the month 3.5% higher.

Overall, the reporting season delivered slightly better than expected outcomes. Generally speaking, the reporting season is rarely a reliable predictor of future market performance but the outcomes indicate that the Australian economy is holding-up better than the general market commentary would suggest. The local bank sector continued to sell-off (-8.2%), while the mining sector had a reprieve, with Materials up 9% for the month and Energy flat (+0.3%).

## Fund review & strategy

The Fund fell 3.8% in February, but is up 7.2% since inception (Oct 2015).

The reporting season was a volatile one for the Fund. Short term considerations were the primary reason for sharp share price reactions for several of our investments and also a number of other stocks in the market. The low level of liquidity of some of our holdings no doubt was another contributing factor. It's always disappointing when share prices goes against expectations but we believe investing is akin to a marathon—think and prepare to last the distance. We continue to employ discipline in our investment process, particularly when evaluating the feasibility of our investments against capital structure, management quality, earnings potential and liquidity. We aim to avoid permanent loss of capital and therefore minimise our investment mistakes.

We hold a high cash position as we anticipate the market to continue to display volatility during this year—cash is a great optionality when deployed correctly and at the appropriate time.

	Direct Investment	Platform Investment
APIR Code	TBC	TBC
Minimum Investment	\$20,000	N/A
Issue price	\$1.0570	\$1.0570
Withdrawal price	\$1.0486	\$1.0486
Indirect Cost Ratio (ICR)	1.25%	1.25%
Performance fee	20% <sup>1</sup> pa	20% <sup>1</sup> pa

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

Top contributors (absolute)	Sector
Xenith IP Group	Industrials
BWX	Consumer Staples
Silver Chef	Industrials

Top detractors (absolute)	Sector
Lifehealthcare	Health Care
Amaysim	Telecommunications
Vitaco	Consumer Staples

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