

Prime Value Emerging Opportunities Fund Update – May 2016



- The Prime Value Emerging Opportunities Fund invests in companies in the diversified emerging companies sector
- The Fund rose 2.8% in May, up 17.0% since inception (Oct 2015)
- Positive contributors to performance included Infigen Energy (+50.0%), Appen (+25.7%) and Collins Food (+23.6%)

	Total Return*	Benchmark (8% pa)	S&P/ASX Emerging Companies Accum Index
Since inception	14.0%	5.1%	15.2%
6 Months	4.6%	4.0%	12.6%
3 Months	8.3%	2.0%	13.1%
1 Month	2.4%	0.7%	4.1%

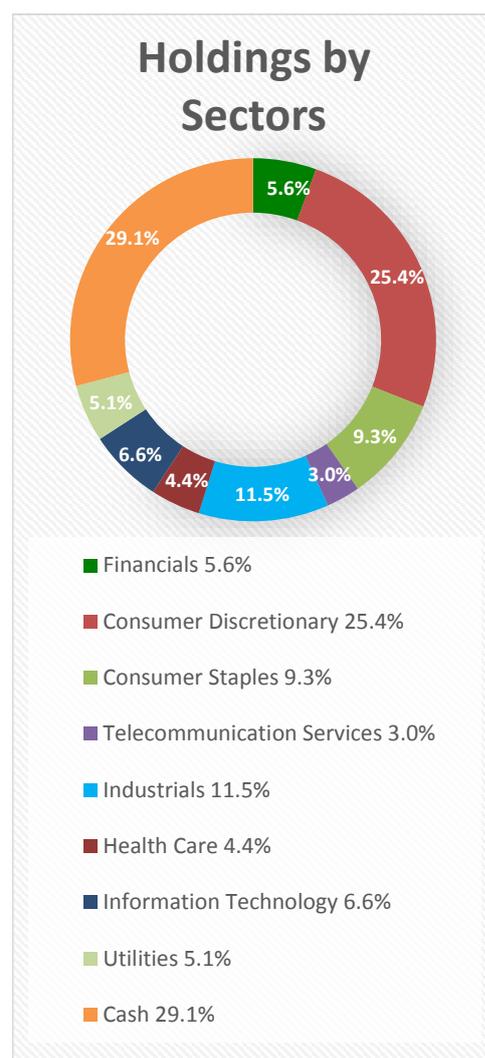
* Fund returns are calculated net of management fees and performance fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily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

* The top five holdings make up approximately 19.7% 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 – 10%
International Exposure	0 – 20%
Distribution	Half-yearly
Recommended investment period	3 + years



Market review

The ASX300 gained 3.1% in May – the third consecutive month of 3% plus returns. Australian equities outperformed global equities in local currency terms. The key driver of the strong May performance was the RBA's 25 basis point rate cut to a record low 1.75% and the prospect of further cuts. In contrast, global equities had a stronger end to the month following more 'hawkish' economic commentary from the US Fed.

Resource stocks underperformed in May after a strong rebound in recent months. Iron ore gave up all its April gains, collapsing 23.9% to US\$49.60.

The Health Care sector was the standout performer (up 9.5%) in May, while the Consumer Discretionary (+5.8%), Financials ex REITs (+5.2%) and Telco (+5.0%) sectors also performed strongly. As noted, resource stocks underperformed, with Materials down 3.2% and Energy down 1.8% despite a 3.0% gain in the oil price to US\$49.69 (Brent). With the exception of Consumer Staples (-0.8%), all other sectors posted gains. Mid-caps outperformed returning 5.7%, as did small-caps (+4.1%). Mega-caps and large-caps underperformed, both up 2.6%.

	Direct Investment	Platform Investment
APIR Code	TBC	TBC
Minimum Investment	\$20,000	N/A
Issue price	\$1.1444	\$1.1444
Withdrawal price	\$1.1352	\$1.1352
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

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Fund review & strategy

The Fund rose 2.8% in May with the top contributors to fund performance were positions in Infigen Energy (+50.0%), Appen (+25.7%) and Collins Food (+23.6%). Negative contributors included Speedcast (-13.3%), Capilano Honey (-6.0%) and BWX Ltd (-4.6%).

Appen is a global provider of language technology data and services to enterprise and government customers. The company has two operating divisions: (1) Content Relevance: Provides smart data to improve search accuracy and target search content for search engines, e-commerce and social media platforms; and (2) Language Resources: it provides training data for speech-recognition technologies in devices such as mobile phones, computer games and TV consoles.

Appen held its AGM in late May and upgraded its 2016 guidance from "low double digit revenue and earnings growth" to "earnings growth trending to high teen percentages and above." The company also said it has orders in hand for this year of over \$75m as at the end of April 2016 which compares to orders of around \$60m at the end of February. Microsoft is Appen's largest client but the company has been working to diversify its earnings base to other technology leaders such as Facebook and potentially Instagram.

Capilano Honey announced a rights issue to raise \$16.8m for acquisition of beekeeping enterprises, working capital and to reduce debt. We intend to take up our full entitlement. We expect Capilano's prospects to be underpinned by increasing demand for honey, market share wins and greater proportion of higher margin product sales. In the shorter term, there is a possibility that Capilano's honey sales may be affected by the warm start to this year's winter season.

Top contributors (absolute)	Sector
Infigen Energy	Utilities
Appen Limited	Information Technology
Collins Foods	Consumer Discretionary

Top detractors (absolute)	Sector
Speedcast	Telecommunications
Capilano Honey	Consumer Staples
BWX Ltd	Consumer Staples

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