

Prime Value Emerging Opportunities Fund Update – September 2016



- The Fund closed off September on a positive note, up 1.6%. The end of September marks the first full year of the Fund, which has been successful with a one year return of 27.2% (net of management and performance fees)
- We have been able to draw from and build on existing knowledge and experience of investing in emerging companies to add value through stock selection to underpin fund performance
- Stocks contributing to performance during the month included GTN (+31.7%), PSC Insurance (+14.4%) and Class Limited (+13.7%)

	Total Return*	Benchmark (8% pa)	S&P/ASX Emerging Companies Accum Index
Since inception	27.2%	8.0%	25.1%
6 Months	18.1%	4.0%	14.8%
3 Months	11.8%	2.0%	8.5%
1 Month	1.6%	0.6%	1.5%

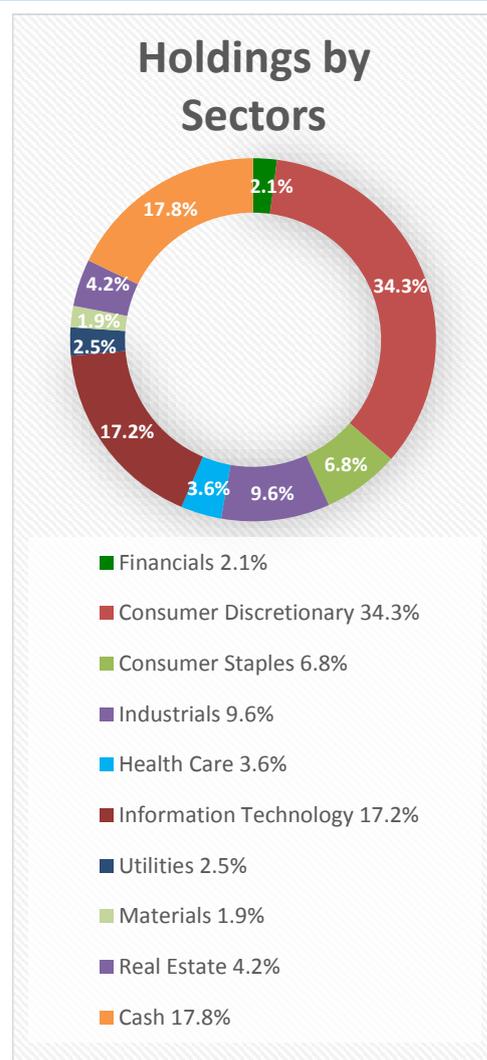
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns exclude the benefits of imputation credits. Past performance is not necessarily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

* The top five holdings make up approximately 26.4% of the portfolio

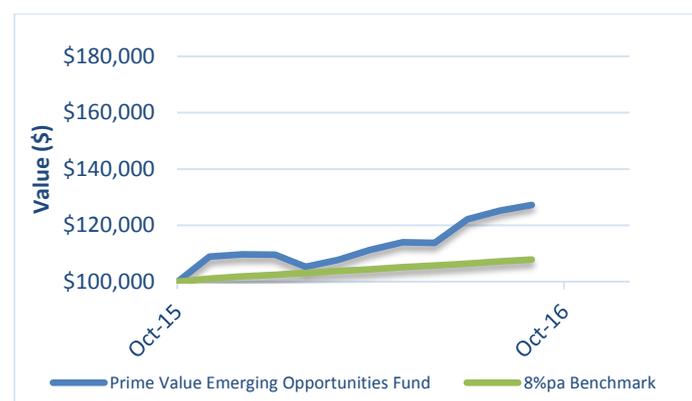
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% pa
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 20%
Unlisted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



Market review

The Australian share market posted a return of 0.5% in September. Central bank decision making remained the dominant market theme, with policy commentary and relative sector performance signalling a potential turning point for market leadership. The prospect of reduced monetary stimulus saw yield sectors come under pressure. There was ongoing strength in commodity prices, except for iron ore (-6.4%). Coal continued to rally strongly, along with base metals. The Brent oil price rose 4.3% following the late month agreement by OPEC members to cut production. The Australian dollar rose 1.9% to USD 0.7650. Domestic economic data was strong with GDP growth at its highest level in four years. The unemployment rate of 5.6% was the lowest level in three years. Chinese data came in above consensus while US data were generally below expectations.

The materials sector (5.6%) was the clear outperformer in September followed by consumer staples (+1.7%). Yield sectors underperformed: REITs (-4.3%), telcos (-4.0%) and utilities (-3.3%). Health care (-0.4%) and industrials (-0.2%) also posted negative returns. Small-caps (+1.5%) outperformed mega-caps (+1.2%) and large-caps (+0.5%), with mid-caps the laggard (-1.0%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$127,230 (net of fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$107,840 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment	Platform Investment
APIR Code	TBC	TBC
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.2774	\$1.2774
Withdrawal price	\$ 1.2672	\$1.2672
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

Since inception a year ago the Fund has been extremely successful, achieving a 33.0% return (after management fees and before performance fees), outperforming its benchmark of 8%pa by 25% despite volatile global financial markets. The launch of the Emerging Opportunities Fund in October 2015 was a natural step for the team and the strong performance of the Fund in the first year is very promising. Prime Value have been investing in emerging companies since 1998 and have a well-established track record of adding value through stock selection. This Fund has enabled us to draw from and build on existing knowledge and experience in a dedicated emerging companies fund.

During the month, **GTN** (+31.7%), **PSC Insurance** (+14.4%), **Class Limited** (+13.7%) were key contributors to performance. **Motorcycle** (-12.2%), **Catapult** (-10.8%), **Xref** (-10.3%) detracted from performance.

Our investment in **PSC Insurance**, an insurance brokerage, was drawn from our existing knowledge of large insurance companies and mid-sized peers such as Austbrokers and Steadfast. **PSC Insurance** was listed in 2015 and remains under researched. This despite the fact that **PSC's** revenues in FY16 were \$67.8m and the company's market capitalisation is approaching \$500m. Insurance brokers play an intermediary role between insurance companies and consumers, which in the case of **PSC Insurance** are typically small and medium sized companies.

Motorcycle has been an excellent investment for the fund since listing. During the month the company's share price was affected by ASIC's release of a report on the sale of add-on general insurance policies through car dealerships. Finance, insurances and warranties accounted for 7% of **Motorcycle's** revenues in FY15 which is why we are monitoring the progress of this development closely for any adverse outcomes.

Top contributors (absolute)	Sector
GTN Limited	Consumer Discretionary
PSC Insurance	Financials
Class Limited	IT
Top detractors (absolute)	Sector
Motorcycle	Consumer Discretionary
Catapult Group	IT
Xref Limited	IT

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