Prime Value Emerging Opportunities Fund Update – April 2018

- Global equity markets stabilised in April, posting the first positive month this year, following declines March
- The Australian share market rebounded strongly rising +3.8% to a 7-week high. Higher base metal and oil prices saw Energy and Materials sectors post the best gains
- The Fund declined 0.5% in April, below the emerging-companies index of 0.3% as resources companies performed strongly

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**12.6%**	8.0%	4.6%
2 Years (p.a.)	**9.2%**	8.0%	1.2%
1 Year	**13.2%**	8.0%	5.2%
3 Months	**(2.1%)**	1.9%	(4.0%)
1 Month	**(0.5%)**	0.6%	(1.1%)

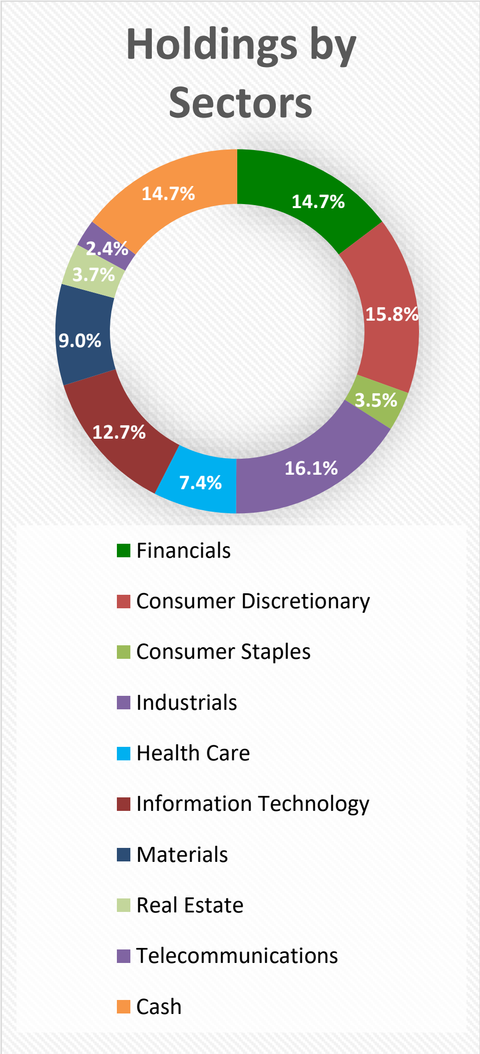
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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
Imdex Limited	Materials
Melbourne IT Limited	IT
Service Stream Limited	Industrials
Appen Limited	IT
Pinnacle Investment Management Group	Financials

* The top five holdings make up approximately 25.6% of the portfolio

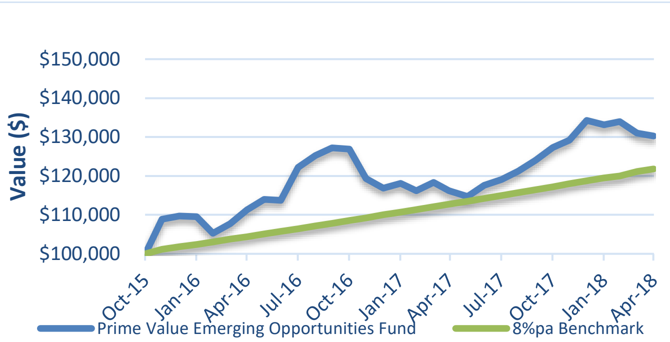
Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0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



Market review

Global equity markets stabilised in April, posting the first positive month this year. Although the performances across global equity markets were mixed, they came on the back of several notable developments. Tensions surrounding a potential US-China trade war eased following Chinese President Xi's 'reconciliatory tone' against the backdrop of a strong US corporate reporting season. Rising US bond yields drove the US dollar higher, in line with easing trade tensions and political risks. With large moves in the US Dollar, Europe's Stoxx 50 (+5.8%) and Japan's Nikkei (+4.7%) indices rallied as weaker domestic currencies drove export driven sectors. Oil rose 9% to a 4-year high, on expectations the US would reimpose sanctions on Iran.

The Australian share market (as measured by the ASX300 Accumulation Index) rebounded strongly, rising +3.8% to a 7-week high. Higher base metal and oil prices saw the Energy (+10.8%) and Materials (+7.6%) sectors post the best gains. Financials (+0.2%) was the weakest sector, affected by negative sentiment due to the ongoing allegations of misconduct revealed by the Royal Commission, questions over bank-lending standards, and high-profile resignations of senior management.



This graph shows how $100,000 invested at the Fund's Inception has increased to $130,300 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $121,800 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.2979
Withdrawal price	$ 1.2875
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%** p.a.

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
**Of performance (net of management fees) above the agreed benchmark, subject to positive performance

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Fund review & strategy

The Fund posted a 0.5% decline in April, below the emerging-companies index of 0.3% as resources companies performed strongly, a higher-risk sector in which we don't have significant exposure. Key positive contributors to fund performance were **Melbourne IT, Appen** and **Mincor.** Key detractors were **Experience Co, Motorcycle Holdings** and **Apollo Tourism & Leisure.**

Melbourne IT had a solid month on little news, but continues to indicate the year has begun solidly and expected to grow earnings solidly in CY19. Its Enterprise Solutions division supports the core IT functions of its customers including websites and app's. Appen has a very large market opportunity and is delivering strong operating results. Mincor rallied on a stronger nickel price and we have since exited the position locking in a strong profit.

Experience Co suffered from a weather related earnings downgrade at the end of the month as heavy rains in North Queensland impact outdoor activities. We view this as a transitory issue and continue to hold the stock. Motorcycle is facing negative industry growth but we view this as temporary, are strong believers in the business model and view management highly. Earnings are growing in the face of these conditions and will accelerate quickly once conditions normalise. Its valuation multiple is low and management purchased stock at higher levels 6 months ago.

We exited a number of smaller positions including Class, Netcomm Wireless, Goto People and Mincor. New positions were established in GTN, Salmat and Capital Health. GTN is an opportunistic purchase having sold off following the exit of its US operation. The remaining business is highly profitable and lower risk while being priced very attractively on a 12x PE, 7% yield. We bought **Salmat** after it announced the sale of an unprofitable division for $53m, leaving the company with over 50% of its market value in cash and with excess franking credits that should result in a large dividend in the near future. **Capital Health** is a healthcare company, providing diagnostic imaging for largely bulk-bill patients. Industry volumes are growing solidly and its strong balance sheet will enable acquisitions to accelerate growth.

Top Contributors (Absolute)	Sector
Melbourne IT	IT
Appen	IT
Mincor	Materials
Top Detractors (Absolute)	**Sector**
Experience Co	Consumer Services
Motorcycle Holdings	Retailing
Apollo Tourism & Leisure	Auto & Components

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