

Prime Value Emerging Opportunities Fund Update – August 2018



- The Australian share market has performed well this year, in contrast to the more volatile Asian stock markets. This outperformance extended into August, with the ASX300 Accumulation Index rising 1.4%.
- The Emerging Opportunities Fund had a solid month in August, rising 2.9%, which is 3.2% above the Emerging Companies Index return of -0.3% and 2.2% above its benchmark of 0.7% (8% p.a.). August is a key month when most companies report their annual financial results so it was pleasing to deliver a solid result for investors amongst significant share price volatility.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	13.1%	8.0%	5.1%
2 Years (p.a.)	6.8%	8.0%	(1.2%)
1 Year	17.8%	8.0%	9.8%
3 Months	5.5%	2.0%	3.5%
1 Month	2.9%	0.7%	2.2%

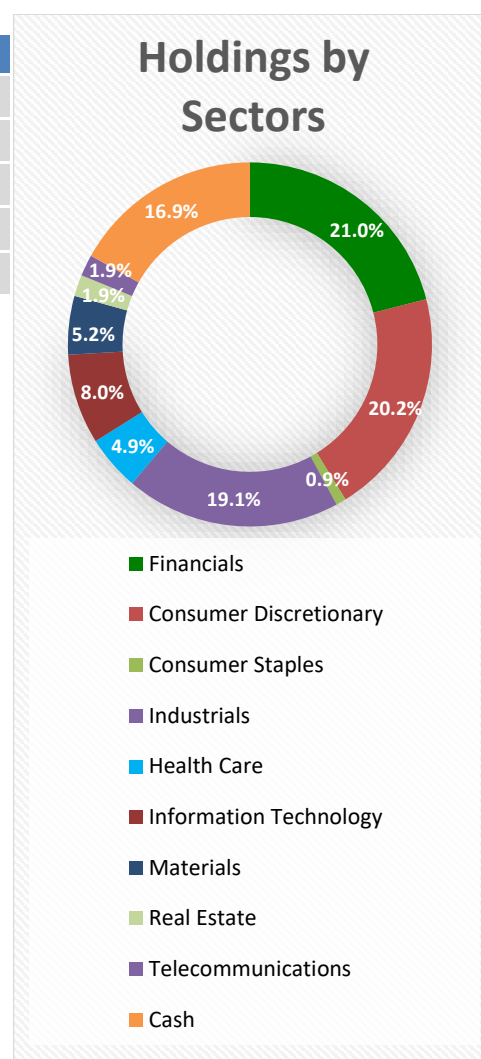
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2015					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2016	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2017	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	40.0%
FY 2018	(0.8%)	2.9%											2.1%	42.9%

Top five holdings	Sector
Scottish Pacific	Financials
Pinnacle Investment Management Group	Financials
Specialty Fashion Group	Consumer Discretionary
GTN	Consumer Discretionary
Capitol Health	Health Care

* The top five holdings make up approximately 22.8 % of the portfolio

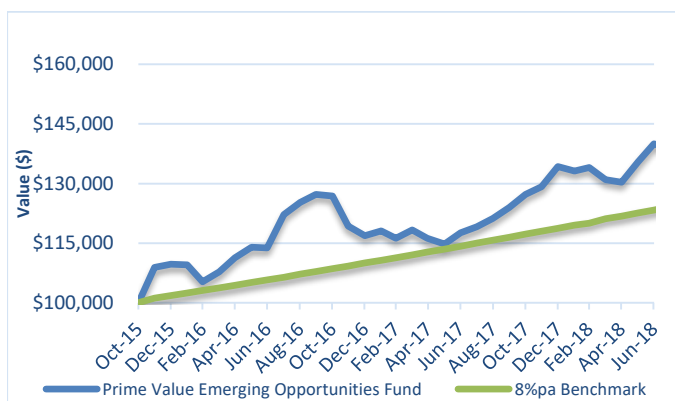
Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0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



Market review

The Australian stock market posted another strong month in August with the ASX300 Accumulation Index rising 1.4%. Media headlines were prominent in calling out the market's milestone of the first monthly close above 6200 in over 10 years (ASX200 Index). Whilst breaching this mark is psychologically comforting, investors should not take away any fundamentally meaningful information. Of more importance was the Australian stock market rising despite the Australian Dollar falling consistently as domestic politics created a nasty overhang. Nevertheless, sentiment was assisted by the backdrop of strong equity market performance globally, as the key US indices, NASDAQ and S&P500, closed up 5.7% and 3.0% respectively.

Information Technology was the best performing sector in the ASX200 in August, up 12.3% led by strong performance from stocks like Wisetech and Altium. Telecommunications was the next-best performing sector, up 10.9%. TPG Telecom sparked a rally amongst telecom stocks, including Telstra, as its proposed merger with Vodafone reduced concerns around competitive intensity. The Materials sector was the worst performer, posting a loss of 5.3% for the month.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$142,900 (net of fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$125,000 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$ 1.3798
Withdrawal price	\$ 1.3688
Distribution (30/06/2018)	\$0.0423
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	

Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott & Serena Shi.

Client Services Team

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: info@primevalue.com.au

Web: www.primevalue.com.au

The information contained in this Fund Update 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 September 2017 (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 rose 2.9% in August, 3.2% above the Emerging Companies index (-0.3%) and 2.2% above our benchmark of 0.7% (8% p.a.).

August is an important month as most companies report their annual financial results and "reporting season" tests our investment thesis to some extent. Overall we delivered a solid result although there were a couple of disappointments.

Key positive contributors to fund performance in August were **Specialty Fashion Group** (SFH), **Appen** (APX) and **Pinnacle** (PNI). Key detractors were **GTN** (GTN), **Axesstoday** (AXL) and **Capital Health** (CAJ).

Specialty Fashion reported a strong result, its first since divesting a number of assets to Noni B. It was an important result, giving further clarity on the financials of the business in its current form. Although there is little broker coverage at this stage, the company delivered earnings upgrades and a better than expected balance sheet. **Appen** rebounded after a strong financial result that returned focus to its favourable business fundamentals and away from changing sentiment toward the tech sector. Underlying net profit after tax (NPAT) and earnings per share (EPS) doubled in the 6 months to June 30 and future earnings visibility has also improved. Financial services company **Pinnacle** rallied as the effectiveness of its growth strategy is becoming evident. Strong distribution is driving fund flows and attracting strong managers. When combined with operating leverage, earnings growth is exceptional. FY18 NPAT was +90% and EPS +70%.

GTN had a slightly weak result driven by Soccer World Cup advertising disruption in Brazil. However, the trading update for the current financial year was strong and our investment thesis remains intact with solid growth prospects, a moderate valuation multiple (12x PE FY19), 6% yield and low debt levels. Speculation GTN's major shareholder will divest its 40% stake (valued at c. \$170m) caused an overhang and weighed on the stock price. We may increase our holding if the opportunity is presented to participate in the sell-down.

Axesstoday delivered a strong financial result (NPAT c. +90%), in-line with expectations. However, a change to its arrears/impairments policy, combined with initial lack of transparency, spooked some investors. **Capitol Health** reported a broadly "in-line" result, although increased capex was flagged.

During the month we exited Freedom Insurance (FIG) and new, small positions were established in **Gazal** (GZL) and **Korvest** (KOV).

Top Contributors (Absolute)	Sector
Specialty Fashion	Consumer Discretionary
Appen	Information Technology
Pinnacle Investments	Financials
Top Detractors (Absolute)	Sector
GTN	Consumer Discretionary
Axesstoday	Financials
Capitol Health	Health Care

Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000