Prime Value Emerging Opportunities Fund Update – August 2019

- Share markets were softer in August as investor attention was focussed on what appears to be an escalation of the China-US trade war. The Australian share market posted its first decline after seven consecutive positive months, rallying in the latter part of the month
- Despite weaker markets the Emerging Opportunities Fund had a solid month with a return of +2.0%. This was 5.9% above the Small Ordinaries Index return of -3.9% and 1.4% above the benchmark of 0.6% (8% p.a.).

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**11.4%**	8.0%	3.4%
3 Years (p.a.)	**6.7%**	8.0%	(1.3%)
2 Years (p.a.)	**12.0%**	8.0%	4.0%
1 Year	**6.5%**	8.0%	(1.5%)
3 Months	**6.8%**	1.9%	4.9%
1 Month	**2.0%**	0.6%	1.4%

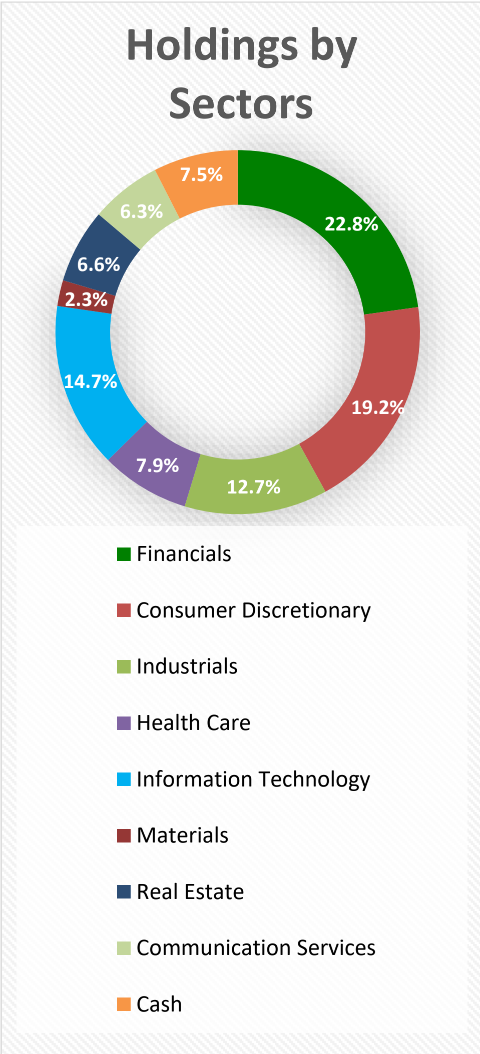
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	**13.8%**	**13.8%**
FY 2017	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 2018	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 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	**1.2%**	**41.7%**
FY 2020	5.3%	2.0%											**7.4%**	**52.2%**

Top five holdings	Sector
EQT Holdings	Financials
Fisher & Paykel Healthcare	Healthcare
PSC Insurance Group	Financials
Mainfreight	Industrials
City Chic Collective	Consumer Discretionary

* The top five holdings make up approximately 21.8% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	To achieve superior absolute returns by providing medium to long term capital growth investing in smaller, high growth companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 100%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Recommended investment period	3 + years

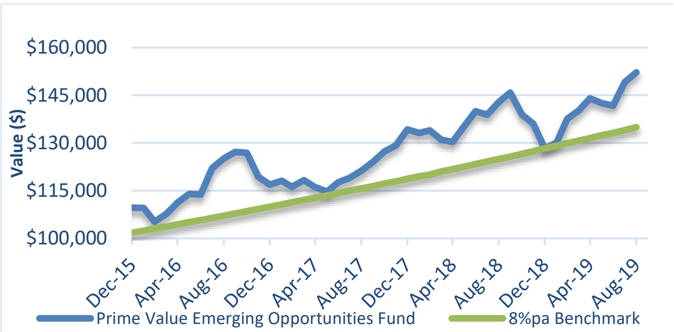


Market review

Share markets were softer in August with Developed Markets lower by -2.0% in US Dollar terms, while Emerging markets fell a larger -4.8%. Investors were largely focussed on the escalation of the China-US tariff war, with the bond market taking a decidedly bearish view on the potential impact on economic growth. The US 10-year bond yield collapsed to just 1.50%, driving Australian 10-year yields to a record low 0.89%.Against that backdrop it was no surprise that the more defensive sectors such as REITs, Utilities and Consumer Staples sectors led gains, while the Energy, Financials and Materials sectors underperformed.

August's volatile results season and geopolitical concerns were enough to break the Australian share market's run of seven consecutive months of gains with the ASX300 Accumulation Index falling -2.3% and the Small Ordinaries Accumulation Index by -3.8%. The end of month performance however did mask the extent how much the index had fallen through August, with a late market rally taking the index return from -5.8% lows to where it finished at -2.3%. Resources were the main drag on returns on the Australian market, with commodity prices dragging the Miners and Energy stocks lower.

Investors have been quite pre-occupied with the broad picture that company earnings have been disappointing at the August results, prompting further downgrades to FY20 estimates. Whilst the slower earnings outlook is true for the market, we believe investors are missing the forest for trees. We continue to uncover a broad range of companies that continue to experience a healthy growth trajectory—this is where we add value as active managers.



This graph shows how $100,000 invested at the Fund's Inception has increased to $152,200 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $135,000 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.4608
Withdrawal price	$ 1.4492
Distribution (30/06/2019)	$0.0278
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

Fund review & strategy

The fund's return was +2.0% in August, 5.9% above the Small Ordinaries Index return of -3.9%. Key positive contributors were **Baby Bunting** (BBN +24.7%), **City Chic** (CCX +18.5%) and **Australian Finance Group** (AFG +16.0%). Key detractors were **PSC Insurance** (PSI -8.7%), **Over the Wire** (OTW -12.4%) and **IMF Benthan** (IMF -11.1%).

August is a particularly busy month for equity markets as most companies report their financial results for the 6 months to June. Consequently it can also be a volatile period as stocks react to these announcements and accompanying trading updates. A lot of our effort is placed on forecasting company earnings so to do well in this key month provides some validation of our efforts and judgement, albeit there is always some luck involved.

In this context it was pleasing to deliver strong performance in August both in absolute returns (+2.0%) and relative to the most comparable index (+5.9% v's Small Ordinaries Accumulation).

Our best performers were domestic facing businesses including **Baby Bunting** and **City Chic**, both retailers which delivered strong results despite very weak trading conditions. **Australian Finance Group** continues to benefit from an improving housing market and announced a very attractive acquisition.

A key feature of reporting season was the sharp fall of quality but highly priced momentum stocks after small earnings misses e.g. Breville, IDP Education, Nearmap. Avoiding this dynamic was key to strong performance.

We are now selectively buying quality businesses that have been sold down including **Breville**. It is a highly innovative product developer in the less competitive space of premium kitchen appliances. These include the humble toasted sandwich maker through to expensive coffee machines. A global business, it sources 80% of revenue offshore with ongoing rollout into new markets.

We also established small positions in a couple of IPO's (**Opticomm** and **Napier Port**) which performed well.

We exited **Wellcom** as it received a takeover offer and **Over the Wire** after a disappointing earnings result.

The key thematic currently affecting our investment universe is rising bond yields which are negatively impacting high growth stocks and benefitting "value" stocks. Our portfolio is relatively balanced and we continue to be focused on stock selection with valuation discipline. Returns to date in September have been positive.

Top Contributors (Absolute)	Sector
Baby Bunting	Consumer Discretionary
City Chic	Consumer Discretionary
Australian Finance Group	Financials
Top Detractors (Absolute)	**Sector**
PSC Insurance	Financials
Over The Wire	Information Technology
IMF Bentham	Financials

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