Prime Value Emerging Opportunities Fund Update – January 2018

PrimeValue® Building Wealth Together

- Share markets started 2018 on an optimistic note, as global economic growth continues to accelerate
- The Australian share market was an exception, as the stronger Australian Dollar and increases in long term government bond yields weighed on selected sectors
- The Fund in fell 0.8% January. Fund holdings in Melbourne IT and Lifestyle Communities encountered some profit taking. We continue to be share holders

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**13.1%**	8.0%	5.1%
2 Years (p.a.)	**10.3%**	8.0%	2.2%
1 Year	**12.8%**	8.0%	4.8%
3 Months	**4.6%**	2.0%	2.7%
1 Month	**(0.8%)**	0.7%	(0.5%)

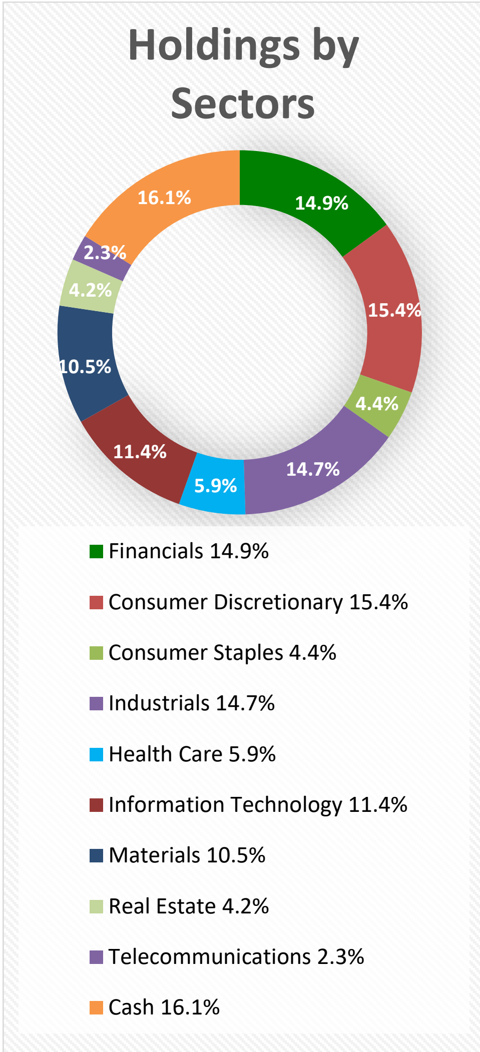
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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
Appen Limited	Information Technology
Imdex Limited	Material
Pinnacle Investments	Financials
Experience Co Limited	Consumer Discretionary
Lifestyle Communities	Real Estate

* The top five holdings make up approximately 25.4% of the portfolio

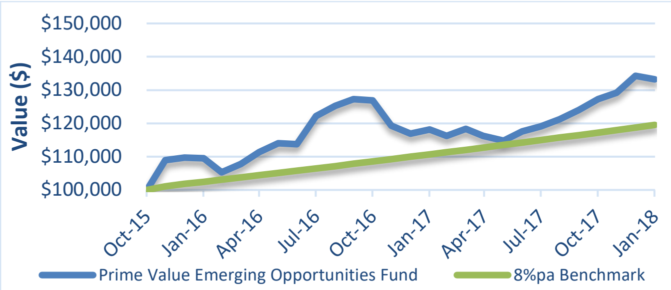
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 20%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



Market review

The Australian share market fell 0.4% in January, underperforming global equity markets which continued to rally. While emerging markets outperformed, the momentum in US equity markets accelerated. A strong fourth quarter reporting period, positive earnings revisions and the benefits of a weakening US dollar were key drivers. However by month-end, rising global bond yields were again the central focus across asset class markets. Suffice to say, it was a more challenging month for bond-yield sensitive sectors.

Domestically, the strongest performing sectors were health care (+3.2%) and information technology (+2.5%). The major underperformers were utilities (-4.5%), REITs (-3.3%) and industrials (-2.1%). Mid-caps outperformed (-0.1%) large-caps (-0.4%) and small-caps (-0.5%). On the economic front, domestic data was strong (jobs growth, retail sales, residential approvals), although inflation was slightly weaker than expected for the December quarter (+1.9% year-on-year). US, European and China activity data was also generally strong. The Australian dollar rose 2.8 cents to USD 0.8100, largely reflecting US dollar weakness. Oil prices continued to strengthen (+3.3%), up 3.1% to US$69.05 a barrel (Brent).



This graph shows how $100,000 invested at the Fund's Inception has increased to $133,170 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $119,530 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3366
Withdrawal price	$ 1.3160
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 fell 0.8% in January and has returned 12.8% the last 12 months. Key contributors to fund performance were **Appen**, **Pinnacle Investments** and **Apollo**. Melbourne IT, Lifestyle Communities and Experience Co were the key detractors during the month.

Melbourne IT encountered some profit taking during the month. The company is experiencing good growth in its Enterprise Solution division, which is more than offsetting the decline of Melbourne IT's legacy domain name business. Enterprise Solutions serves large corporations and government agencies in digital, cloud and mobile application needs. We have been impressed with Melbourne IT's improving penetration into this sector which should underpin further prospects. We continue as shareholders.

Similar to Melbourne IT, Lifestyle Communities also came under some profit taking during the month. Notably, both Melbourne IT and Lifestyle Communities had performed very well in the past year. Lifestyle Communities, a developer and manager of affordable independent homes based in Victoria continues to experience good demand for its properties. Lifestyle Communities' properties are well located to draw from a large pool of older demographic looking to downsize into smaller and more manageable assets. We expect property settlements to rise in the next two years on higher average selling prices.

As we write this update, share markets appear to be undergoing a correction. To put this in context, the US market recorded 12 months of consecutive positive returns in 2017. Hence, a correction will not look unusual. In broad terms, the outlook for economic and corporate growth remain encouraging. We continue to identify a number of companies that are well positioned to generate strong cash flows from their underlying businesses. We will be looking to use the cash in our portfolios to add to quality companies during periods of market weakness.

Top Contributors (Absolute)	Sector
Appen	IT
Pinnacle Investments	Financials
Apollo Tourism	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
Experience Co	Consumer Discretionary
Lifestyle Communities	Real Estate
Melbourne IT	IT

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