

Prime Value Emerging Opportunities Fund Update – January 2019



- Global share markets started 2019 strongly following the US Federal Reserve's dovish interest rate guidance
- The Emerging Opportunities Fund return was +1.5% in January, 0.8% below the Emerging Companies Index return of 2.3% and 0.8% above its benchmark of 0.7% (8% p.a.). We don't invest in high risk mining companies which were particularly strong and impacted relative performance in January.
- The fund's investment mandate was changed effective January 9, 2019. It enabled us to invest in a number of larger, attractive companies that we expect to deliver strong long term returns.

| | Total Return* | Benchmark (8% pa) | Value Add |
|------------------------|---------------|----------------------|-----------|
| Since Inception (p.a.) | 8.2% | 8.0% | 0.2% |
| 2 Years (p.a.) | 4.9% | 8.0% | (3.1%) |
| 1 Year | (2.3%) | 8.0% | (10.3%) |
| 3 Months | (6.4%) | 2.0% | (8.4%) |
| 1 Month | 1.5% | 0.7% | 0.8% |

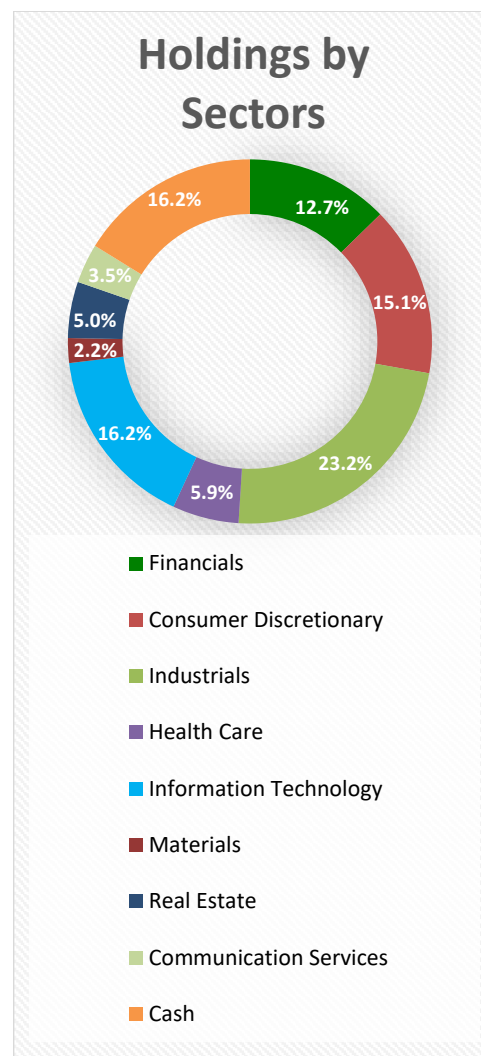
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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% | | | | | | (7.1%) | 30.1% |

| Top five holdings | Sector |
|------------------------|------------------------|
| Smartgroup Corporation | Industrials |
| Mainfreight | Industrials |
| Centuria Capital Group | Financials |
| Infomedia | Information Technology |
| Appen Limited | Information Technology |

* The top five holdings make up approximately 18.7 % 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 |



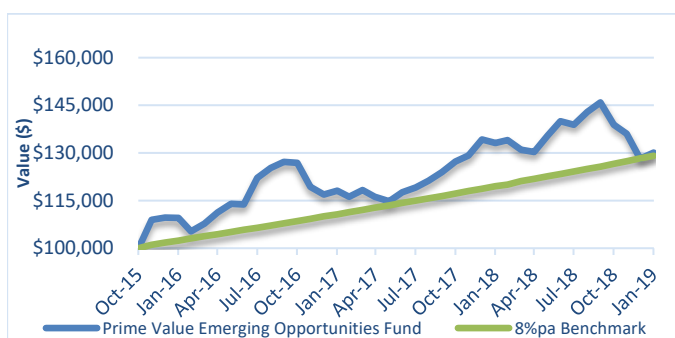
Market review

Share markets had a positive start to 2019 across the world, following a weak close to 2018. January this year proved to be strongest start to a calendar year since 1987. Emerging markets were up 7.2% and whilst Developed markets were up 7.3%. The US S&P 500 Index led gains (+8.0%), followed by the ASX 200 (+3.9%) and the Nikkei 225 (+3.8%).

Global bonds had a volatile month and rallied hard after a dovish Fed commentary. The Australian Dollar rose to 0.7200. Bulk commodity prices were mixed in January, with iron ore up US\$13.0/t to US\$84.5/t following supply disruptions in Brazil. Brent oil prices rose US\$8.09/bbl in January to US\$61.89/bbl on OPEC cuts and US sanctions on Venezuela.

Within the Australian share market, Energy (+11.5%), IT (+9.3%) and Telcos (+7.8%) sectors outperformed, while Financials (-0.2%), Consumer Staples (+2.8%) and Industrials (+3.1%) underperformed the most. Notably, the rise was very broad-based, with only 17% of the ASX 100 Index ending the month lower.

The key to the markets strong performance had been accommodative comments from the US Federal Reserve. The Fed downgraded US economic growth from "strong" to "solid". They also dialled back forward guidance, and "will be patient as it determines what future adjustments" to rates may be appropriate. The statement was more cautious than the market anticipated, highlighting the Fed would hold interest rate for as long as necessary.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$130,100 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$129,100 over the same period. The returns exclude the benefits of imputation credits.

| | Direct Investment |
|--|-------------------|
| APIR Code | PVA0013AU |
| Minimum Investment | \$20,000 |
| Issue price | \$ 1.2645 |
| Withdrawal price | \$ 1.2545 |
| 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 | |

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Fund review & strategy

The fund's return was +1.5% in January. Key positive contributors to fund performance in January were **Appen** (APX +24.4%), **NRW Holdings** (NWH +19.2%) and **Bravura** (BVS +13.5%). Key detractors were **National Tyre & Wheel** (NTD -15.3%), **A2B** (A2B -6.8%) and **Helloworld Travel** (HLO -5.7%).

Appen rallied with global tech stocks as lower US interest rate expectations supported growth valuations. With APX's earnings guidance upgraded in November for CY18, earnings certainty is also relatively high for the upcoming reporting season in February. **NRW Holdings** was awarded a contract with Rio Tinto at its Koodaideri mine. While small in size it ideally positions NRW to benefit from future, larger contracts. It also made an opportunistic acquisition from the receivers of RCR Tomlinson. **Bravura** also benefitted from the global tech rally along with expectations it will report a strong result in February. Just outside the top 3 contributors, **Spicers** received a takeover offer and **Data#3** upgraded earnings guidance.

The negative contributors were relatively small in size and with little stock specific news. **National Tyre & Wheel** declined on concerns of a weak result in February. We established a position after it previously downgraded earnings and believe this is fully reflected in the price, trading on an FY19 PE of 5x, 18% free cashflow yield and net cash balance sheet. **A2B** also fell on concerns of a weak result. We don't share the same concerns. **Helloworld** gave up some of its previous gains, made when markets were weak in November and December.

With a change to the fund's mandate, we were active during the month. We added a number of larger more liquid companies and exited smaller companies. New positions were established in **Vista Group** (VGL), **Smart Group** (SIQ), **Mainfreight** (MFT.NZ), **Bapcor** (BAP) and **Oceania Healthcare** (OCA). We exited **Gazal** (GZL), **Macmahon** (MAH), **Motorcycle Holdings** (MTO), **Redbubble** (RBL), **Australian Finance Group** (AFG), **Primero** (PGX) and **Korvest** (KOV).

With the removal of restrictions that limited our purchase of companies above \$500m market capitalisation, many portfolio weightings increased significantly including **Appen**, **Bravura**, **NRW** and **PSC Insurance**.

We expect further changes in coming months. February is an ideal month as most companies report their financial results and we meet with a large number of management teams. Our focus is growth companies that are not overly dependent on the economic cycle.

| Top Contributors (Absolute) | Sector |
|-----------------------------|------------------------|
| Appen Limited | Information Technology |
| NRW Holdings | Industrials |
| Bravura | Information Technology |
| Top Detractors (Absolute) | Sector |
| National Tyre & Wheel | Consumer Discretionary |
| A2B | Industrials |
| Helloworld Travel | Consumer Discretionary |

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