Prime Value Emerging Opportunities Fund Update – July 2018

- The Australian share market underperformed global peers in July, with the US and European equity markets rising strongly while Emerging Markets lagged
- The Fund's return for July was -0.8%, 1.3% above the Emerging Companies index return of -2.1%.
- We place great emphasis on limiting downside in negative market conditions, while benefiting in periods of growth.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**12.3%**	8.0%	4.3%
2 Years (p.a.)	**6.6%**	8.0%	(1.4%)
1 Year	**16.6%**	8.0%	8.6%
3 Months	**6.6%**	2.0%	4.6%
1 Month	**(0.8%)**	0.7%	(1.5%)

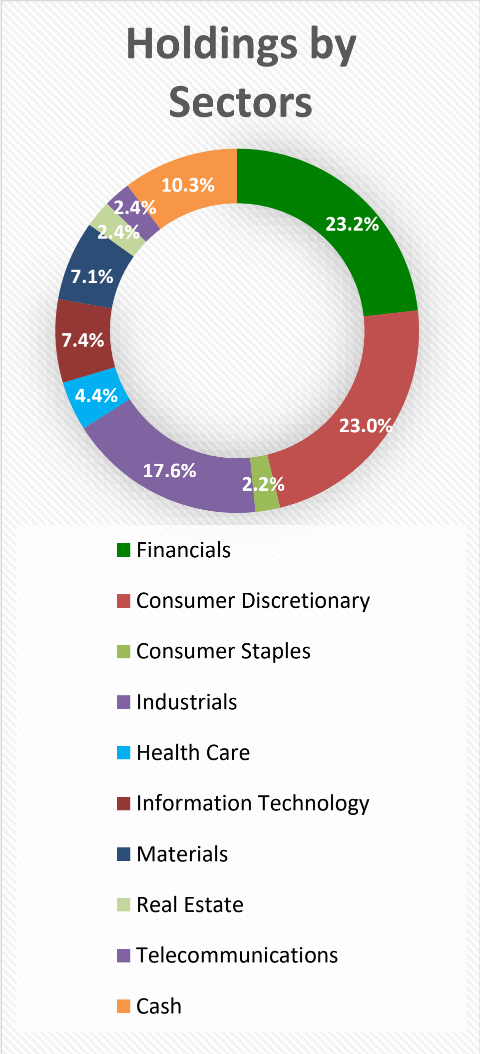
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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
GTN	Consumer Discretionary
Pinnacle Investment Management Group	Financials
AxsessToday	Financials
Scottish Pacific	Financials
Speciality Fashion Group	Consumer Discretionary

* The top five holdings make up approximately 24.3 % 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



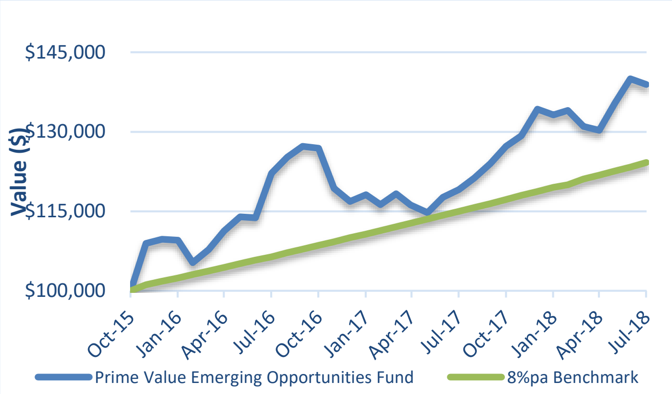
Market review

Equity markets had a strong start to the financial year. The US market rose 3.6% in July, while the European Stoxx600 index was up 3.2%. Emerging markets continued to underperform. The Shanghai Composite Index rose just 1.0%, amid concerns about the potential impact of US tariffs on Chinese imports, and is down 13.0% this year.

Iron ore rose 4.8% but other commodity prices were weaker, mainly due to fears that tariffs would dampen Chinese growth and hence demand for commodities. Copper (-4.9%), nickel (4.9%) and lead (-10.6%) all fell, while oil (-7.7%) also came under pressure due to expectations of oil higher supply from OPEC producers.

The Australian market underperformed its major global peers, with the S&P/ASX 200 Accumulation Index rising 1.4%. Small companies underperformed, with the Small Ords falling 1.1%, the Emerging Companies Index -2.1% while the Top 50 rose 1.6%.

The Telco sector (+7.9%) outperformed, led by Telstra (TLS +8.4%) which recovered somewhat but is still down 21.8% over the year. Industrials (+3.5%), Consumer Discretionary (+2.1%), Healthcare (+2.1%), and Financials (+2.0%) were also strong while Gold (-6.4%) and Utilities (-1.4%) lagged.



This graph shows how $100,000 invested at the Fund's Inception has increased to $138,900 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $124,200 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3412
Withdrawal price	$ 1.3306
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

Fund review & strategy

The Fund declined 0.8% in July, outperforming the Emerging Companies index (-2.1%). It was a solid performance in a tougher market as we place great emphasis on limiting downside in negative market conditions. The portfolio is well positioned to benefit as market performance improves.

Key positive contributors to fund performance were **Pinnacle Investment**, **GTN**, and **Macmahon**. Key detractors were **Experience Co**, **National Vet Care** and **Appen**.

Pinnacle Investment announced an acquisition, equity raising and profit update which resulted in EPS upgrades and increased confidence in the earnings outlook. It is our primary exposure to the funds management sector, one of our larger holdings and a key contributor to performance (our average entry price is $2.70 compared to the current price $6.20).

Macmahon rebounded after recent weakness, as increased confidence in meeting 2H18 earnings expectations also bodes well for FY19.

Experience Co continued to drift lower after a disappointing earnings update in late April. Unusually wet weather has affected tourist activity but this should prove transitory. Our group's broader funds management operations include hotels in North Queensland and we understand tourism conditions have improved significantly in July and August. This should assist Experience Co.

Appen also drifted lower on concerns around technology company valuations in light of Facebook's significant fall in the US. As mentioned last month, we have been reducing our exposure to Appen.

We exited our position in National Vet Care this month after a disappointing earnings update, which came just a month after a bullish conference presentation and site visit. We sold due to concerns that earnings from recent acquisitions are not evident and future expectations are likely too high. We also reduced our holding in Cogstate.

A new small position was established in PS&C (PSZ) and we added to existing positions in Redbubble (RBL) and Centuria (CNI).

Top Contributors (Absolute)	Sector
Pinnacle Investments	Financials
GTN	Consumer Discretionary
Macmahon Holdings	Materials
Top Detractors (Absolute)	**Sector**
Experience Co	Consumer Discretionary
National Veterinary Care	Health Care
Appen	Information Technology

Contact details:

Esther Oh, 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

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000