Prime Value Emerging Opportunities Fund Update – June 2018

- The Australian share market stood out as one of the best performing markets in June, rising 3.2%.
- Global share market performance was varied in FY18, with the Australian and US share markets posting double digit total returns while Europe and Asia markets saw more subdued returns.
- The fund had another strong month in June, rising 3.4%, which is 5.1% above the emerging companies index return of -1.7% and 2.7% above its benchmark of 0.7% (8% p.a.). This brought net returns for the 12 months to 19%.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**13.1%**	8.0%	5.1%
2 Years (p.a.)	**10.9%**	8.0%	2.9%
1 Year	**19.0%**	8.0%	11.0%
3 Months	**6.9%**	2.0%	4.9%
1 Month	**3.4%**	0.7%	2.7%

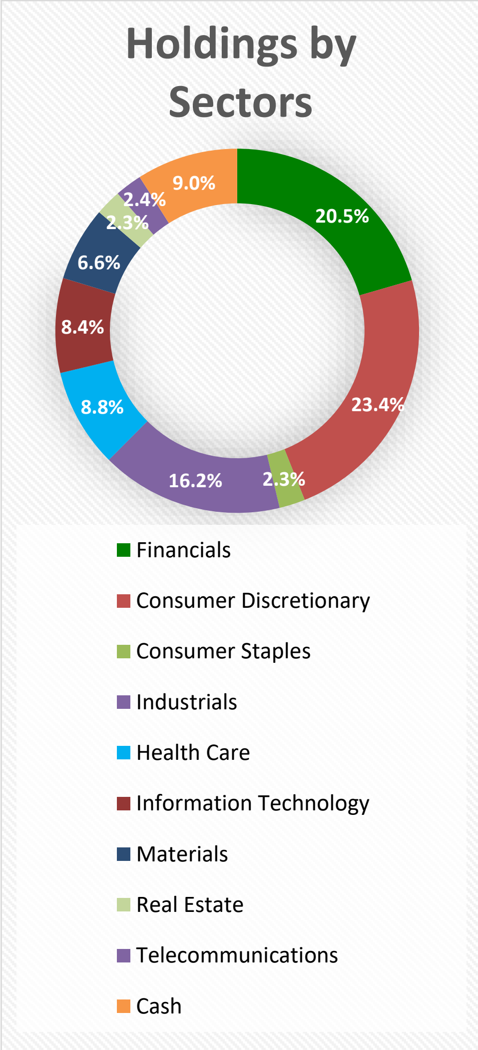
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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
Specialty Fashion Group	Consumer Discretionary
Experience Co	Consumer Discretionary
Appen	Information Technology

* 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

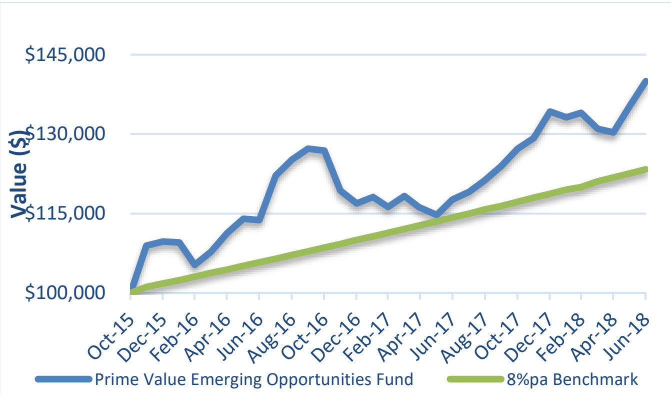


Market review

Equity markets finished the 2018 financial year mixed. The US market was up marginally by 0.5% in June but Europe's Stoxx50 Index fell 0.3%. Emerging equity markets fell for a third consecutive month – notably, the Shanghai Composite Index fell 8% in June and the Chinese Yuan also weakened significantly. With the exception of oil, commodity prices and resources stocks were lower on account of emerging market developments and US-China trade tensions.

The S&P/ASX 200 Accumulation Index rose 3.2% in June and was up 13.2% for the financial year. Large cap companies performed well during the month, with the ASX Small Ords Accumulation Index posting a more modest 1.1% rise.

Most sectors gained in June, with the exception of the Telco sector (-5.8%) which was carried lower on Telstra's share price decline. The Energy (+7.8%) sector gained the most due to a rally in the crude oil price (+10.6%), backed by strong performances from the IT (+6.3%) and Consumer Staples (+6.2) sectors. It was notable that the ASX Small Ords Index lagged towards the end of the month, reflecting the view that valuations of smaller capitalisation companies are becoming expensive.



This graph shows how $100,000 invested at the Fund's Inception has increased to $139,990 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $123,340 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3944
Withdrawal price	$ 1.3832
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

Fund review & strategy

The Fund rose 3.4% in June, 5.1% above the Emerging Companies index (-1.7%) and 2.7% above our benchmark of 0.7% (8% p.a.). Key positive contributors to fund performance were **Specialty Fashion Group** (SFH), **Appen** (APX) and **NRW** (NWH). Key detractors were **Axsesstoday** (AXL), **Imdex** (IMD) and **Motorcycle Holdings** (MTO).

Specialty Fashion has performed strongly since we initiated the position in May, as an improved market understanding of the "new look" business has caused a significant re-rating. We have retained our holding and remain positive about the company's outlook and valuation. **Appen** continued its strong performance, finishing the financial year up 235% to be one of the best performing stocks in the ASX200. Its June close of $13.37 compares to our average entry price of $4.22, highlighting the opportunities available in the emerging companies space. Recently we have been taking profits to manage risk, particularly given valuation multiples have risen sharply. **NRW** rebounded after a market update highlighted its very strong order book, with FY19 revenues expected to be 40% above FY18.

There were no major detractors for the month. However, **Axsesstoday** gave up May's gains on no major news, **Imdex** drifted lower in line with commodity prices, despite an upbeat conference presentation, and **Motorcycle Holdings** provided a weaker-than-expected earnings update. We are willing to look through short term weakness from softer market demand as key drivers in the Queensland economy appear solid and the company has a quality management team. When the market improves, we expect a sharp acceleration in profit growth and share price, particularly given its current low valuation multiples (FY19 PE 11x).

We exited Austin Engineering (ANG), Johns Lyng (JLG) and ARQ (formerly Melbourne IT) during the month, while new positions were established in **Scottish Pacific** (SCO), **Redbubble** (RBL), CML Group (CGR), Shine Corporate (SHJ) and Primero (PGX an IPO).

Scottish Pacific is Australia's leading provider of invoice financing to SME's. Rates are reasonable, credit risk is highly diversified across 200,000 debtors and growth is typically resilient through the economic cycle. Priced on an FY19 PE of 13x, yielding 6% and with moderate gearing, it has many of the attributes of a long-term core holding. **Redbubble** is a leading online marketplace for independent artist-designed consumer products such as t-shirts, mugs and accessories. It brings together around 300,000 artists, 15 product manufacturers and 4 million customers. It is on the cusp of becoming profitable, a key valuation catalyst, and is growing strongly with a highly scalable model that should accelerate earnings growth.

Top Contributors (Absolute)	Sector
Specialty Fashion Group	Consumer Discretionary
Appen Group	IT
NRW	Industrials
Top Detractors (Absolute)	**Sector**
Axsesstoday	Financials
Imdex	Materials
Motorcycle Holdings	Consumer Discretionary

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