Prime Value Emerging Opportunities Fund Update – June 2019

- Equities, bonds and gold rallied strongly in response to central banks' communication in monetary policy
- The fund declared a final distribution of 2.78 cents per unit, equivalent to a yield of c. 2% before the benefit of franking credits (1.28 cents per unit).
- The year was unusual for the fund given a mandate change mid-way through that enabled it to invest in larger, higher quality companies. Absolute returns improved in the second half and if we compare to the two most comparable indices for their relevant time, the fund outperformed by c. 3.8% over the 12 months.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**9.8%**	8.0%	1.8%
3 Years (p.a.)	**7.6%**	8.0%	(0.4%)
2 Years (p.a.)	**9.8%**	8.0%	1.8%
1 Year	**1.2%**	8.0%	(6.7%)
3 Months	**1.0%**	1.9%	(0.9%)
1 Month	**(0.6%)**	0.6%	(1.2%)

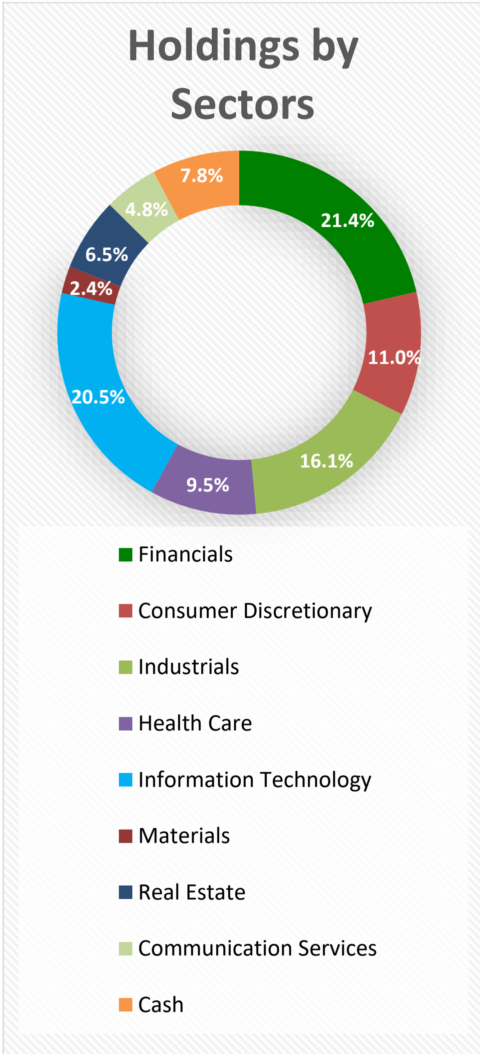
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is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

Top five holdings	Sector
Centuria Capital Group	Financials
EQT Holdings	Financials
Mainfreight	Industrials
Fisher & Paykel Healthcare	Health Care
Data#3	Information Technology

* The top five holdings make up approximately 22.9% 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



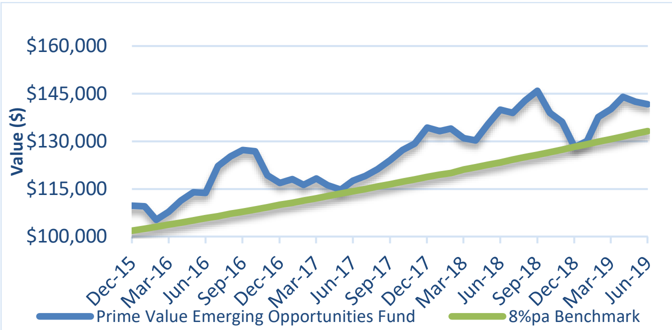
Market review

Global markets rebounded in June after a sharp sell-off in May, with Developed Markets gaining 6.6% and Emerging Markets rising 6.3% (in US$ terms). In local currency terms, the rebound was driven by the S&P 500 Index (+7.0%), followed by the Euro Stoxx 50 (+6.0%) and MSCI Asia ex Japan (+5.4%) indices.

Among MSCI developed world global sectors, the cyclical Materials (+10.7%), IT (+8.7%) and Consumer Discretionary (+7.8%) sectors outperformed the most, while the defensive REITs (+2.1%), Utilities (+3.8%) and Communication Services (+4.0%) sectors underperformed the most.

The ASX 300 Accumulation Index recorded a 3.6% rise in June, underperforming the rise in Developed Markets by 2.2%. By sector, Materials (+6.4%), Industrials (+5.4%) and REITs (+4.2%) sector outperformed the most, while Consumer Discretionary (-1.5%), IT (+1.0%) and Energy (+2.1%) underperformed the most.

Clearly the most significant event in June was the RBA's decision to reduce the cash rate by 25 basis points. Although the decision was widely anticipated, it was significant as Australia joined other developed economies in loosening its monetary policy to lend support to the economy that is showing. The RBA rate decision, signs of the property market stabilising and a strong resources sector led by strong iron ore prices were key factors in underpinning the Australian market performance in June.



This graph shows how $100,000 invested at the Fund's Inception has increased to $141,700 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $133,200 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3544
Withdrawal price	$ 1.3436
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 -0.6% in June, 1.5% below the Small Ordinaries Index return of 0.9%. Key positive contributors were **Imdex** (IMD +27.9%), **Centuria Capital** (CNI +13.5%) and **Data#3** (DTL +13.4%). Key detractors were **Pinnacle** (PNI -16.6%), **Bravura** (BVS -14.0%) and **Adairs** (ADH -32.7%).

Imdex performed strongly after re-confirming guidance, a stronger gold price which is beneficial for its customers and indications its new products are on track for commercialisation in FY20. These products are a key catalyst for the stock with Corevibve a potentially transformative product delivering c. 30% efficiency gains for customers and little benefit reflected in the stock price. **Centuria Capital** continued to rally after positive announcements regarding fund growth in May and increased appetite for high yielding property companies as interest rates continue to decline globally. **Data#3** rose on improved confidence the upcoming financial result will be strong. This proved correct as the company provided an earnings update in July that was above expectations and the stock has continued to rise strongly. We have taken advantage of this strength to lighten our holding given it was in the 5 largest held, but currently remain invested.

Pinnacle fell on concerns of weaker investment performance in a couple of its affiliates and its impact on its ability to attract capital. With 13 affiliates in total, new ones likely to be added and new products launching we believe earnings can continue growing at a c. 20% p.a. and the stock is good value at these levels. **Bravura** fell after its takeover bid for GBST was trumped by two competing acquirers thereby removing potential upside from a deal. The company still has significant cash on its balance sheet and other potential opportunities to deploy that capital. **Adairs** provided a soft trading update citing significantly softening demand in June. Despite initial positivity following the surprise Federal election result, interest rate cuts and a stabilising housing market, consumer spending remains weak. It was a relatively small position and we sold out of the stock.

New positions were established in **Technology One** and **Victory Offices.** We exited **Adairs** and **GTN**.

Technology One is a software business with a high level of recurring revenue that is increasing over time. It serves defensive sectors, particularly government and education and a track record of consistent earnings growth of c. 15% p.a.

Top Contributors (Absolute)	Sector
Imdex	Materials
Centuria Capital	Financials
Data#3	Information Technology
Top Detractors (Absolute)	**Sector**
Pinnacle	Financials
Bravura Solutions	Information Technology
Adairs	Consumer Discretionary

Mail:

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

Contact details:

Brittany Shazell, Dora Grieve, Riza Crisostomo, Julie Abbott, Serena Shi & Daizi Zheng
Client Services Team
Phone: 03 9098 8088
Email: info@primevalue.com.au
Web: www.primevalue.com.au