Prime Value Emerging Opportunities Fund Update – March 2019

- Share markets were broadly positive in March, capping off the best quarterly performance in a decade.
- The Emerging Opportunities Fund return was +1.9% in March, 2.0% above the Small Ordinaries Index return of -0.1% and 1.3% above its benchmark of 0.6% (8% p.a.). We now compare our performance to the Small Ordinaries Index rather than the Emerging Companies Index following the change in the fund mandate from January 2019.
- It was a pleasing result in a choppy market and sourced from a broad range of stocks with no major losers. This is the type of performance we strive for; solid consistent returns with few mistakes.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**10.2%**	8.0%	2.2%
3 Years (p.a.)	**9.2%**	8.0%	1.2%
2 Years (p.a.)	**8.9%**	8.0%	0.9%
1 Year	**7.1%**	8.0%	(0.9%)
3 Months	**9.4%**	1.9%	7.5%
1 Month	**1.9%**	0.6%	1.3%

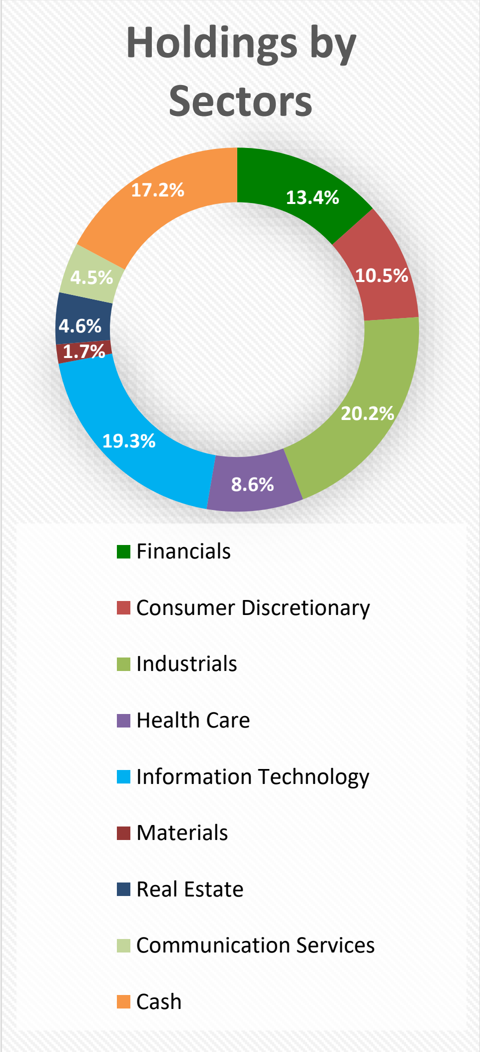
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%				**0.2%**	**40.2%**

Top five holdings	Sector
Centuria	Financials
Mainfreight	Industrials
EQT Holdings	Financials
Fisher & Paykel Healthcare	Health Care
Bravura	Information Technology

* The top five holdings make up approximately 19.3 % 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

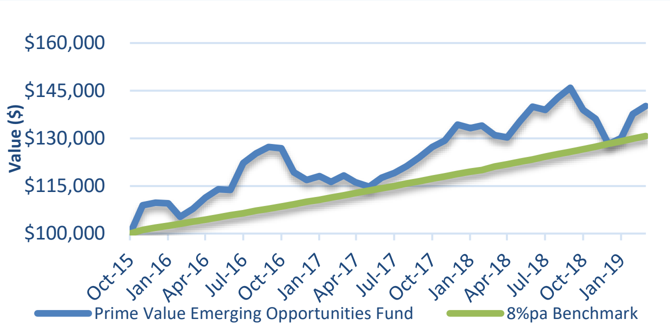


Market review

Markets fluctuated through the month trying to balance a view between slowing corporate earnings growth and falling interest rate expectations. However, by months end, most markets posted gains. With bond yields declining through March, it was no surprise the defensive/yield sensitive REIT and consumer staples sectors outperformed, while the cyclical Financials and Industrials sectors underperformed. The ASX 300 Accumulation Index lagged its global peers but still ended up 0.7% higher. Global bonds rallied hard on a dovish US Federal Reserve, with the yield curve invert for the first time in more than a decade. The Australian Dollar fell to $0.7100 as markets priced in more than 1½ cuts from the RBA by end 2019. It's noteworthy to highlight that the ASX 300 Accumulation Index rose 10.9% in the March quarter, delivering its best quarterly return for nearly a decade, while the MSCI World Index surged 11.6%.

In commodities, WTI crude rose 5.7%, ending the month at US$60.14 a barrel, whilst Brent crude rallied 3.1%. WTI rose above $60 a barrel for the first time in more than 4 months after the US experienced the biggest withdrawal of crude in US storage tanks since last July. Iron ore rose 2.8% to US$86.9/t as markets positioned for diminished supply in the wake of the Vale tragedy. Gold prices dipped 1.6% as the US Dollar rallied.

Within the ASX sectors, REITs (+6.2%), Telcos (+4.0%) and Consumer Staples (+3.9%) outperformed, while Energy (-4.1%), Financials (-2.7%) and Utilities (+1.3%) underperformed the most. The ASX Small Ordinaries fell 0.8% with the Small Industrials falling 0.5% compared to the Small Resources Index's decline of 1.8%.



This graph shows how $100,000 invested at the Fund's Inception has increased to $140,200 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $130,700 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3736
Withdrawal price	$ 1.3626
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's return was +1.9% in March, 2.0% above the Small Ordinaries Accumulation Index return of -0.1%. Key positive contributors were **Mainfreight** (MFT +9.8%), **Capitol Health** (CAJ +12.8%) and **Bravura** (BVS +6.8%). Key detractors were **CML Group** (CGR -10.9%), **Baby Bunting** (BBN -6.8%) and **Wellcom** (WLL -4.8%).

Fund performance in March was particularly broad based with the single largest positive contribution at +0.4% and the single largest negative contribution at -0.2%. This is what we strive to achieve for investors. Solid returns with minimal mistakes.

Mainfreight rallied after a bullish broker report that highlighted the strong earnings outlook. **Capitol Health** rallied from low levels after the stock had been sold down in February. This rally has continued into March, further supported by recent Federal Budget announcements to increase diagnostic imaging expenditure. **Bravura** rallied after a strong earnings result in late February with revenue +25%, EBIT +43% and an upgrade to full year earnings guidance.

CML Group fell after a weaker than expected result, albeit still very strong in absolute terms with earnings per share +45%. There was some underlying trends in the result that softened from last year so we are monitoring the stock closely. **Baby Bunting** fell on little news and has since rebounded. We recently undertook a tour of its first shopping store in Chadstone and remain confident of the outlook. **Wellcom** also fell on little news although likely partly driven by going ex-dividend at the end of February which would account for half the fall of 5%. It produced a strong result in February (revenue +13%, net profit +11%) and we remain confident of the outlook with solid momentum across existing clients and recent contract wins further supporting growth. Value accretive acquisitions are also a possibility.

In February a new position was established in **Citadel** (CGL). We exited **Smart Group** (SIQ).

Every month we comment on portfolio returns relative to the most comparable index. From this month we have changed the index we use for comparison. Previously we used the Emerging Companies Accumulation Index which typically has stocks with a market capitalisation below $500m and was most relevant. However with the mandate change from January 2019, we can now invest in companies with a market capitalisation up to c. $3 billion and the most suitable comparator is the Small Ordinaries Accumulation Index.

The mandate change again proved beneficial to performance with the best performers for the month (Mainfreight and Bravura) those that we could not previously buy.

Top Contributors (Absolute)	Sector
Mainfreight	Industrials
Capitol Health	Health Care
Bravura	Information Technology
Top Detractors (Absolute)	**Sector**
CML Group	Industrials
Baby Bunting	Consumer Discretionary
Wellcom	Industrials

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