Prime Value Emerging Opportunities Fund Update – May 2019

- The Emerging Opportunities Fund return was -1.0% in May, 0.2% better than the Small Ordinaries Index return of -1.2%.
- May was a particularly eventful month with an unexpected win by the Coalition in the Australian Federal Election. This had a significant impact on a number of sectors particularly those related to the housing market which rebounded strongly.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**10.2%**	8.0%	2.2%
3 Years (p.a.)	**7.7%**	8.0%	(0.3%)
2 Years (p.a.)	**11.5%**	8.0%	3.5%
1 Year	**5.2%**	8.0%	(2.8%)
3 Months	**3.6%**	2.0%	1.6%
1 Month	**(1.0%)**	0.7%	(1.7%)

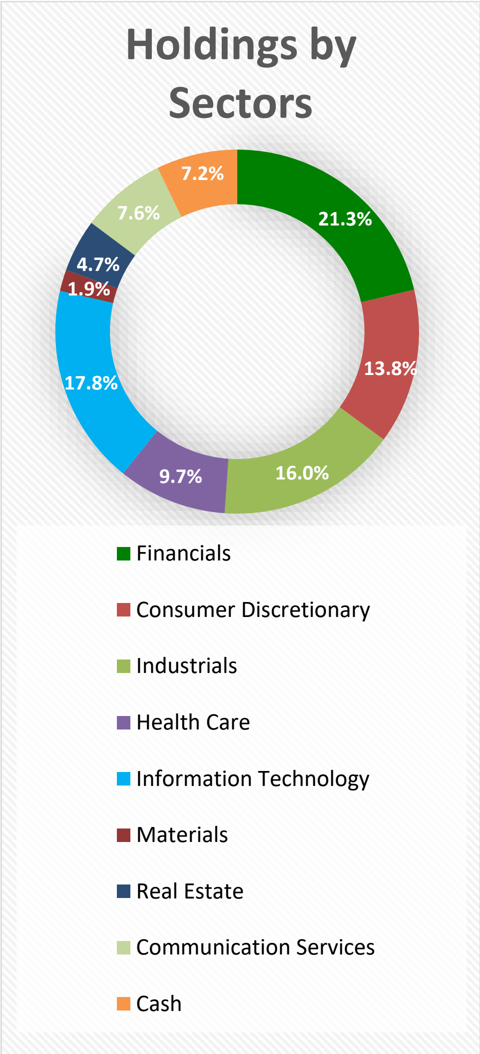
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	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%)		**1.8%**	**42.5%**

Top five holdings	Sector
EQT Holdings	Financials
Fisher & Paykel Healthcare	Health Care
Mainfreight	Industrials
PSC Insurance Group	Financials
Centuria Capital Group	Financials

* The top five holdings make up approximately 21.4% 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

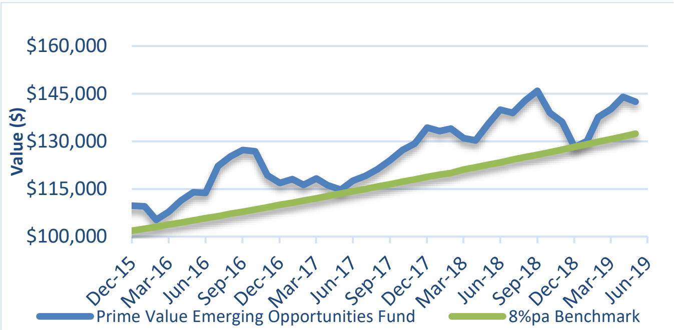


Market review

The ASX300 Accumulation Index closed the month 1.8% higher, while Developed Market and Emerging Markets equity indices fell by 5.7% and 7.2% respectively. The Australian share market benefited from a mid-month rally after the unexpected Federal Election outcome, with the Banks driving returns 9.9% higher. Australian banks received further positive news during the month when APRA proposed to loosen a key lending criteria to mortgage loans. The rotation to Banks and the broader blue chip yield companies and Consumer/Housing cycle plays was short lived within the month, giving back three-quarters of these return into month-end as Australian market was affected by the sentiment of falling global equity returns.

Large caps companies performed better than their small and mid-cap counterparts, whilst the Resources sector performance was mixed across the size-biased indices. The 10 year Australian bond yield fell below the cash rate to 1.46% from 1.79% the previous month. Within the Resources sector, the Metals and Mining companies outperformed its peers due to higher Iron prices, which closed at 9% higher at US$103.5/t, whilst the Energy sector fell on lower Oil prices, with the Brent oil price closing 11% lower at US$64.5/bb.

The Australian share market has returned 15.6% so far this year, leading global and regional indices, through strong returns within Materials, Communication Services and Discretionary Sectors.



This graph shows how $100,000 invested at the Fund's Inception has increased to $142,500 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $132,400 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3457
Withdrawal price	$ 1.3349
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 -1.0% in May, 0.2% better than the Small Ordinaries Accumulation Index return of -1.2%. Key positive contributors were **Centuria Capital** (CNI +11.1%), **Mainfreight** (MFT.NZ +9.7%) and **City Chic** (CCX +10.8%). Key detractors were **Citadel** (CGL -37.1%), **Pinnacle** (PNI -13.9%) and **National Tyre & Wheel** (NTD -20.4%).

Centuria Capital rallied after announcing partnerships that enabled its entry into the social and affordable housing market and healthcare sector. It is clearly growing its assets under management strongly which convert to higher profits for shareholders. Being a property business it is also benefitting from the macro thematic of high yield in a declining interest rate world. **Mainfreight** announced a strong annual profit result with earnings per share growth of 26%. A global logistics and transport company, it previously invested in expanding its network of locations. This is now converting to significantly higher revenue and profit and the outlook remains very strong. It remains one of our largest holdings given a multi-year growth outlook, strong management and appealing valuation. **City Chic** benefitted from increased broker coverage and expectations it is on track to meet consensus earnings for the year. It has a unique position in retail serving plus-sized female apparel, 40% of sales generated online and 90% of sales through its customer loyalty program reflecting strong customer engagement.

Citadel announced a profit downgrade in May that caught us by surprise. It followed several very positive announcements and presentations by the company. With the investment case very different to our understanding we sold out of the stock immediately. **Pinnacle** fell, reflecting the broader Small Ordinaries and global market weakness. Being a funds management business with significant equities exposure, its revenues can be impacted by rises and falls in the market over the short term. Longer term it is benefiting from strong inflows and additional affiliates that provide a strong outlook. **National Tyre & Wheel** provided a soft trading update. We expect some trading softness but believe the company is excessively cheap trading below its liquid net assets (working capital) with a net cash balance sheet and positive free cashflow. At some point we expect this value will be recognised and the stock will be much higher. The recent post-election improvement in sentiment could be the catalyst, albeit it will take some time to become evident.

New positions were established in **Australian Finance Group**, **Adairs** and **News Corporation**, all being early stage beneficiaries of a more buoyant residential housing market. We exited **Citadel** and **A2B**.

Top Contributors (Absolute)	Sector
Centuria Capital	Financials
Mainfreight	Industrials
City Chic	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
Citadel Group	Information Technology
Pinnacle	Financials
National Tyre & Wheel	Consumer Discretionary

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