Prime Value Emerging Opportunities Fund Update – November 2018

- A notable softening in the US interest rate strategy resulted in global stocks rallying late in the month.
- The Emerging Opportunities Fund return was -2.0% in November, 0.3% better than the Emerging Companies Index return of -2.3%. This brings returns for the first five months of the financial year to -2.8% which compares favourably with the index return of -15.2%.
- The fund is proving relatively resilient in a falling market, consistent with its risk management focus. Additionally we are increasing exposure to quality companies at attractive prices which will benefit returns when markets recover.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**10.3%**	8.0%	2.3%
2 Years (p.a.)	**6.8%**	8.0%	(1.2%)
1 Year	**5.3%**	8.0%	(2.7%)
3 Months	**(4.7%)**	1.9%	(6.6%)
1 Month	**(2.0%)**	0.6%	(1.4%)

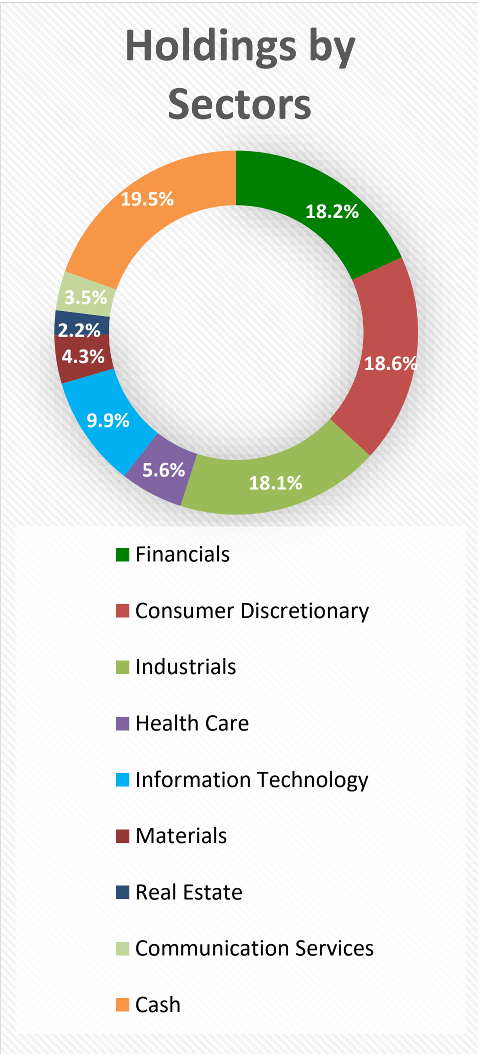
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2015					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	**13.8%**	**13.8%**
FY 2016	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 2017	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 2018	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)								**(2.8%)**	**36.1%**

Top five holdings	Sector
Scottish Pacific	Financials
GTN	Communication Services
Capitol Health	Health Care
Infomedia	Information Technology
Centuria Capital Group	Financials

* The top five holdings make up approximately 18.5 % 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

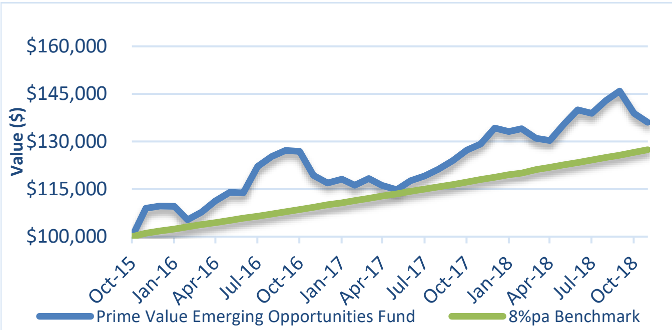


Market review

Global share markets performed better in November following declines in the previous month. The MSCI All Country World Index rose by 1.3% in November whilst Emerging Markets led by rising 4.1%. There were no major surprises to emerge from the US Mid-term elections, which proved to be a relief for markets in general. Notably, the US Federal Reserve chairman, Jerome Powell noted that US interest rates 'remained just below the broad range of estimates of the level that would be neutral'. Markets interpreted the comments as positive for interest rates and risk assets. Correspondingly, after selling off in the early part of the month, the US 10 year Treasury bond yield fell 14 basis point over the month to 3.01% (as at end of November).

The Australian market underperformed its peers in major share markets, with the ASX300 Accumulation Index falling 2.2% during the month. The Energy (-10.3%) and Resources (-6.5%) sectors were the key sectors contributing to the weaker Australian market. The Bank sector performed exceeding well, despite three major banks going ex-dividend for the month, to post a 2.5% gain. Comparatively, the Small Ordinaries Accumulation Index performed better that the broader market, declining by 0.4%.

The Australian Dollar emerged as one of the better performing currencies over the month, gaining 3.3% against the US Dollar. Narrowing US Dollar: Australian Dollar interest rate differentials worked in favour of the Australian Dollar.



This graph shows how $100,000 invested at the Fund's Inception has increased to $136,100 (net of fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $127,400 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$ 1.3144
Withdrawal price	$ 1.3040
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 -2.0% in November, 0.3% better than the Emerging Companies index (-2.3%) but below the benchmark of 0.6% (8% p.a.).

Key positive contributors to fund performance in November were **Appen** (APX +30.6%), **A2B** (A2B +6.8%) and **Infomedia** (IFM +4.9%). Key detractors were **Redbubble** (RBL -25.1%), **GTN** (GTN -11.6%) and **CML Group** (CGR -12.5%).

Appen rallied after upgrading earnings guidance for the third time this year. It had been sold off with tech stocks globally and rebounded sharply when focus returned to the earnings profile. Appen is often grouped with other Australian tech stocks that trade on much higher earnings multiples, but on a PE of 20x FY20 is reasonable in our view. Cabcharge was renamed **A2B** at the end of November reflecting its broader taxi and technology focus. A trading update at its AGM highlighted the turnaround is on track and it is growing again despite aggressive competition from the likes of Uber. New management has rejuvenated the taxi offer through rebranding, quality control, improved technology and an expanded fleet. **Infomedia** bounced after being aggressively sold down in October. A software provider to the automotive sector, it has high recurring revenue, a solid customer pipeline and net cash balance sheet. We continue to increase exposure on days when the stock is sold off.

Redbubble fell after a weak first quarter trading update. It was impacted by a change to Google's search algorithm that reduced organic traffic to Redbubble's website. Early signs indicate this has been resolved and we increased our position moderately. **GTN** provided an update showing a very strong first quarter but weak start to the second quarter. A weak advertising market and some internal issues appear to be the cause and we are reducing our weighting. **CML Group** was sold off despite upgrading earnings guidance at its AGM. We retain a reasonable position in the stock.

During the month new positions were established in **National Tyre & Wheel** (NTD) and **Hotel Property Investments** (HPI). We exited **Experience Co** (EXP).

By the time of our next monthly update we expect to have adjusted the fund to separate SIV investors from non-SIV investors. We are excited by this change as we believe it enables us to maximise returns for both sets of investors. This is particularly important in the current period when liquidity and flexibility are important drivers of returns. This fund will continue as the non-SIV fund which enables it to invest in small cap companies without a $500m market cap restriction.

Top Contributors (Absolute)	Sector
Appen	Information Technology
A2B	Industrials
Infomedia	Information Technology
Top Detractors (Absolute)	**Sector**
Redbubble	Consumer Discretionary
GTN	Communication Services
CML Group	Industrials

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