Prime Value Emerging Opportunities Fund Update – January 2020

- First stage progress in US-China trade negotiations boosted share markets, before selling off on concerns on the coronavirus outbreak.
- The Emerging Opportunities Fund return in January was +1.9%. This was 1.5% below the Small Ordinaries Index return of +3.4% and 1.2% above the benchmark of 0.7% (8% p.a.).
- The fund's returns have been positive every month this financial year despite the index being negative in 3 of the 7 months with its largest fall -3.9% (August '19). Capital preservation is a key feature of our investment process.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**13.4%**	8.0%	5.4%
3 Years (p.a.)	**13.4%**	8.0%	5.4%
2 Years (p.a.)	**13.7%**	8.0%	5.7%
1 Year	**32.3%**	8.0%	24.3%
3 Months	**6.7%**	2.0%	4.7%
1 Month	**1.9%**	0.7%	1.2%

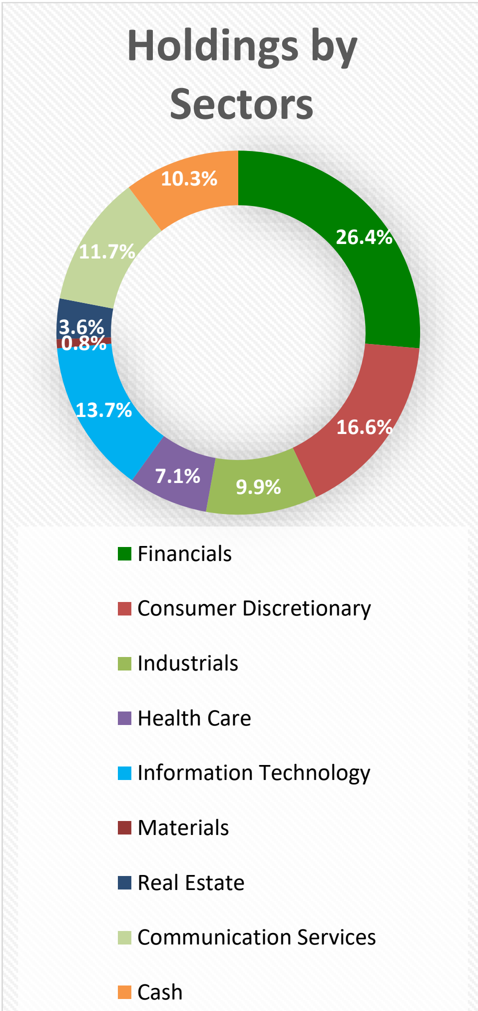
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%**
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%						**21.5%**	**72.1%**

Top five holdings	Sector
PSC Insurance Group	Financials
EQT Holdings	Financials
Mainfreight	Industrials
Chorus	Communication Services
News Corporation	Communication Services

* The top five holdings make up approximately 21.6% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation 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



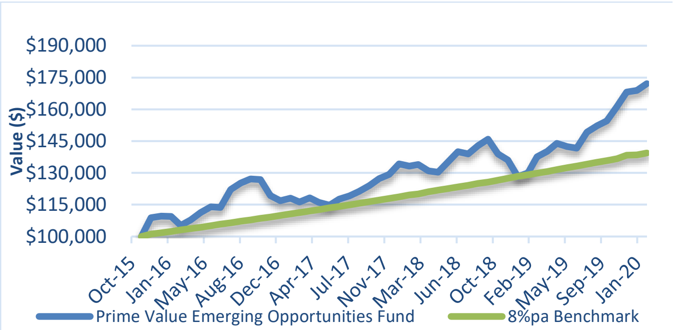
Market review

Share markets initially rallied hard through most of January following on from positive US-China trade progress, before selling off sharply on coronavirus fears. Emerging markets underperformed Developed markets significantly. Among global Developed Market sectors, Utilities, IT and REITs outperformed, while Energy, Materials and Financials underperformed the most. The Australian Dollar was the weakest performing G10 currency, falling 3.4c on the month to $0.669 against the US Dollar. Global bond yields fell sharply on coronavirus contagion fears, with Australian 10 year bond yields declining 42 basis points to 0.95%.

Bulk commodity prices were mixed in January. Iron ore fell US$7.06/t to US$84.94/t, but both thermal and metallurgical coal prices rose. Brent crude declined US$7.84/bbl to US$58.16/bbl, the lowest in over a year. Gold prices rose US$69.45/oz to US$1,584.20/oz, near the highest since 2013.

President Donald Trump and China's Vice Premier Liu He signed the US-China Phase One trade deal on January 16. The deal included increasing China's imports of US goods and services by more than US$200bn over two years, a suspension of tariffs on US$160bn in Chinese goods and a halving to 7.5% of tariffs on US$120bn in US imports from China.

Despite crisis induced volatility seen both domestically and abroad, the ASX300 Index reached a new historical high in January at 7087. The broad benchmark posted a somewhat surprising 4.9% return (notwithstanding some retracement to end the month). Large Caps were preferred over Small Caps in January at the headline, and within the subcomponents, with Industrials outperforming Resources across all size biased indices. By sector, Health Care (+12.0%), IT (+11.1%) and Consumer Staples (+8.2%) outperformed in Australia, while Utilities (+0.6%), Energy (+0.7%) and Materials (+1.8%) underperformed the most.



This graph shows how $100,000 invested at the Fund's Inception has increased to $172,100 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $139,400 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.5877
Withdrawal price	$1.5751
Distribution (31/12/2019)	$0.0400
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 January. Key positive contributors were **City Chic** (CCX +21.7%), **Data#3** (DTL +22.9%), and **Chorus** (CNU +7.3%). Key detractors were **Webjet** (WEB -9.8%), **Oceania Healthcare** (OCA -7.6%) and **Redbubble** (RBL -8.9%).

City Chic had a strong month, bucking the softer trend in retail. It is relatively unique in the Australian market with over 40% of sales transacted online and an existing international presence being accelerated by recent acquisitions in North America. **Data#3** continues to move higher and upgraded earnings guidance again in January. The stock is now becoming expensive in our view and we have been reducing our holding. A key risk for late 2020 is the Queensland state election which can cause a pause in demand. **Chorus** continues to benefit from greater regulatory certainty after the Commerce Commission's draft decision in November. This provides greater certainty over future cashflows and dividends. Capital expenditure is currently peaking providing a large and growing cashflow stream to distribute to shareholders.

Webjet suffered from recent concerns regarding the coronavirus outbreak. As a travel company, it is affected by reduced flights and holidays. Historically, short term disruptions have proved fantastic buying opportunities. **Oceania Healthcare** reported a solid earnings result and its 41% shareholder sold down its holding. This had been expected given the whole purpose of the stock being listed was to enable this shareholder to divest. However the volume of stock being sold soaked up demand and weighed on the stock price. We topped up our holding given the sell-down was done at a discount and the larger free-float will enable Oceania to more aggressively target growth initiatives.

In January we added **Mortgage Choice** to the portfolio and divested **Napier Port** based on valuation.

Markets have been relatively volatile in recent weeks with positive news on a US-China trade deal and global growth outlook appearing to improve as PMI's bottomed. But more recently, local bushfires and the coronavirus has created some uncertainty. At end of January we held a reasonable level of cash (10%) and have been selectively buying when quality companies have been weak. Historically issues like coronavirus have proved excellent buying opportunities as they typically prove transient. By taking a longer term view we can benefit from a likely upturn when virus concerns subside. However we are watching its spread closely as the situation is evolving. February has started strongly for the fund.

Top Contributors (Absolute)	Sector
City Chic	Consumer Discretionary
Data#3	Information Technology
Chorus	Communication Services
Top Detractors (Absolute)	**Sector**
Webjet	Consumer Discretionary
Oceania Healthcare	Health Care
Redbubble	Consumer Discretionary

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