Prime Value Emerging Opportunities Fund Update – October 2019

- Equity markets declined moderately in October as global growth concerns were offset by greater optimism of an initial China-US trade agreement and Brexit resolution.
- The Emerging Opportunities Fund return was +4.5% in October, 5.0% above the Small Ordinaries Accumulation Index return of -0.5% and 3.8% above our benchmark of 0.7% (8% p.a.). Returns for the first 4 months of the current financial year are +13.9% (after all fees), 11.3% above the Small Ordinaries Accumulation return of 2.6%.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**12.5%**	8.0%	4.5%
3 Years (p.a.)	**8.4%**	8.0%	0.4%
2 Years (p.a.)	**12.6%**	8.0%	4.6%
1 Year	**16.2%**	8.0%	8.2%
3 Months	**8.2%**	2.0%	6.3%
1 Month	**4.5%**	0.7%	3.8%

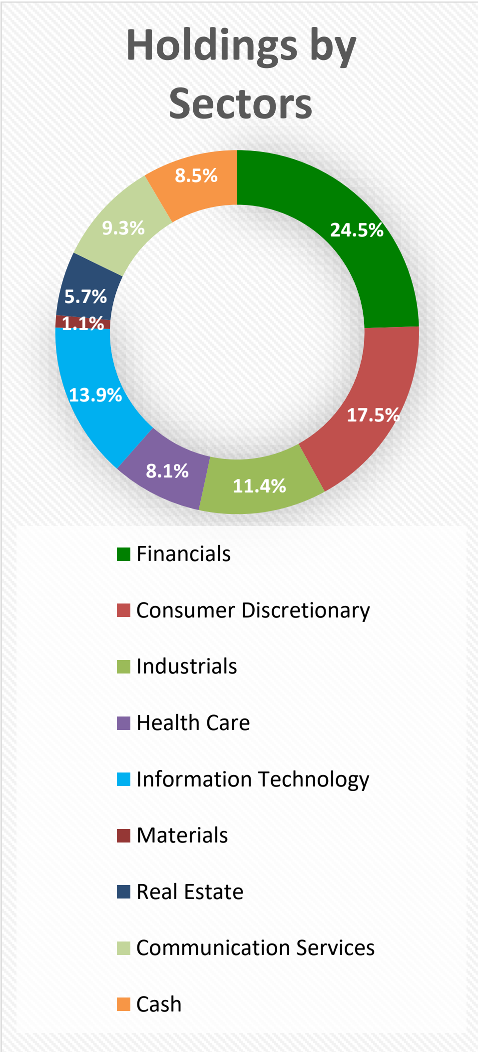
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%									**13.9%**	**61.4%**

Top five holdings	Sector
Fisher & Paykel Healthcare	Healthcare
EQT Holdings	Financials
Mainfreight	Industrials
PSC Insurance Group	Financials
Australian Finance 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

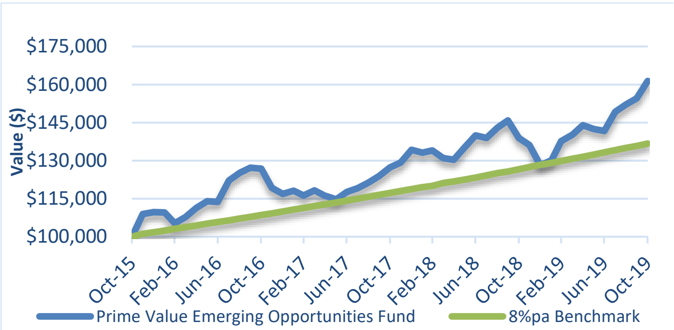
Australian indexes were relatively flat in October with the ASX300 -0.4% and the Small Ordinaries Accumulation Index -0.5%. Resources were softer than industrials as commodity prices fell moderately. The Small Resources Accumulation Index was -0.5% and the Small Industrials Accumulation Index was -0.5%.

Global newsflow was dominated by Brexit and China-US trade relations. The UK set an election date for December 12 which may deliver a resolution to ongoing uncertainty on Britain's position in the European Union. Conflicting reports were coming from the US and Chinese sides about the prospect of delivering a first stage trade deal with the cancellation of an APEC Leaders Summit complicating the issue somewhat. The two nations appear to be moving closer to a stage one agreement rather than further apart which was viewed positively by markets.

The US Federal Reserve cut interest rates at the end of the month, its third cut in 2019 and indicated it may now pause before making further changes. The future direction of US rates will be driven by economic data, particularly consumer related which has proved resilient.

Interestingly long term bond yields have been rising moderately over the last two months both in the US and Australia. This typically implies better economic conditions ahead which contrasts with many economic headlines which are less positive.

The Australian market has responded to rising bond yields by lifting cyclical and value stocks at the expense of high growth momentum stocks.



This graph shows how $100,000 invested at the Fund's Inception has increased to $161,400 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $136,700 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.5270
Withdrawal price	$1.5148
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 +4.5% in October, 5.0% above the Small Ordinaries Accumulation Index of -0.5% and 3.8% above our benchmark of 0.7% (8% p.a.). Key positive contributors were **Australian Finance Group** (AFG +22.7%), **Fisher Paykel Healthcare** (FPH +10.8%) and **Red Bubble** (RBL +30.4%). Key detractors were **IMF** (IMF -7.5%), **Eclipx** (ECX -12.0%) and **Breville Group** (BRG -4.7%).

Fisher Paykel Healthcare was our largest holding at the beginning of October. During the month it upgraded earnings guidance for the second time since August and we believe guidance remains conservative. A new mask was also announced in its sleep apnea focused division (c. 40% of group revenue) which should accelerate growth in 2020. FPH has multiple world-leading products which deliver superior patient outcomes and reduce government healthcare costs. Its target markets are under-penetrated providing long duration growth with low cyclicality and we consider it one of the highest quality companies in our investable universe. Despite reducing our holding after the stock's recent rise, it remains one of the larger holdings in the fund.

The rotation from high growth, high priced stocks into value stocks continued in October. A number of factors have been cited including rising bond yields and WeWork's troubles. We are stock pickers with valuation discipline. So these macro changes don't have a big influence on our portfolio. However they are generally positive as we avoided the heavy falls of many highly priced companies and now have the opportunity to buy at more attractive prices.

We continue to avoid company's delivering profit-less growth at very high valuations, many of which rely on ongoing equity funding to support their business models. Should markets experience turbulence, raising capital will become more difficult forcing many to curtail their ambitions and thereby having a compounding affect on valuations. Every company in the portfolio currently is profitable.

Our focus remains on long term capital growth by investing in businesses that are individually attractive and together provide a well-diversified portfolio for investors.

In October there were no new positions established or exited. However we did re-weight the portfolio by increasing exposure to those with further upside potential earlier in the month (including **Red Bubble** and **News Corp**) and reducing exposure to some strong performers late in the month (including **Fisher Paykel Healthcare** and **Baby Bunting**).

Top Contributors (Absolute)	Sector
Australian Finance Group	Financials
Fisher Paykel Healthcare	Health Care
Red Bubble	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
IMF Bentham	Financials
Eclipx Group	Financials
Breville Group	Consumer Discretionary

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