Prime Value Emerging Opportunities Fund Update – September 2019

- Hints of improvements in the macro-economic backdrop led to a strong September monthly performance for share markets
- The Emerging Opportunities Fund return in September was +1.5%. This brings returns for the September quarter of this financial year to date to +9.0% in a relatively flat equity market.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**11.5%**	8.0%	3.5%
3 Years (p.a.)	**6.7%**	8.0%	(1.3%)
2 Years (p.a.)	**11.6%**	8.0%	3.6%
1 Year	**5.9%**	8.0%	(2.1%)
3 Months	**9.0%**	2.0%	7.1%
1 Month	**1.5%**	0.6%	0.9%

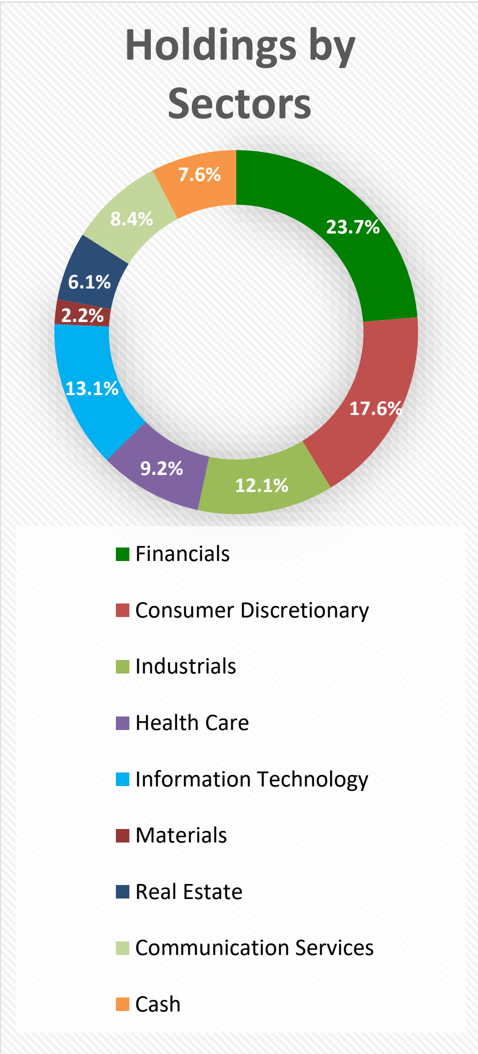
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%										**9.0%**	**54.5%**

Top five holdings	Sector
Fisher & Paykel Healthcare	Healthcare
EQT Holdings	Financials
Mainfreight	Industrials
City Chic Collective	Consumer Discretionary
PSC Insurance Group	Financials

* The top five holdings make up approximately 23.6% 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



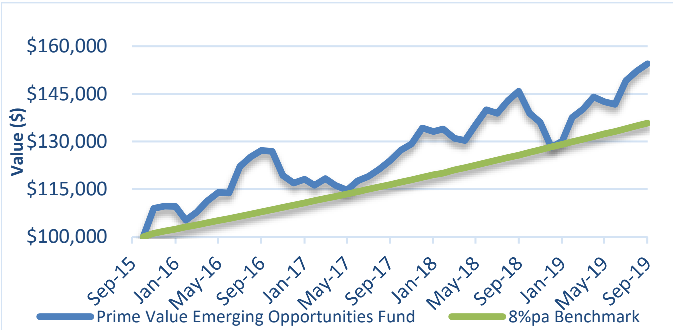
Market review

Global markets rallied in September, with developed markets up 2.4% in local currency terms, and emerging markets rising 1.5%. The Nikkei 225 (Japan) was the best performing major index (+5.8%), followed by the Euro Stoxx 50 (4.3%) and FTSE 100 (3.2%). Value-heavy European indices delivered the strongest performance in September. In contrast, the more growth-oriented NASDAQ Composite (+0.5%) and MSCI China (-0.2%) underperformed.

With hints of an improvement in the macro-economic backdrop, combined with a sustained period of value-investing underperformance and extreme positioning, triggered a rotation from growth to value stocks. The rotation in Australia was particularly pronounced, with JP Morgan estimating value stocks outperformed growth stocks by 384 basis points.

Financials (+4.5%) and Energy sectors (+4.3%) led the global 'value' stocks uplift, with both outperforming strongly in the month. The rotation to 'value' stocks was similar locally, with banks (+4.9%) and energy (+3.9%) buttressing the gains for value. At the other end of the spectrum, growth and defensives sectors languished, with healthcare (-3.2%), communication services (-3.3%) and REITS (-2.8%) bearing the brunt of the downdraft in Australia.

After a slump in August, iron ore prices rebounded in September. The Bloomberg Commodities Index rose 1.0%. Oil spiked mid-month following an attack on a major Saudi Arabian processing plant, with the price rising 14.2% on 16 September. Over the month, however, Brent oil price gained just 1.4% as processing capacity at the damaged facility was restored more quickly than expected.



This graph shows how $100,000 invested at the Fund's Inception has increased to $154,500 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $135,800 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.4634
Withdrawal price	$1.4518
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 +1.5% in September. Key positive contributors were **City Chic** (CCX +15.8%), **Baby Bunting** (BBN +19.1%) and **IMF Bentham** (IMF +22.6%). Key detractors were **Bravura** (BVS -15.3%), **Appen** (APX -18.3%) and **Webjet** (WEB -11.8%).

Our investable universe is companies outside the 100 largest on the Australian Stock Exchange. While this area of the market delivered solid gains in September there was significant change below the surface. Most notable was the decline in higher valued, structural growth companies while domestically focused companies performed better. The domestic economy is moderately improving (housing market, tax cuts) while the global economy is weakening (deteriorating PMI's). When combined with an occasional spike in bond yields, local cyclical stocks are benefitting. We remain cautious of relying on a domestic economic upturn. Our investments have highly visible earnings drivers that are typically structural and less reliant on the economic cycle. This reduces the risk of forecasting error impacting investment returns.

We expect the changes mentioned above to provide significant opportunities for us to buy structurally growing companies as they become more attractively priced. To date we have been selective with most changes occurring through the re-weighting of existing holdings.

In September we established new positions in **Chorus, Eclipx** and **Probiotec**. We exited **CML Group** after an acquisition lifted the stock price and **Capitol Health** as the earnings outlook appears below our previous expectations.

Chorus is New Zealand's largest fixed line wholesale telco network. Its fibre rollout across ~90% of the population is almost complete so it is transforming from a highly capex phase to being highly cash generative. The stock recently sold off over regulatory concerns that may limit future earnings potential. We saw this as an opportunity as we believe it was pricing-in an overly negative outcome. Even a mid-case outcome would deliver significant returns over coming years. As an infrastructure company, it has long duration cashflows and a rising dividend yield.

Equity markets have experienced some volatility in October to date. Pleasingly, the Emerging Opportunities Fund performance has been resilient. It consists of ~40 high quality businesses in which we have a high level of confidence will deliver earnings growth over coming years. This should result in attractive investment returns regardless of short term market gyrations.

Top Contributors (Absolute)	Sector
City Chic	Consumer Discretionary
Baby Bunting	Consumer Discretionary
IMF Bentham	Financials
Top Detractors (Absolute)	**Sector**
Bravura	Information Technology
Appen	Information Technology
Webjet	Consumer Discretionary

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