Prime Value Emerging Opportunities Fund Update – February 2020

- Share markets fell towards the end of February as the coronavirus outbreak entered a new and more concerning phase. We expect the economic effects to be transitory as concerns around the virus reduce and stimulus is provided by central banks and governments.
- The Emerging Opportunities Fund return in February was -5.8%. This was 2.9% better than Small Ordinaries Accumulation Index return of -8.7%. Limiting downside in falling markets is our key focus.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**11.6%**	8.0%	3.6%
3 Years (p.a.)	**11.7%**	8.0%	3.7%
2 Years (p.a.)	**10.0%**	8.0%	2.0%
1 Year	**17.8%**	8.0%	9.8%
3 Months	**(3.5%)**	1.9%	(5.5%)
1 Month	**(5.8%)**	0.6%	(6.4%)

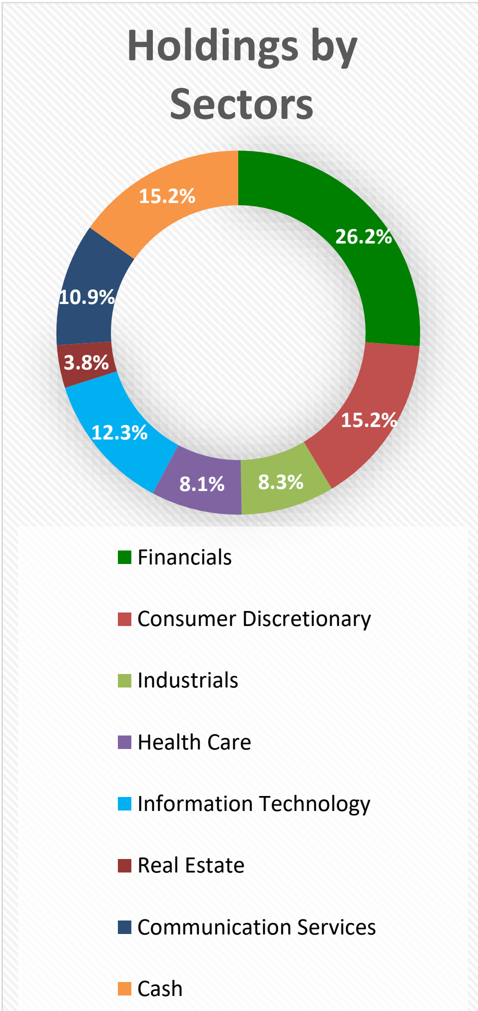
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 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%	(5.8%)					**14.5%**	**62.1%**

Top five holdings	Sector
EQT Holdings	Financials
Chorus Limited	Communication Services
Fisher & Paykel	Health Care
News Corporation	Communication Services
Pinnacle Investment	Financials

* The top five holdings make up approximately 19.4% 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

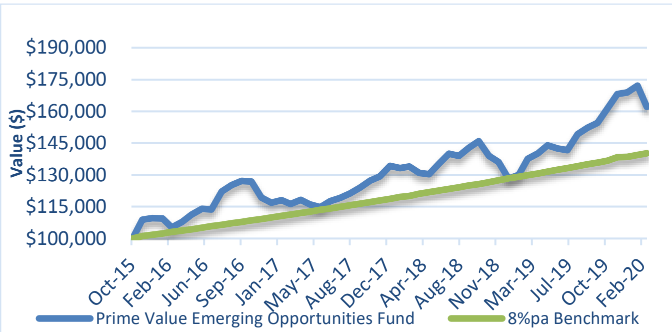
Fears of a global spread in COVID-19 dominated market moves in February, reflecting expectations for a significant slowdown in global growth. Global equity markets sold off sharply while bond yields continued to slide. Surprisingly, emerging market shares outperformed developed markets. Globally, Energy, Materials and Financials shares underperformed, while Communication Services, Health Care and REITs outperformed the most.

Safe haven currencies rose against the US Dollar. The Swiss Franc (+0.6%) and Japanese Yen (+0.3%) were the best performing currencies, while the New Zealand Dollar (-3.4%), Australian Dollar (-2.7%) and Norwegian Krone (-2.0%) were the worst performers. Bulk commodity prices were mixed in February. Iron ore fell $0.50/t to $84.50/t, but both thermal and metallurgical coal prices rose. Brent crude declined by US$7.64/bbl to US$50.52/bbl, the lowest since Dec-18. Gold prices rose again, up by US$25.65/oz to $1,609.85/oz, the highest since 2013.

The ASX300 Accumulation Index fell 7.8% in February, slightly better than Developed Market index average of -8.1%. By sector, Utilities (-3.6%), Health Care (-3.7%) & REITs (-4.9%) outperformed in Australia, while Information Technology (-17.3%), Energy (-17.2%) & Materials (-11.7%) underperformed the most. The Small Ordinaries Accumulation Index fell 8.7% during the month.

The evolving events surrounding the virus outbreak makes it difficult to estimate the shorter term economic impact, and is contributing to the market gyrations we are currently experiencing. But we believe the economic effects will be transitory. History is clear on this point.

Central banks have injected liquidity since the crisis unfolded. While share markets have the potential to remain volatile in the short term, we expect sentiment to improve as the disruption from the virus fades and economic activity rebounds, supported by government policy.



This graph shows how $100,000 invested at the Fund's Inception has increased to $162,100 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $140,200 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.4955
Withdrawal price	$1.4835
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 -5.8% in February. Key positive contributors were **Fisher Paykel** (FPH +10.1%), **Pinnacle** (PNI +9.2%), and **Opticomm** (OPC +25.8%). Key detractors were **Mortgage Choice** (MOC -25.4%), **Bravura** (BVS -18.6%) and **NRW** (NWH -23.3%).

February is reporting season when most companies report their financial results for the 6 months to December. However this year returns were overwhelmed by a sharp fall in the last week of the month. COVID-19's spread outside China shifted fears from supply risk (constrained Chinese production of goods) to demand risk (weakening demand in Europe and North America).

Delivering negative returns is never pleasing however do take some comfort that performance was significantly better than the broader market. Protecting downside is a core focus and in months when the market falls we have outperformed 80% of the time. Business quality is a key screen for investments and every company in the portfolio is profitable so not reliant on raising capital when markets are weak.

In February we moved quickly to cauterise elements of the portfolio most at risk of the virus including exiting travel company **Webjet** and significantly reducing one of our larger holdings, **Mainfreight**, a global logistics business.

There have been elements of indiscriminate selling so we have been opportunistically buying defensive businesses caught up in the sell-off including **Bravura** and more recently, **Technology One**.

We finished the month with 15% cash which is significantly higher than average so are well placed to take advantage of further sell-off's. We expect to come out of this downturn with a portfolio of even higher quality businesses purchased at attractive prices.

The impact of the virus is very difficult to forecast given it is only two months old but we have had access to globally leading medical experts in the space and will continue to monitor it closely.

On the positive side, China infection rates are declining and production is ramping up. Additionally economic stimulus is being provided by central banks lowering interest rates and governments supporting people and corporate's.

Historically these outbreaks have proved transitory and presented excellent buying opportunities. It's unlikely we will pick the market bottom but we will continue to look for quality, defensive businesses trading at attractive prices and act when opportunities arise.

Top Contributors (Absolute)	Sector
Fisher & Paykel	Health Care
Pinnacle Investment	Financials
Opticomm	Communication Services
Top Detractors (Absolute)	**Sector**
Mortgage Choice	Financials
Bravura Solutions	Information Technology
NRW Holdings	Industrials

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