Prime Value Emerging Opportunities Fund Update – May 2020

- Equity markets rallied for a second consecutive month as the number of new CV19 cases globally declined. In addition, economic activity has been improving week-on-week across most sectors through May
- The Emerging Opportunities Fund return in May was +11.6%, 1.0% above the Small Ordinaries Accumulation Index (10.6%) and 11.0% above the benchmark of 0.6% (8% p.a.).
- The fund has now recouped all of the decline in March's sell-off and returns financial year to date are +16.5%, 20.3% above the Small Ordinaries Accumulation Index.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**11.4%**	8.0%	3.4%
3 Years (p.a.)	**12.9%**	8.0%	4.9%
2 Years (p.a.)	**10.4%**	8.0%	2.4%
1 Year	**15.8%**	8.0%	7.8%
3 Months	**1.8%**	1.9%	(0.1%)
1 Month	**11.6%**	0.6%	11.0%

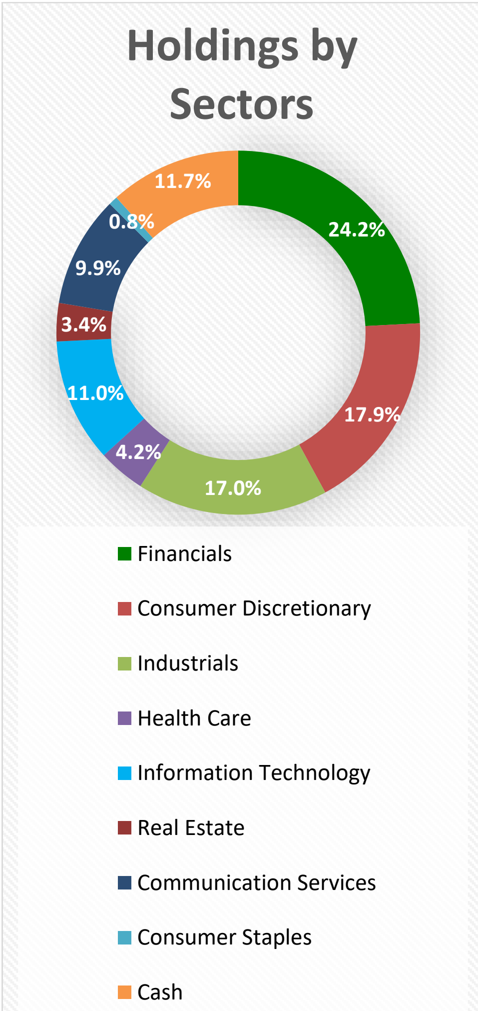
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%)	(19.1%)	12.7%	11.6%		**16.5%**	**65.0%**

Top five holdings (alphabetical order)	Sector
Bapcor	Consumer Discretionary
Omni Bridgeway	Financials
EQT	Financials
News Corporation	Communication Services
Pinnacle	Financials

* The top five holdings make up approximately 18.2% 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
Suggested Investment Period	3 + years

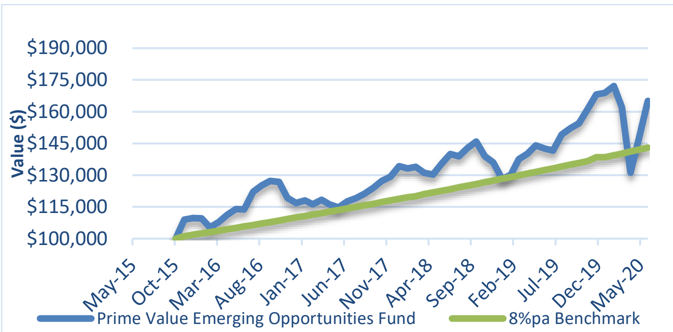


Market review

Rising confidence in government stimulus and a continued easing of lockdown measures saw global markets rally again in May. US stocks rallied throughout May, buoyed by optimism over hopes of a reopening of the economy and easing restrictions, with the S&P 500 Index bouncing 36% off its late March lows, and now just 10% below the record high set in February. Key global commodity prices staged a recovery in May. Brent oil prices rose a solid US$10.06/bbl to US$35.33/bbl in May, partly driven by the improving global outlook and the lower US Dollar. Iron ore prices also increased substantially, breaching the US$100/t level for the first time in almost a year. The rise in iron ore prices was driven by a combination of robust demand and supply constraints in Brazil. Spot gold finished the month up 2.6%, closing at US$1730.27/oz and surpassing the highest level since October 2012, which was set just last month.

Australian equities also rallied steadily throughout May. The Australian market has rebounded approximately 31% since the March 23 low and remains about 20% below the February high. Gains have been driven by multiple expansion, as investors react to stimulus and position for the recovery in activity as the economy emerges from hibernation. We observe that recent trading updates from a range of listed companies showed that the impact on profits has not been as bad as feared. As a result, companies within the finance (including banks), industrial and consumer discretionary sectors (especially small companies) could see earnings expectations revised upwards, and not down, when judged against overly pessimistic forecasts.

The Information Technology sector was the best performing sector over the month, rallying 14.5%, whilst Communication Services increased 8.4%. Health Care and Consumer Staples were the only sectors to close May in the negative, declining 5.3% and 0.4% respectively. For the month of May, the S&P/ASX Small Ordinaries rallied 10.5%, outperforming the S&P/ASX300 Accumulation Index's gain of 4.8%.



This graph shows how $100,000 invested at the Fund's Inception has increased to $165,000 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $143,000 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.5217
Withdrawal price	$1.5095
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

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Fund review & strategy

The fund's return was 11.6% in May, 1.0% above the Small Ordinaries Accumulation Index of 10.6%. Key positive contributors were **Redbubble** (RBL +57.0%), **Southern Cross Media** (SXL +67.9%), and **Omni Bridgeway** (OBL +22.1%). Key detractors were **TechnologyOne** (TNE -3.8%), **Probiotic** (PBP -3.0%) and **Austal** (ASB -0.6%).

It was another strong month for the market continuing on from April. From its low on March 23, the Small Ordinaries Accumulation Index finished 46% higher by the end of May (10 weeks). This highlights how quickly markets can move and the importance of long term investing. Picking the top and bottom is notoriously difficult but over time, equity markets provide strong investment returns.

When investing in stocks a key input is our forecast of future earnings. In the current environment the shape and speed of the economic rebound is more uncertain than normal, making forecasting particularly challenging. So our focus has intensified. We have always undertaken an extensive company meeting program and this has increased recently. We have also had access to other experts including a former Chair of the US Federal Reserve, a senior member of The Reserve Bank of Australia, a senior member of the Australian Federal Government and multiple global health experts (particularly epidemiologists and virologists).

We strongly believe that preparation creates opportunity, particularly in times of uncertainty. Decades of extensive research on a broad range of companies, are more valuable than ever. Two stock examples are **Alliance Aviation** (AQZ) and **Hotel Property Investments** (HPI) which have delivered strong returns for the fund.

AQZ is an airline so would appear at significant risk from recent travel bans with most planes grounded. However its focus is business to business and has continued to operate. Social distancing measures require spacing of passengers and additional flights for its customers. It has benefitted from coronavirus, recently upgraded its earnings and the stock is currently trading c. 3x above its March low. It is differentiated from many other airlines by owning all its planes and passing through fuel costs, reducing leverage and earnings volatility.

HPI owns 45 pubs largely in Queensland and rents most to a joint venture between KKR and Liquorland (Coles). Pubs were temporarily shut and it is still uncertain when they will fully re-open. However importantly, attached to HPI's pubs is the license to operate 120 Liquorland (Coles) bottle shops. These have been trading very strongly while pubs are restricted. Therefore the certainty of rental income is far greater than would appear by purely focusing on the pub assets. Despite this we were recently able to buy the stock at half its net asset value (land & buildings) and a dividend yield of 12% p.a.

To summarise, crisis and change is difficult for us all, but it also brings opportunity. In addition to the examples above, there are many more recent investments we expect to deliver strong returns in the years ahead. We are very excited about the future prospects for the fund.

Top Contributors (Absolute)	Sector
Redbubble	Consumer Discretionary
Southern Cross Media	Communication Services
Omni Bridgeway	Financials
Top Detractors (Absolute)	**Sector**
Technology One	Information Technology
Probiotic	Health Care
Austal	Industrials