Prime Value Emerging Opportunities Fund Update – September 2020

- Global share markets declined in September, impacted by US stimulus concerns and a second wave of covid-19 infections in Europe.
- The Emerging Opportunities Fund return in September was 0.2%, 3.0% above the Small Ordinaries Accumulation Index (-2.8%) and 0.5% below the benchmark of 0.6% (8% p.a.).
- This month we celebrate the fund's 5 year anniversary. Returns have been strong over that time, exceeding the index across all time periods and placing it in the top quartile of its peer group of Australian ex-ASX100 funds.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**13.0%**	8.0%	5.0%
5 Years (p.a.)	**13.0%**	8.0%	5.0%
3 Years (p.a.)	**14.0%**	8.0%	6.0%
2 Years (p.a.)	**12.3%**	8.0%	4.3%
1 Year	**19.0%**	8.0%	11.0%
3 Months	**9.9%**	2.0%	8.0%
1 Month	**0.2%**	0.6%	(0.5%)

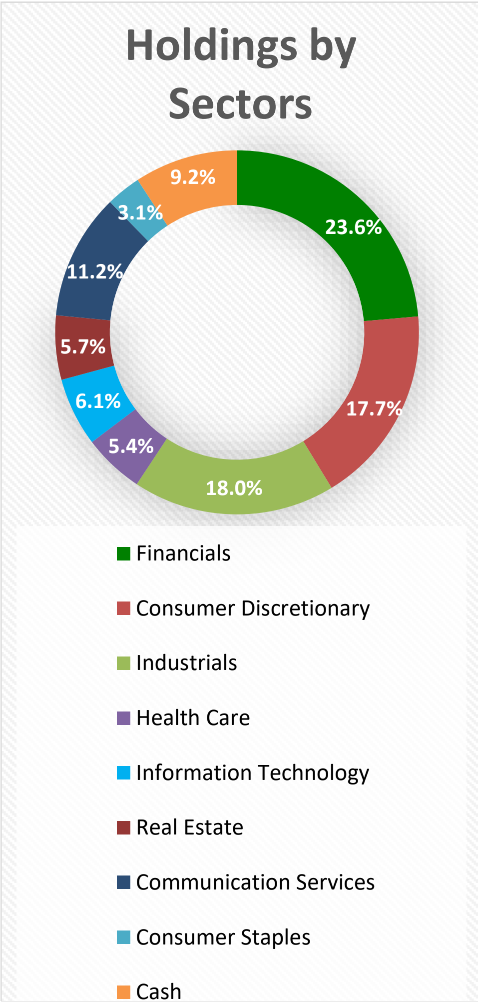
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%	1.4%	**18.1%**	**67.3%**
FY 2021	3.6%	6.0%	0.2%										**9.9%**	**83.9%**

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
Bapcor	Consumer Discretionary
EQT Holdings	Financials
Mainfreight	Industrials
News Corporation	Communication Services

* The top five holdings make up approximately 20.6% 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
Suggested Investment Period	3 + years



Market review

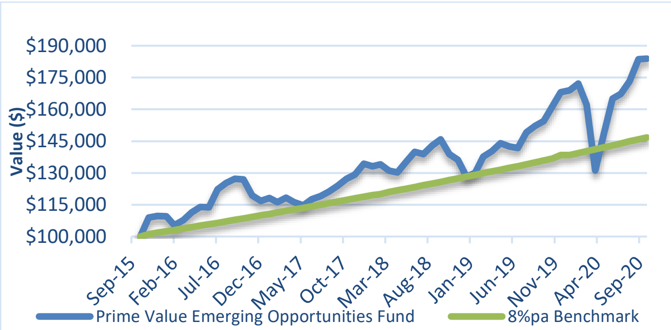
Global markets declined in September, weighed down by delays in US fiscal stimulus and a second wave of covid-19 infections in Europe. All developed market sectors fell led by Energy, Financials and Communications while outperformers were Utilities, Industrials and Materials.

Global commodity prices gave up some of their recent gains on growth concerns and a rising $US. Iron ore prices fell US$5.00/t to US$120.00/t and gold continued to fall, down US$70.34/oz to US$1,957.03/oz. The Australian Dollar reversed some of its recent gains, down 3% against the US Dollar to US$0.717. This is positive for Australian companies that export or have significant revenues in US dollars.

The ASX200 Accumulation Index returned -3.6% in local currency terms, underperforming the Developed Market's World Index return of -2.9%. The September decline was the first negative return for the Australian share market in six months and is now down 11% in 2020. During the month, Healthcare (+0.9%), Industrials (+0.3%) and REITs (-1.5%) outperformed the most, while Energy (-11.1%), IT (-6.8%) and Consumer Staples (-6.6%) underperformed.

There were 3 main highlights for the month. Locally, the government announced a repeal of responsible lending legislation from March 2021 that will shift responsibility from "lender beware" to "borrower responsibility" and was seen as positive for banks and the housing market. A sharp decline in Victoria's covid-19 infection rates provided visibility for the future relaxation of restrictions in that state and the opening of state borders. Lastly, at the end of the month, the two US presidential candidates held a debate which was broadly criticised in the media.

In coming months we expect increased news flow on phase 3 trial results for covid-19 vaccines. This may shift focus from the current infection rates to an end to this crisis and the likely economic rebound. Locally we also have the Federal Budget on Tuesday, October 6 which is expected to provide significant fiscal stimulus to the economy.



This graph shows how $100,000 invested at the Fund's Inception has increased to $183,900 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $146,700 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.6924
Withdrawal price	$1.6790
Distribution (30/06/2020)	$0.0032
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 0.2% in September, 3.0% above the Small Ordinaries Accumulation Index of -2.8%.

Key positive contributors for the month were **Mortgage Choice** (MOC +26.5%), **Oceania Healthcare** (OCA +10.9%) and **Australian Finance Group** (AFG +15.1%). Key detractors were **Omni Bridgeway** (OBL -11.9%), **City Chic** (CCX -11.0%) and **News Corporation** (NWS -7.2%).

This month we celebrate the fund's 5 year anniversary. Along with strong investment returns (13% p.a.), a key feature has been capital preservation. With the current portfolio manager (from May 2018) the fund has outperformed 85% of months when the index is negative. Over 2019 and 2020 only 4 months have had negative returns while the index has had 9 negative monthly returns. The capital preservation philosophy extends to our benchmark of 8% p.a. absolute (not the index) and our personal investment in the fund. Our focus and structure is being reflected in the investment performance.

Covid-19 has caused huge changes in our lives and the economy. To date our fund has performed strongly through this period due to our focus on higher quality businesses. Some of the largest returns have been from buying heavily sold companies that we viewed as having a far better outlook than implied in the share price. Examples include **Hotel Property Investments**, a property owner purchased at almost half its net tangible assets (+65% return to date) and **RedBubble** a covid-19 winner that was sold down by others (+120% return).

With Australia now opening up, large government stimulus economically supportive and a vaccine on the horizon, we are looking 12-24 months ahead to what the economy may look like. Companies in the travel, entertainment and media sectors have been most impacted by covid-19 and these offer some of the best investment opportunities currently. However we are not going "all in". We are just dipping our toes and being cautious, using a rifle rather than a machine gun to selectively buy small positions. If conditions continue to improve as we expect, we will increase the weightings, all the time re-assessing and talking to the management of these businesses.

A current example is **Southern Cross Broadcasting** (SXL). It owns Australia's largest radio network spanning well known metro stations like Triple M and regional stations which are even higher quality in our view (less competition, underpenetrated). It raised equity earlier in the year and continues to generate positive cashflow.

We encourage investors to view the fund as a portfolio of individual investments, each of which is heavily researched and attractive in its own right. Together they provide a diversified portfolio which we expect to deliver attractive returns.

Top Contributors (Absolute)	Sector
Mortgage Choice	Financials
Oceania Healthcare	Health Care
Australian Finance Group	Financials
Top Detractors (Absolute)	**Sector**
Omni Bridgeway	Financials
City Chic Collective	Consumer Discretionary
News Corporation	Communication Services

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