

ADVISER VOICE

Top small cap performer says active management best way to ‘limit downside’

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Richard Ivers

Active management’s virtues have become more apparent as markets have drifted lower, according to a leading small caps fund manager, who says ‘managing the downside’ is limited in passive investments and often underestimated in overall performance.

Richard Ivers, portfolio manager at boutique Prime Value Asset Management, says avoiding the big

losers is just as influential as picking big winners when selecting stocks. “It’s seductive to put too much focus on selecting big winners, but avoiding poor performers is often more influential on returns.

“It’s that old rule – if you lose 50 per cent of your capital, you then need a 100 per cent return just to get back to where you were.

He said the latest market falls are a good reminder to investors that active investing strategies can add value. “The case for active management strengthens during tough market conditions. There always needs to be a good balance between managing the downside and identifying good buying opportunities.

“Passive strategies look good when markets are stable and rising, but can be exposed during corrections with a long-lasting impact on performance.”

Mr Ivers manages the small/micro cap Prime Value Emerging Opportunities Fund – since joining Prime Value just six months ago his fund has beaten its index (Emerging Companies Accumulation) by 20% during a challenging time on the markets.

During this period the Fund has delivered a +6.6% return, after all fees, compared with the Emerging Companies Accumulation Index of -13.4%, putting it at the top of its peer group. Since inception in October 2015, the Prime Value Emerging Opportunities Fund has returned 11.3% per annum to investors.

Mr Ivers said employing a ‘growth at a reasonable price’ (GARP) strategy explained the Fund’s performance. “Stock picking has been the driver with a strong emphasis on managing risk. We’ve avoided major blow-ups and invested in reasonably priced companies so we’ve weathered the recent sell-down very well. The

largest single holding at any point has been 6% and we have avoided some of the riskier sectors such as mining stocks.”

“We have backed ourselves by taking largest positions quickly when opportunities arose, and expect more buying opportunities as the market continues to stutter.”

The Prime Value Emerging Opportunities Fund is currently open to retail investors.

Boutique manager Prime Value Asset Management is part of an investment group including Shakespeare Property Group, managing more than \$1.5 billion across equities, cash plus, direct property and agriculture investment.