

# Prime Value Opportunities Fund

## Fund Update – August 2019



- Share markets were softer in August as investors attention were focussed on what appears to be an escalation of China-US tariff war
- The Australian share market posted its first decline after seven consecutive positive months, rallying in the latter part of the month
- The Fund fell 2.3%, in line with the broader market. The Fund's healthcare exposures continue to perform well

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	<b>11.4%</b>	8.0%	3.4%
5 Years (p.a.)	<b>7.8%</b>	8.0%	(0.2%)
3 Years (p.a.)	<b>6.2%</b>	8.0%	(1.8%)
2 Years (p.a.)	<b>8.6%</b>	8.0%	0.6%
1 Year	<b>(1.2%)</b>	8.0%	(9.2%)
3 Months	<b>3.2%</b>	1.9%	1.3%
1 Month	<b>(2.3%)</b>	0.6%	(2.9%)

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

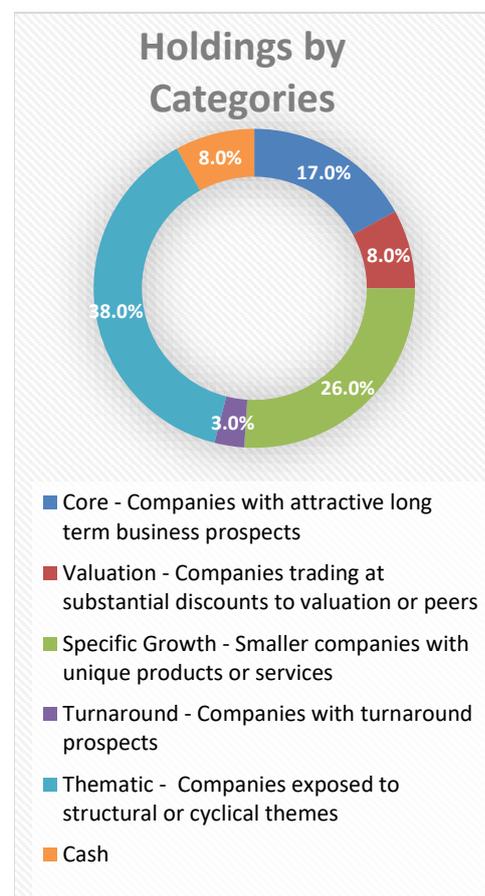
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	<b>14.1%</b>	<b>14.1%</b>
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	<b>21.4%</b>	<b>38.5%</b>
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	<b>4.6%</b>	<b>44.9%</b>
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	<b>14.9%</b>	<b>66.5%</b>
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%	(1.2%)	1.2%	<b>6.3%</b>	<b>77.0%</b>
FY 2018	(1.2%)	1.0%	0.4%	4.2%	1.6%	0.4%	(0.2%)	2.5%	(2.5%)	3.0%	2.1%	2.4%	<b>14.3%</b>	<b>102.4%</b>
FY 2019	1.7%	2.6%	(1.9%)	(8.2%)	(1.9%)	(1.8%)	3.2%	3.4%	0.2%	2.9%	0.3%	2.6%	<b>2.5%</b>	<b>107.5%</b>
FY 2020	2.9%	(2.3%)											<b>0.6%</b>	<b>108.6%</b>

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Westpac	Financials
Amcor	Materials
Resmed	Health Care

The top five holdings make up approximately 29.5% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8.0% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure <sup>#</sup>	0 - 20%
Distributions	Half-yearly
Recommended Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended

<sup>#</sup> The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



## Market review

Share markets were softer in August with Developed Markets lower by -2.0% in US Dollar terms, while Emerging markets fell a larger -4.8%. Investors were largely focused on the escalation of the China-US tariff war, with the bond market taking a decidedly bearish view on the potential impact on economic growth. The US 10-year bond yield collapsed to just 1.50%, driving Australian 10-year yields to a record low 0.89%. Against that backdrop it was no surprise that the more defensive sectors such as REITs, Utilities and Consumer Staples sectors led gains, while the Energy, Financials and Materials sectors underperformed.

August's volatile results season and geopolitical concerns were enough to break the Australian share market's run of seven consecutive months of gains with the ASX300 Accumulation Index falling -2.3% and the Small Ordinaries Accumulation Index by -3.8%. The end of month performance however did mask the extent how much the index had fallen through August, with a late market rally taking the index return from -5.8% lows to where it finished at -2.3%. Resources were the main drag on returns on the Australian market, with commodity prices dragging the Miners and Energy stocks lower.

Investors have been quite pre occupied with the broad picture that company earnings have been disappointing at the August results, prompting further downgrades to FY20 estimates. Whilst the slower earnings outlook is true for the market, we believe investors are missing the forest for trees. We continue to uncover a broad range of companies that continue to experience a healthy growth trajectory—this is how we add value as active managers.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$208,600 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$169,000 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.6795	\$ 1.6459
Withdrawal price	\$ 1.6667	\$ 1.6335
Distribution (30/06/2019)	\$ 0.0336	\$ 0.0335
Indirect Cost Ratio (ICR)*	0.95% p.a.	0.95% p.a.
Performance fee**	15%	15%

\* 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 a high water mark

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## Fund review and strategy

The Fund fell 2.3% in August which was in line with the broader market decline. The August reporting season added to share price volatility in the short term, with Fund performance recovering towards the latter part of the month on account of a number of holdings reporting solid results. For example, the range of share price movements during the month for the portfolio holdings ranged from +20% to -20%.

The Fund's health care exposures performed well during the month, continuing a trend over the past few quarters—essentially demand for health care products had remained strong and the companies have been executing well with few signs of disruptions. More importantly, we believe the quality of management behind these companies are high and they are managing for future growth as opposed to short term gains.

The Fund also benefitted from a number of consumer related companies, including Plus-Size retailer City Chic, on line property portal REA Group and alternative financier Credit Corp. Whilst there has been commentary in the media and from retail companies on a nascent recovery in consumer spending post the Federal election and on the back of interest rate cuts, the Fund invested in each of these companies for the strength of their business models rather than a play on consumer spending recovery. We believe the runway for City Chic's growth in the Plus-Size market is long and anticipate further penetration into that niche market. REA Group has performed well during a difficult period in the property market. The company is well positioned to build on its strengths to take advantage of an improving property market. Finally, we believe the industry structure for Credit Corp is improving in Australia—we believe Credit Corp holds an advantage to its competitors given the company's strong balance sheet and good management.

Amcor's share price has been softer in recent months, and despite reporting a reasonable FY19 result and a US\$500m share buyback. We suspect moving the company's primary listing to the US from Australia may be a contributory factor but the change in listing domicile should not affect the strong fundamental position Amcor is in.

Key contributors to Fund performance during the month included **CSL** (+4.9%), **Resmed** (+8.4%) and **Credit Corp** (+14.5%). Key detractors during the month included Amcor (-6.9%), BHP (-11.0%) and Cleanaway (-14.5%).

Top contributors (absolute)	Sector
CSL	Health care
Resmed	Health care
Credit Corp	Financials
Top detractors (absolute)	Sector
Amcor	Materials
BHP	Materials
Cleanaway	Industrials
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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