

Prime Value Opportunities Fund

Fund Update – January 2020



- First stage progress in US-China trade negotiations boosted share markets, before selling off on concerns on the coronavirus outbreak
- The Australian share market reached new highs in January, breaching 7000 points during the month
- The Fund posted a gain of 4.9% in January, with healthcare companies the main contributors

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.7%	8.0%	3.7%
7 Years (p.a.)	10.9%	8.1%	2.8%
5 Years (p.a.)	9.5%	8.0%	1.5%
3 Years (p.a.)	10.2%	8.0%	2.2%
1 Year	18.1%	8.0%	10.1%
3 Months	5.8%	2.0%	3.8%
1 Month	4.9%	0.7%	4.2%

* 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.

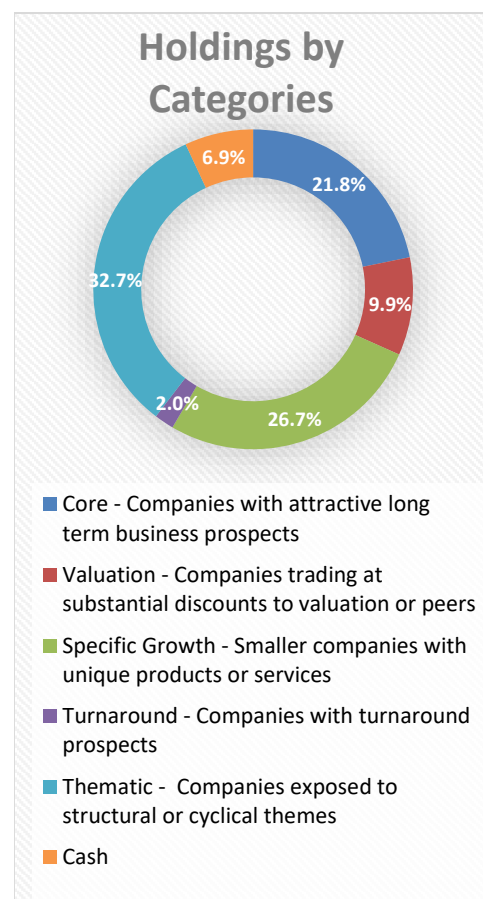
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)	14.9%	66.5%
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%	6.3%	77.0%
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%	14.3%	102.4%
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%	2.5%	107.5%
FY 2020	2.9%	(2.3%)	0.2%	1.0%	3.0%	(2.0%)	4.9%						7.6%	123.3%

Top five holdings	Sector
CSL	Health Care
BHP	Materials
CBA	Financials
Macquarie	Financials
Ancor	Materials

The top five holdings make up approximately 31.4% 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 [#]	0 - 20%
Distributions	Half-yearly
Recommended Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended

[#] The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



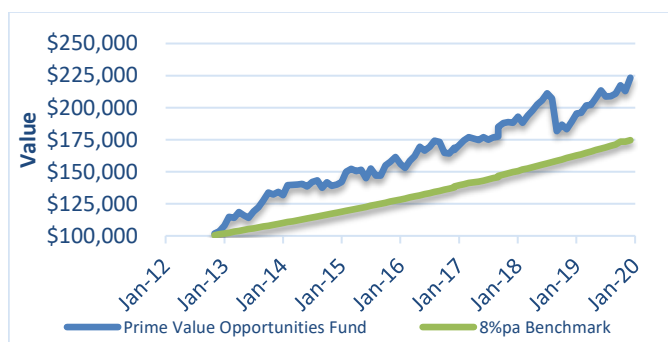
Market review

Share markets initially rallied hard through most of January following on from positive US-China trade progress, before selling off sharply on coronavirus fears. Emerging markets underperformed Developed markets sharply. Among global Developed Market sectors, Utilities, IT and REITs outperformed, while Energy, Materials and Financials underperformed the most. The Australian Dollar was the weakest performing G10 currency, falling 3.4c on the month to US\$0.669 against the US Dollar. Global bond yields fell sharply on coronavirus contagion fears, with Australian 10 year bond yields declining 42 basis points to 0.95%.

Bulk commodity prices were mixed in January. Iron ore fell US\$7.06/t to US\$84.94/t, but both thermal and metallurgical coal prices rose. Brent crude declined US\$7.84/bbl to US\$58.16/bbl, the lowest in over a year. Gold prices rose US\$69.45/oz to US\$1,584.20/oz, near the highest since 2013.

President Donald Trump and China's Vice Premier Liu He signed the US-China Phase One trade deal on January 16. The deal included increasing China's imports of US goods and services by more than US\$200bn over two years, a suspension of tariffs on US\$160bn in Chinese goods and a halving to 7.5% of tariffs on US\$120bn in US imports from China.

Despite crisis induced volatility seen both domestically and abroad, the ASX300 Index reached a new historical high in January at 7087. The broad benchmark posted a somewhat surprising 4.9% return (notwithstanding some retracement to end the month). Large Caps were preferred over Small Caps in January at the headline, and within the subcomponents, with Industrials outperforming Resources across all size biased indices. By sector, Health Care (+12.0%), IT (+11.1%) and Consumer Staples (+8.2%) outperformed in Australia, while Utilities (+0.6%), Energy (+0.7%) and Materials (+1.8%) underperformed the most.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$223,300 (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 \$174,600 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	\$ 1.7496	\$ 1.7146
Withdrawal price	\$ 1.7364	\$ 1.7016
Distribution (31/12/2019)	\$ 0.0350	\$ 0.0342
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 posted a gain of 4.9% in January. The top contributors to Fund performance during the month were **CSL** (+13.2%), **Resmed** (+14.4%) and **City Chic** (+21.7%). Detractors to fund performance included **Downer** (-9.3%), **Collins Food** (-4.2%) and **Rio Tinto** (-1.6%).

Both Credit Corp and Resmed reported their first half FY20 results at the end of January.

Resmed, a global medical device maker for the sleep apnoea market, reported another quarter of double-digit revenue growth. Benefitting from a number of masks launched in the past 15 months, Resmed reported well balanced growth in the US and in major markets outside of the US. Just as important, Resmed's efforts to ensure patients are adequately supplied with consumables such as masks through a step up in the re-supply chain is also giving the company a market advantage.

Credit Corp's result was solid. The company is operating in an improved competitive landscape in their domestic debt purchasing business. There was strong organic growth in Credit Corp's personal loan book business and the build out of its US debt purchasing business is progressing very well. We look for companies that benefit from good operating trends and strong industry positions. Credit Corp is an example of a company that have these characteristics. In the past year, several of Credit Corp's competitors have had operating difficulties, leading to Credit Corp gaining market share in the Australian debt purchasing market. In contrast, the company is a small player in the US debt purchasing market. However, Credit Corp has started to lay a strong business foundation to gain share in a market that is starting to open up. We believe as market opportunities open up in the US, Credit Corp will be positioned to grow profitably.

Downer had a short term setback, reporting an impact from project underperformance, lower revenues in Engineering and construction due to a smaller pipeline of work, and \$10m impact from restructure costs (redundancies) as the company repositions its construction efforts. Whilst disappointing, Downer's transition to a lower risk services company, from a contact led company, will result in a better quality company which investors will be willing to attribute better value. We have maintained our holding in Downer.

Top contributors (absolute)	Sector
CSL	Health care
Resmed	Health Care
City Chic	Consumer Discretionary

Top detractors (absolute)	Sector
Downer	Industrials
Collins Food	Consumer Discretionary
Rio Tinto	Materials

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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