

Prime Value Equity Investor Update



Given the fast moving developments in markets, we moved to manage the portfolio for capital protection since late February. With greater portfolio robustness, our Funds have perform better than a large number of our peers during this challenging period.

Our cash positions are at high levels, in excess of 15%, and we have managed our exposures to industries that are most vulnerable to the current crisis – we have no airlines or travel related companies, a negligible position in direct energy companies (oil price has fallen sharply) and have trimmed our financial services holdings significantly.

We hold meaningful investments in businesses that are likely to prove resilient in this environment such as a number of healthcare companies. Some of our investments do face a more challenging outlook over the next 3 to 6 months. However, these are solid businesses, they are likely to rebound when the coronavirus passes.

We are keeping our eyes firmly on the fundamentals—interest rates are very supportive whilst Governments are introducing significant stimulus into economies to stabilise and path the way for normalisation. We believe these two components are very powerful ingredients for share markets to post strong recoveries over time.

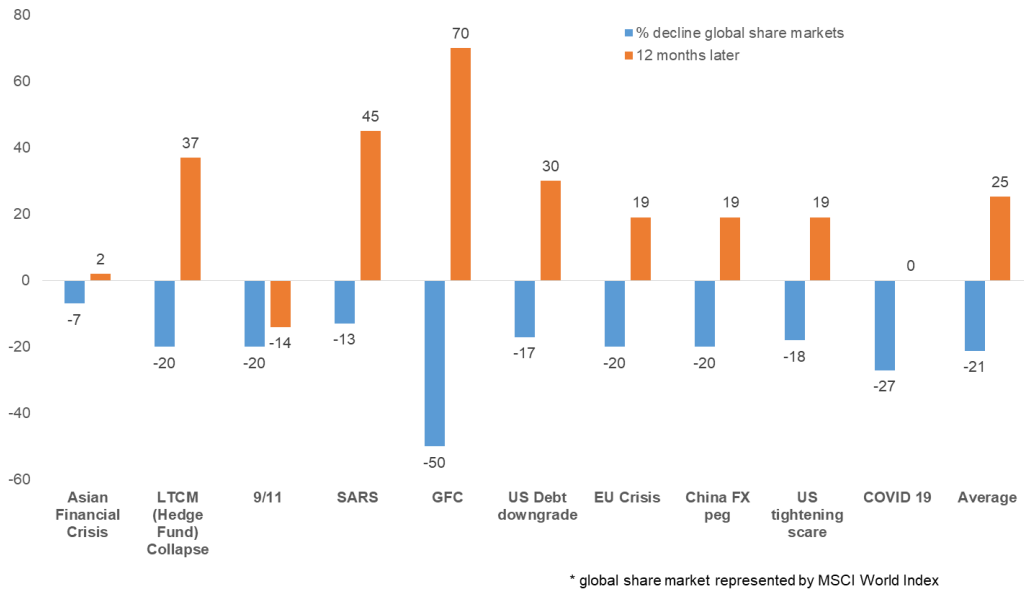
We are encouraged that both the Opportunities Fund and the Emerging Opportunities Fund have been receiving inflows. The current market volatility means opportunities for our equity funds. Companies that we have a high regard for are now trading at significant discounts to where they were at the start of the year. Hence, the market environment has opened up opportunities to selectively deploy our cash in the market. We believe the outcome will be positive for our investors.



S T Wong

CIO and Portfolio Manager, Opportunities Fund

Chart: Market recoveries post significant events



Our Emerging Opportunities Fund, focus on small cap sector, has also performed significantly better than the overall market. We reduced our exposure to those sectors most impacted by disruptions and hold a relatively high level of cash.

With the whole market sold off there are some exciting opportunities to redeploy this capital. We are focused on companies that may be impacted by short term human behaviour patterns but provide goods or services that are economically resilient.

When the coronavirus disruption passes and behaviour returns to normal, the earnings profile of these businesses should return to prior levels and we expect valuations to rebound strongly also. Examples include auto parts wholesaler Bapcor and software business Technology One.



Richard Ivers

Portfolio Manager, Emerging Opportunities Fund