

Prime Value Growth Fund

Fund Update – June 2020



- Share markets rallied again in June, heavily influenced by hopes of recovery and easing mobility restrictions in a number of countries
- The ASX300 Accumulation Index posted its strongest quarterly gain since the GFC, rising 16.8% for the June quarter. Whilst the Australian market fell 7.8% in FY20, the Healthcare (+27%) and Technology (+20%) sectors were stand out performers through the year
- The Fund posted a 1.7% gain during the month, underperforming the ASX300 Accumulation Index's 2.4% gain

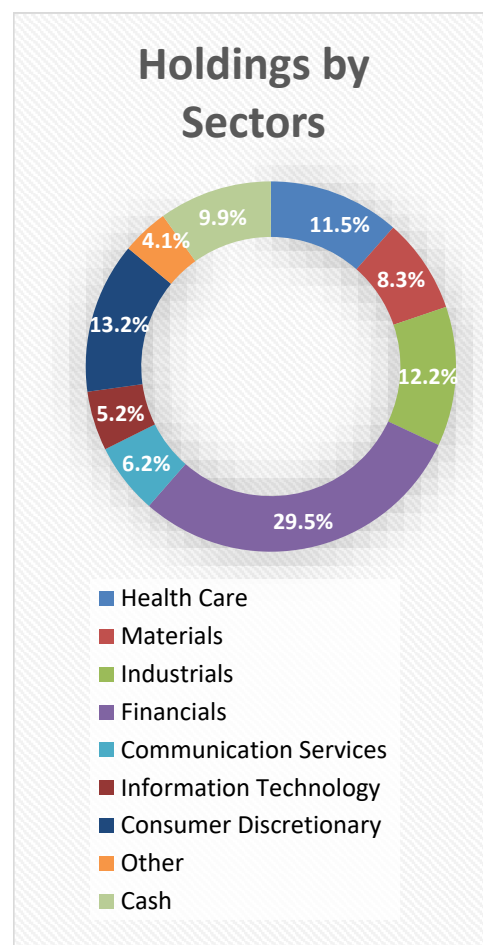
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.2%	7.7%	2.5%
5 Years (p.a.)	1.4%	6.0%	(4.6%)
3 Years (p.a.)	0.5%	5.2%	(4.7%)
1 Year	(10.0%)	(7.6%)	(2.4%)
3 Months	16.2%	16.8%	(0.6%)
1 Month	1.7%	2.4%	(0.7%)

*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) standards. 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.

Top five holdings	Sector
Commonwealth Bank	Financials
CSL	Health Care
BHP	Materials
Macquarie Group	Financials
EQT	Financials

The top five holdings make up approximately 34.0% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Suggested Investment Period	3 + years



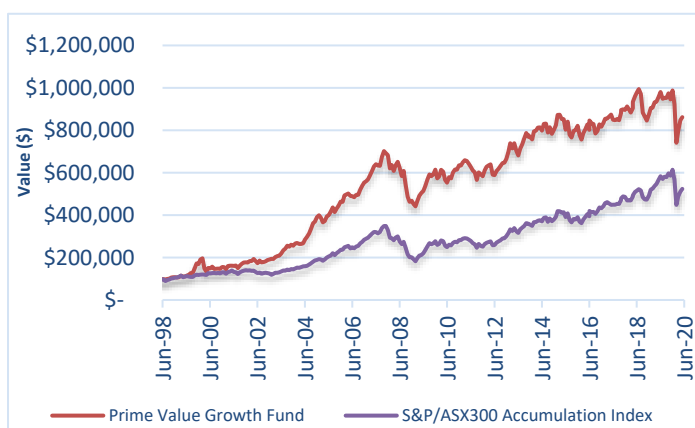
Market review

The 2020 financial year was literally a year of two halves. We entered FY20 following an unexpected Federal election outcome but were optimistic with both Monetary and Fiscal stimulus supportive of markets. Investors held high expectations going into early 2020 only to be confronted by the crisis from bushfires, followed by COVID-19. As at end June 2020, the ASX300 Index has rebounded 29% since the March 23 low and remains 19% below the February high. The rally off the lows was driven by central bank liquidity, fiscal stimulus and a recovery in activity as the economy emerged from hibernation. In Australia's case, the health impact of COVID-19 has also been less than feared.

Overall, the ASX300 Accumulation Index fell 7.6% in FY20, but the Healthcare and Technology sectors posted strong gains. The Technology sector emerged as a major contributor to market returns in FY20 gaining share along the way, and now accounts for 3.5% of the overall index. Outside of the Technology sector, global Healthcare companies performed well, with CSL taking the mantle as the largest stock within the index along with the largest stock contributor. Energy was the worst performing sector (-28.9%), driven by lower oil prices while Banks underperformed in both 2H2019 and 1H2020 as a result of RBA rate cuts and COVID tail risk concerns.

The ASX300 Accumulation Index rose 2.4% in June, in line with its developed markets peer average of 2.4%. In Australia, IT (+6.0%), Consumer Discretionary (+5.4%) and Consumer Staples (+5.1%) sectors outperformed the most, while Energy (-2.0%), REITs (-1.4%) and Industrials (-1.3%) sectors comparatively underperformed.

Global commodity prices continued their recovery in June. Brent Oil prices rose a substantial US\$5.82/bbl to US\$41.15/bbl, partly driven by the improving global economic outlook and a depreciating US Dollar. Iron ore prices stabilised at US\$101.50/t, the highest in almost a year. Lower real interest rates and uncertainty further contributed to rise of gold prices, with gold rising US\$39.40/oz to US\$1768.10/oz.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$861,500 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$523,700 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$1.4759	\$1.4699
Withdrawal price	\$1.4647	\$1.4587
Distribution (30/06/2020)	\$0.0957	\$0.0968
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
 ** Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

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Fund review and strategy

The Fund closed off FY20 with a gain of 1.7% in June, following an extraordinary financial year. The top contributors to performance in June were well diversified: **Redbubble** (+66.1%), **CBA** (+8.9%) and **Collins Food** (+17.8%) The top detractors from performance in June were: **EML Payments** (-8.4%), **Saracen Minerals** (-1.1%) and **Pinnacle Investments** (-8.2%).

The Fund returned 16.2% for the June quarter compared to the ASX300 Accumulation Index's 16.8% return—despite the good performance from small-mid cap sector holdings such as Bapcor, City Chic, Cleanaway and Seven Group it was insufficient to match the strong June performance of cyclical stocks such as the banks and REITs. The Fund finished FY20 with a return of -10.0% against the ASX300 Accumulation Index's 7.6% fall. We are disappointed to have underperformed the broader market and have undertaken significant portfolio repositioning to improve fund performance.

Looking forward, it would not be unreasonable to expect elevated market volatility in the short term as ongoing news flow regarding COVID-19, policy responses and investor sentiment would dictate share price movements. However, we are cognisant of the response of governments, with coordinated policies covering monetary easing and fiscal stimulus with signs emerging that the worst of the health crisis may be behind us. More importantly for the Fund is that our portfolio companies are well positioned to grow in the future. We have had positive market updates from many of our fund holdings in recent weeks, including Appen, Aустal, Collins Food, and Fisher & Paykel Healthcare that gives a high degree of confidence our companies are well positioned to navigate this challenging economic period and prosper going forward, regardless of the short term share price movements.

In many ways the combination of the enforced work from home, COVID 19 and the near term economic uncertainty has enhanced the long term prospects for many of our investee companies as such an environment has created additional challenges for their competitors. For example, it's harder for private companies or second tier companies to raise capital in this environment, whilst others have found it harder to successfully adapt to the work from home environment.

Take the case of Redbubble, a Print-On-Demand online marketplace platform. Management updated in June that the company has benefited throughout the June quarter from an acceleration in online activity. Both its key platforms, Redbubble and TeePublic marketplaces, have seen increased demand across product categories and core geographies. We believe the acceleration to online is likely to provide the opportunity for Redbubble to drive stronger operating leverage in coming years.

Top Contributors (Absolute)	Sector
Redbubble	Consumer Discretionary
Commonwealth Bank	Financials
Collins Foods	Consumer Discretionary
Top Detractors (Absolute)	Sector
EML Payments	Information Technology
Saracen Mineral	Materials
Pinnacle Investments	Financials
Platforms	
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac	

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