Prime Value Growth Fund
Fund Update – July 2020

- Global markets recorded another solid rise in July
- The ASX300 Accumulation Index rose 0.6%. Mining stocks were strong performers in July, with the Mining index up 7.1% and gold stocks up 10.4%
- The Fund returned 2.2% in July, 1.6% above the ASX300 Accumulation Index of 0.6%.

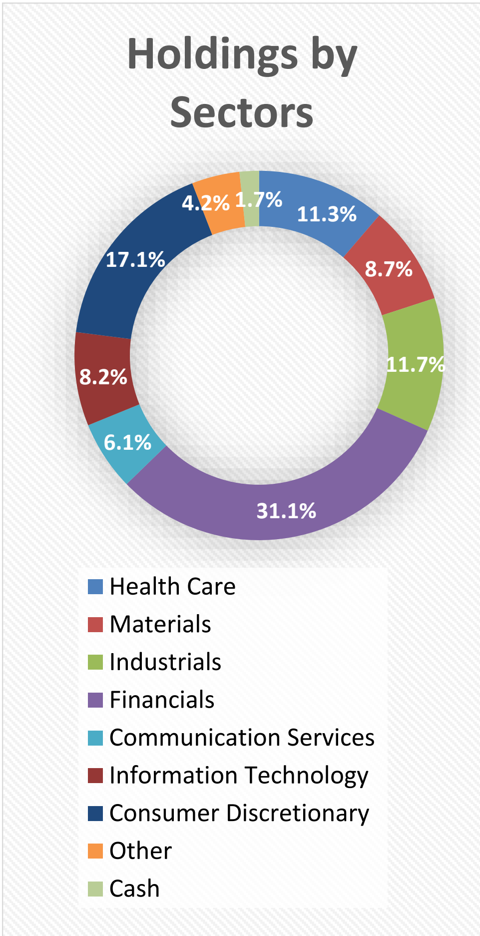
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.2%**	7.7%	2.5%
5 Years (p.a.)	**0.9%**	5.2%	(4.3%)
3 Years (p.a.)	**1.3%**	5.4%	(4.2%)
1 Year	**(10.2%)**	(9.7%)	(0.4%)
3 Months	**10.2%**	7.8%	2.4%
1 Month	**2.2%**	0.6%	1.6%

*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
BHP	Materials
CSL	Health Care
Redbubble	Consumer Discretionary
Macquarie Group	Financials

The top five holdings make up approximately 36.1% of the portfolio

Feature	Fund facts
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

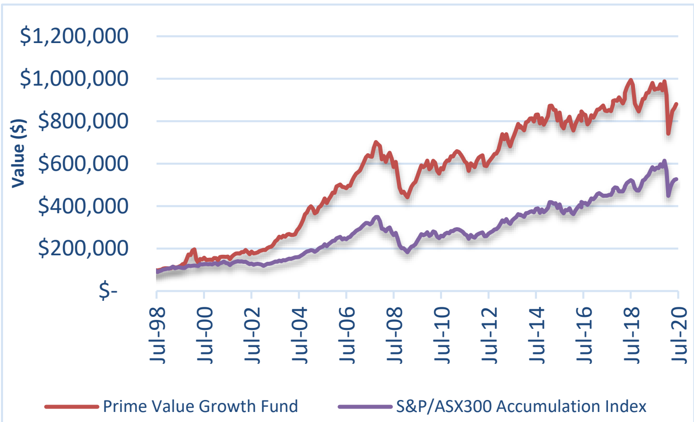


Market review

Global markets recorded another solid rise in July. Most global Developed Market sectors rose with Materials, Consumer Discretionary and Utilities outperforming, while Energy, Financials and Industrials underperformed. In the US the S&P500 Index rose 5.5%, while the Nasdaq Index rallied 6.8% to for a +20% gain calendar year to date. However, share markets fell across the UK (-4%) and Europe (France -3%, Spain -5%) with Germany finishing flat. In no small part were the gains for the US and losses for Europe a reflection on currency markets where the US dollar suffered one of its biggest monthly declines. The Australian Dollar rose 2.2c to US$0.71, partly due to the rise in iron ore prices to US$109.50 and improving China growth. A falling US Dollar and a more optimistic growth outlook saw oil prices rise modestly. Gold prices surged US$196.8/oz to a record high US$1,964.90/oz. Global bond yields continued to decline in July.

The ASX300 Accumulation Index rose 0.6% in local currency terms, underperforming the Developed Markets World's return of 3.4%. In Australia, Materials (+5.8%), IT (+4.6%) and Communication Services (+3.4%) outperformed the most, while Energy (-6.6%), Health Care (-3.9%) and Industrials (-3.9%) underperformed. In US Dollar terms, the ASX300 Index rose a much more robust 3.8%, but still underperformed the Developed Market average of +4.8%.

Mining stocks were strong performers in July, with the Mining index up 7.1% and gold stocks up 10.4%. The increase was driven by rising commodity prices, with gold +10.3%, copper +6.8% and iron ore +5.0%. The four top gainers in the ASX100 in July were all mining related companies. The strong gains in mining stocks did not appear to be hampered by the rise in the Australian Dollar. The Australian Dollar rose in July and has been strengthening since the US Federal Reserve announced QE unlimited in March 2020.



This graph shows how $100,000 invested at the Fund's inception has increased to $880,600 (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 $526,800 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	$1.5087	$1.5027
Withdrawal price	$1.4973	$1.4913
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

Fund review and strategy

The fund's return was 2.2% in July, 1.6% above the ASX300 Accumulation Index of 0.6%. Key positive contributors were **Redbubble** (RBL +27.2%), **Pinnacle** (PNI +28.8%) and **City Chic** (CCX +17.2%). Key detractors were **CSL** (CSL -5.9%), **AUB Group** (AUB -11.3%) and **Bravura** (BVS -7.1%).

Large technology stocks such as Apple, Amazon and locally Afterpay are capturing the headlines, recognised as key beneficiaries of covid disruptions. However many other smaller stocks listed on the Australian market are also beneficiaries, in some cases hidden below the surface. Three examples in our portfolio are News Corp, City Chic and Redbubble.

News Corp (NWS) owns a number of old-world structurally challenged assets such as newspapers and pay TV. From a valuation sense these are ascribed a negative value based on the current share price. But also within NWS is a 62% holding in one of Australia's best digital businesses, realstate.com and Dow Jones which includes the Wall Street Journal. For the first time NWS disclosed Dow Jones earnings separately, illustrating a jewel in a crown. 71% of revenue is digital and earnings increased 13% in the fourth quarter despite covid disruptions. Its peer, The New York Times trades on 25x EBITDA, implying Dow Jones could be worth up to US$6bn (70% of NWS), yet there is little ascribed in the share price, in our view.

City Chic (CCX) is a plus-sized female apparel retailer. Revenues have been impacted by covid disruptions however many peer's were impacted far more. CCX has used its strong balance sheet and access to capital markets to buy the online operations of a US competitor with a further acquisition likely in October. With little additional operating costs we expect they will be far more profitable than consensus estimates. Online sales will account for 70% of total, making it a largely digital retailer. CCX will come out of this crisis with significantly higher earnings and a better quality business.

Redbubble (RBL) is a global online marketplace with a variety of products featuring designs from over 1m independent artists. It is a clear beneficiary from covid driving work from home and increased online retailing. Sales growth has accelerated to over 100% p.a. We believe operating leverage is under-appreciated and will lead to meaningful consensus upgrades in coming months.

Each of these companies have digital assets that are under-appreciated in our view and will come out of covid stronger.

Top Contributors (Absolute)	Sector
Redbubble	Consumer Discretionary
Pinnacle	Financials
City Chic	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
CSL	Health Care
AUB Group	Financials
Bravura Solutions	Information Technology

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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