

Prime Value Opportunities Fund

Fund Update – July 2020



- Global markets recorded another solid rise in July
- The ASX300 Accumulation Index rose 0.6% with mining stocks strong performers in July. The Mining Index rose 7.1% and gold stocks gained 10.4%
- The Fund posted a 1.6% gain in July. Returns were spread across a variety of sectors with the Fund gaining from a number of favourable company updates

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.0%	8.0%	2.0%
7 Years (p.a.)	8.3%	8.0%	0.3%
5 Years (p.a.)	6.4%	8.0%	(1.6%)
3 Years (p.a.)	6.0%	8.0%	(2.0%)
1 Year	(2.4%)	8.0%	(10.4%)
3 Months	10.3%	2.0%	8.3%
1 Month	1.6%	0.7%	0.9%

* 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.

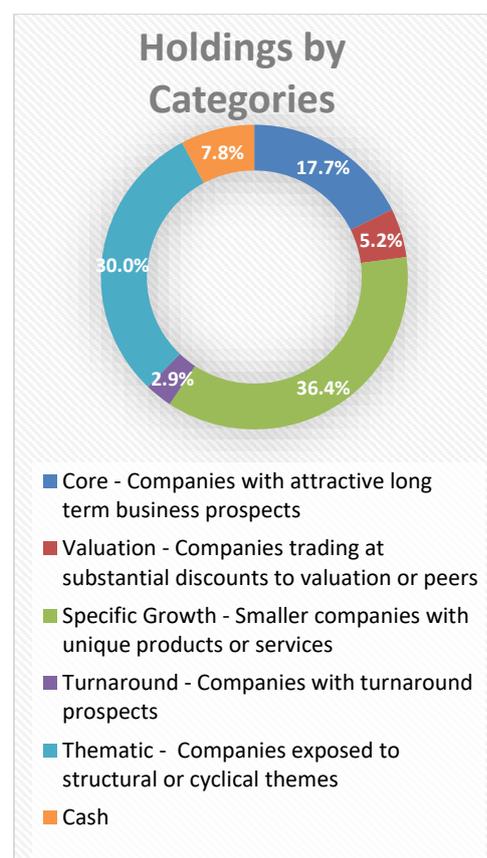
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	(5.8%)	(16.8%)	8.0%	5.4%	3.0%	(1.1%)	105.2%
FY 2021	1.6%												1.6%	108.4%

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

The top five holdings make up approximately 28.1% 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
Suggested 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

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 put on 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 4.2% in July and has been strengthening since the US Federal Reserve announced QE unlimited in March 2020.

Fund review and strategy

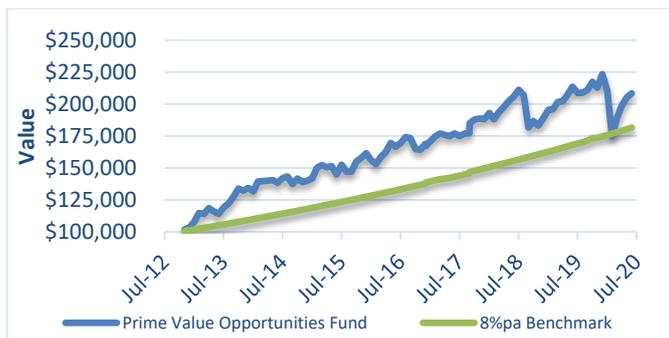
The Fund gained 1.6% in July, a good start to the new financial year. Pleasingly returns were spread across a variety of sectors with the Fund gaining from a number of favourable company updates. The top contributors to performance in July were: **City Chic** (17.2%), **Goodman Group** (14.0%) and **Breville Group** (13.9%). The top detractors from performance in June were: **Bravura** (-7.1%), **CSL** (-5.9%) and **Qube** (-6.2%).

In last month's Fund update we highlighted the near term economic uncertainty has enhanced the long term prospects for many of our investee companies, such as Baby Bunting. 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. This month, we highlight City Chic: the company raised \$80m to fund the potential acquisition of the e-commerce assets of US-based plus sized fashion retailer Catherines. A number of US apparel retailers are going under, leaving assets to be acquired at attractive prices by stronger peers such as City Chic. The proposed Catherines acquisition is similar to City Chic's acquisition of The Avenue in 2019: City Chic acquired The Avenue's website, inventory and most importantly The Avenue's customer database but left the stores in the hands of administrators. City Chic will generate an extraordinary 75% of its sales online should the company successfully close the Catherines acquisition.

Enablers of e-commerce such as data centres have performed exceptionally well in 2020. Likewise Industrial REITs such as Goodman Group, and strategic logistic operators such as Qube Holdings, are benefiting from the "Amazon effect" of more people buying online and wanting things delivered if not overnight, today. In our view, technology-related real estate companies – data centres, wireless tower companies, and industrial logistics companies remain compelling as a multi-decade investment opportunity driven by powerful secular growth trends such as the technological revolution in e-commerce, cloud computing, mobile data and artificial intelligence.

CSL and Qube's share prices fell over July as the number of new COVID-19 cases rose significantly in the US and Victoria. Investors have focussed on restrictive movements hampering CSL's ability to source and collect blood plasma, especially in South Eastern US states, which in turn would result in lower FY21 sales revenues. Meanwhile, Victoria's 6-week lock down will affect part of Qube's logistics business. We view these impacts as short term factors and believe the medium term prospects for CSL and Qube remain attractive.

The Fund generated 650 basis points of outperformance compared to the ASX300 Accumulation Index in FY20, mainly from good stock selection, which is where we devote our time and resources. Looking forward into FY21, with the stop-start nature of COVID-19, we expect our focus on stock selection will likewise be well rewarded.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$208,400 (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 \$181,500 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	\$ 1.5806	\$ 1.5497
Withdrawal price	\$ 1.5686	\$ 1.5379
Distribution (30/06/2020)	\$ 0.0514	\$ 0.0495
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

Top contributors (absolute)	Sector
City Chic	Consumer Discretionary
Goodman Group	Real Estate
Breville Group	Consumer Discretionary

Top detractors (absolute)	Sector
CSL	Health Care
Bravura Solutions	Information Technology
Qube	Industrials

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

Contact details:

Brittany Shazell, Riza Crisostomo, Julie Abbott & Dora Grieve
 Client Services Team
 Phone: 03 9098 8088
 Email: info@primevalue.com.au

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000
 Web: www.primevalue.com.au

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