

Prime Value Emerging Opportunities Fund Update – August 2020



- Global share markets recorded another solid rise in August as expectations of vaccines for COVID 19 build
- The Emerging Opportunities Fund return in August was 6.0%, 1.2% below the Small Ordinaries Accumulation Index (7.2%) and 5.3% above the benchmark of 0.7% (8% p.a.).
- August was the fifth consecutive positive monthly return and we continue to find multiple attractive investment opportunities.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	13.2%	8.0%	5.2%
3 Years (p.a.)	14.8%	8.0%	6.8%
2 Years (p.a.)	13.4%	8.0%	5.4%
1 Year	20.6%	8.0%	12.6%
3 Months	11.3%	2.0%	9.3%
1 Month	6.0%	0.7%	5.3%

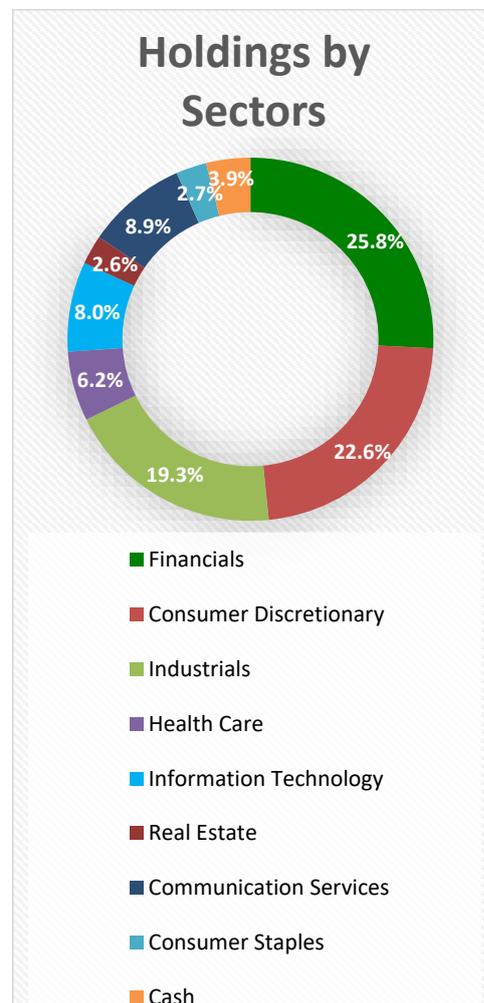
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	40.0%
FY 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	1.2%	41.7%
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%	(5.8%)	(19.1%)	12.7%	11.6%	1.4%	18.1%	67.3%
FY 2021	3.6%	6.0%											9.7%	83.6%

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
Bapcor	Consumer Discretionary
EQT Holdings	Financials
Mainfreight	Industrials
Redbubble	Consumer Discretionary

* The top five holdings make up approximately 23.3% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 100%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years



Market review

Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials, outweighed concerns around increasing COVID 19 infections in many countries. Particularly eye catching was the surge in technology stocks across many markets, including Australia.

Global commodity prices continued recovering in August. Brent Oil prices rose US\$1.98/bbl to US\$45.28/bbl, partly driven by the improving global economic outlook and a depreciating US Dollar. Iron ore prices rose a further US\$15.00/t to US\$125.00/t on rising demand in China and reduced supply from low cost producers. Gold prices decreased slightly from a record high US\$,1964.90/oz to US\$1,957.35/oz due to the improving global growth outlook. The Australian Dollar rose 3% against the US Dollar in August and is now up 10% over the last year. If sustained, the stronger currency will be a headwind to companies with significant revenues in US dollars.

The ASX300 Accumulation Index rose 3.0% in local currency terms, underperforming the Developed Market's World Index return of 6.3%. August was the fifth consecutive month of positive returns for the Australian share market which has rebounded 35% from its COVID 19 sell-off lows in March. During the month, IT (+15.5%), Consumer Discretionary (+8.7%) and REITs (+7.9%) outperformed the most, while Utilities (-4.8%), Communication Services (-3.8%) and Consumer Staples (-0.4%) underperformed.

A highlight of the month was the company reporting season. Against mostly pessimistic expectations, company results were better than expected with great resilience in revenues and/or margins for COVID 19 exposed stocks in Consumer Staples, Building Materials, Discretionary Retail, Gaming, General Industrial and Insurance. From our observations, many companies reported reasonable activity levels as economies progressively re-opened. Also heartening to observe was companies adapting to the dynamic environment by reducing costs, strengthening their balance sheet and some seeking to exploit new opportunities for future growth.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$183,600 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$145,800 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$1.6895
Withdrawal price	\$1.6761
Distribution (30/06/2020)	\$0.0032
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%** p.a.

* 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 positive performance

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Fund review & strategy

The fund's return was 6.0% in August, 1.2% below the Small Ordinaries Accumulation Index of 7.2%. The unit price is now well above the levels prior to covid 19 meaning all investors have positive returns across all time frames. We continue to find multiple attractive investment opportunities and rotate the portfolio to the best opportunities.

Key positive contributors for the month were **Redbubble** (RBL +49.2%), **AUB Group** (AUB +21.2%) and **News Corporation** (NWS +16.6%). Key detractors were **Bravura** (BVS -12.2%), **Infomedia** (IFM -8.9%) and **Redflex** (RDF -17.2%).

During August most companies reported their financial results for the year. Overall the results were good particularly in the context of covid disruptions in March / April. It is clear the Australian economy has since rebounded strongly despite some weakness in Victoria recently due to the current lockdown. This was reflected in positive market returns in August.

We have participated in meetings with approximately 100 companies over the last 6 weeks. Broadly speaking, trading conditions are reasonable, although the outlook is unclear, particularly for more cyclical sectors. As always, we focus strongly on risk and are largely positioned in higher quality, economically resilient companies (eg **AUB Group** and **Bapcor**). We also have smaller weightings in covid beneficiaries (eg **Redbubble**) as well as those that will benefit most when our lives return to normal (eg **Helloworld Travel**). It appears highly likely a vaccine will be available early to mid 2021 which should drive a strong economic rebound. However we are conscious of balancing the risks and opportunities in the portfolio for various potential scenarios. As conditions evolve we will act accordingly to ensure risk is managed.

This ongoing period of change should play to our strength as experienced stock pickers. The quality, depth and variety of companies in the ex-ASX100 has improved remarkably over our career in investing. This provides a wonderful pool of opportunities to find profitable investments. We remain very active uncovering these opportunities and are optimistic on future returns based on the investments in the portfolio.

We encourage investors to view the fund as a portfolio of individual investments, each of which is heavily researched and attractive in its own right. Together they provide a diversified portfolio which we expect to deliver attractive returns.

Top Contributors (Absolute)	Sector
Redbubble	Consumer Discretionary
AUB Group	Financials
News Corporation	Communication Services
Top Detractors (Absolute)	Sector
Bravura Solutions	Information Technology
Infomedia	Information Technology
Redflex Holdings	Information Technology

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