

Prime Value Growth Fund

Fund Update – August 2020



- Global share markets recorded another solid rise in August as expectations of vaccines for COVID 19 build
- The ASX300 Accumulation Index rose 3.0% in August, which was a fifth consecutive positive month, despite news of a second lock down in Victoria
- The Fund returned 6.9% in August, 3.9% above the ASX300 Accumulation Index of 3.0%.

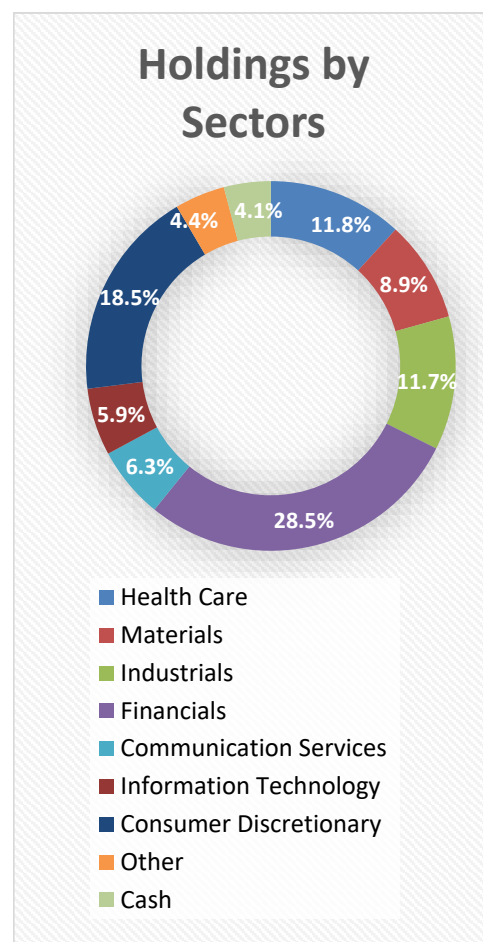
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.5%	7.8%	2.7%
5 Years (p.a.)	3.9%	7.6%	(3.7%)
3 Years (p.a.)	3.3%	6.2%	(2.9%)
1 Year	(0.8%)	(4.8%)	4.0%
3 Months	11.1%	6.2%	4.9%
1 Month	6.9%	3.0%	3.8%

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

The top five holdings make up approximately 35% 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



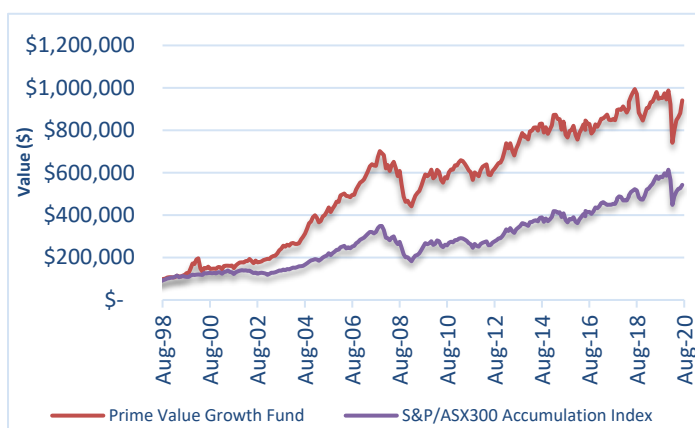
Market review

Global markets 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 their recovery 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\$1,964.90/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. The strength in the 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%. The August gain was the fifth consecutive month of positive performance 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.

The 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 \$941,000 (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 \$542,900 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

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Fund review and strategy

The fund's return was 6.9% in August, 3.8% above the ASX300 Accumulation Index of 3.0% (difference is rounding).

Key positive contributors were **Redbubble** (RBL +49.2%), **Alliance Aviation** (AQZ +18.0%) and **News Corp** (NWS +16.6%). Key detractors were **Commonwealth Bank** (CBA -4.1%), **Bravura** (BVS -12.2%) and **Infomedia** (IFM -8.9%).

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 **Southern Cross Broadcasting**). 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 Australian market 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
Alliance Aviation Service	Industrials
News Corp	Communication Services
Top Detractors (Absolute)	Sector
Commonwealth Bank	Financials
Bravura Solutions	Information Technology
Infomedia	Information Technology

Platforms

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

Contact details:

Brittany Shazell, Riza Crisostomo,
Julie Abbott & Dora Grieve
Client Services Team
Phone: 03 9098 8088

Mail:

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