Prime Value Opportunities 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 posted a 4.1% gain in August, with the Fund benefitting from a number of small and mid-cap investments acquired at attractive prices during the earlier COVID 19 market sell-off

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**10.4%**	8.0%	2.4%
7 Years (p.a.)	**8.5%**	8.0%	0.5%
5 Years (p.a.)	**8.1%**	8.0%	0.1%
3 Years (p.a.)	**7.1%**	8.0%	(0.9%)
1 Year	**4.0%**	8.0%	(4.0%)
3 Months	**8.9%**	2.0%	6.9%
1 Month	**4.1%**	0.7%	3.4%

* 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.

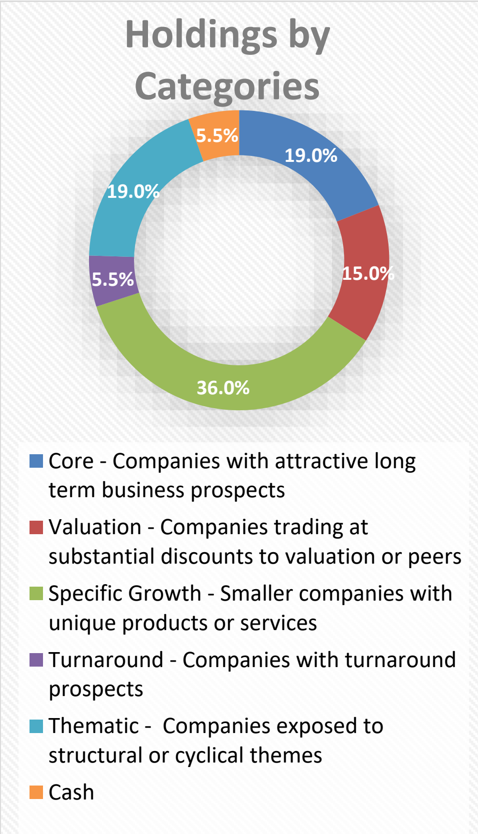
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**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%	4.1%											**5.7%**	**116.9%**

Top five holdings	Sector
CSL	Health Care
BHP	Materials
Commonwealth Bank	Financials
Macquarie Group	Financials
Goodman Group	Real Estate

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

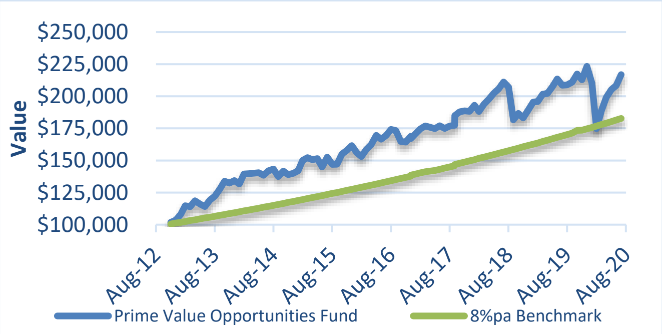


Market review

Global markets 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$125.00/t on rising demand in China and reduced supply from low cost producers. Gold prices decreased slightly from a record high US$,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. 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 $216,900 (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 $182,700 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	$ 1.6446	$ 1.6124
Withdrawal price	$ 1.6322	$ 1.6002
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

Fund review and strategy

The Fund posted a robust 4.1% return in August, which was ahead of the broader market's 3.0% gain for the month. We were pleased to have been able to outperform this month which coincided with a better-than-expected reporting season (although as volatile as any other reporting period) that saw large cap stocks (+2.5%) lag small cap stocks (+7.2%). The top contributors to performance in August were: **Redbubble** (49.2%), **Cleanaway** (23.4%) and **Baby Bunting** (28.2%). The top detractors from performance in August were: **A2 Milk** (-11.8%), **CBA** (-5.9%) and **Resmed** (-13.9%). Notably, contributors to fund performance in the last few months, including August, were a number of small and mid-cap investments acquired at attractive prices during the earlier COVID 19 market sell-off.

The Fund currently holds a large bias towards small and mid-cap companies, a position that has benefited the Fund's performance significantly since the pandemic started in February this year—the Fund has outperformed the ASX300 Accumulation Index by 644 basis points in the past six months. We expect to maintain the current bias to small and mid-cap companies as they give us exposures to some of the structural trends accelerated by COVID 19 such as data usage, cloud computing and the acceleration of digitalisation and e-commerce (Redbubble, Goodman Group). However, we are of the strong view that opportunities will arise across the full market spectrum (large to small) as the current environment promotes a dispersion of valuation and earnings expectations that is conducive for stock picking. For example, we expect to increase our attention to companies whose growth plans or revenues have been interrupted by COVID 19. We believe there are a number of opportunities in long term growth companies with attractive valuations as investors sought to bid up companies with near term earnings certainty—opportunities we categorise into this bucket include CSL, IDP Education and selected REITs.

Baby Bunting posted an outstanding FY20 result which underscored the company's strength in a challenging operating environment. Baby Bunting is emerging as a significant market leader in the baby goods space with price leading products and expanding footprint. We further observe that sales of baby goods, has proven to be quite resilient through the last six months with the online channel buffeting a good portion of any shortfall of in-store sales. In addition, we believe Baby Bunting has taken further share from with several key competitors under stress (e.g. Target which has announced store closures). Confident on its market position, Baby Bunting's management lifted its long-term store target to over a 100 stores and flagged an expansion into NZ market.

A2 Milk had a more challenging short term share price performance in August. A2 Milk had upgraded its profit guidance in March but perhaps the market was expecting more at its FY20 results, leading to a sell-off. There are some short term headwinds A2 Milk need to navigate in the short term—including a build-up of inventory and restrictive movements in Victoria affecting sales—but we believe the brand remains strong. Positively, broad based sales momentum for the past six months into China remains robust with market share erosion at the margin.

Top contributors (absolute)	Sector
Redbubble	Consumer Discretionary
Cleanaway	Industrial
Baby Bunting	Consumer Discretionary

Top detractors (absolute)	Sector
A2 Milk	Consumer Staples
CBA	Financials
Resmed	Healthcare

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