Prime Value Growth Fund
Fund Update – September 2020

- Global share markets declined in September, impacted by US stimulus concerns and a second wave of covid-19 infections in Europe
- The Fund achieved a strong start for the new financial year with September Quarter performance of 7.6%

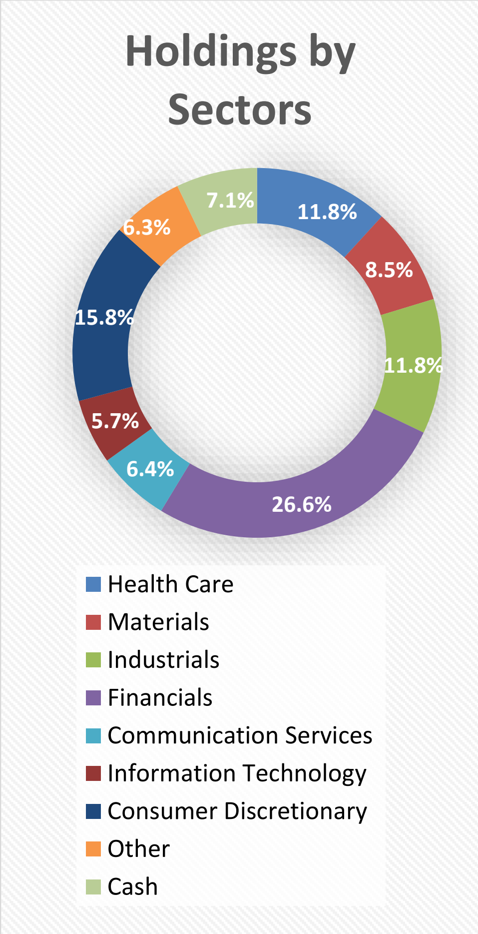
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.4%**	7.6%	2.8%
5 Years (p.a.)	**3.9%**	7.4%	(3.5%)
3 Years (p.a.)	**3.0%**	4.9%	(1.9%)
1 Year	**(2.6%)**	(10.0%)	7.3%
3 Months	**7.6%**	(0.1%)	7.7%
1 Month	**(1.5%)**	(3.6%)	2.1%

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

The top five holdings make up approximately 31.4% 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

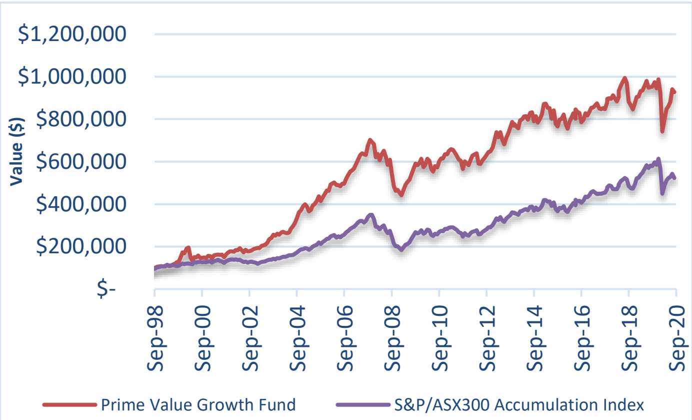
Global markets declined in September, weighed down by delays in US fiscal stimulus and a second wave of covid-19 infections in Europe. All developed market sectors fell led by Energy, Financials and Communications while outperformers were Utilities, Industrials and Materials.

Global commodity prices gave up some of their recent gains on growth concerns and a rising $US. Iron ore prices fell US$5.00/t to US$120.00/t and gold continued to fall, down US$70.34/oz to US$1,957.03/oz. The Australian Dollar reversed some of its recent gains, down 3% against the US Dollar to US$0.717. This is positive for Australian companies that export or have significant revenues in US dollars.

The ASX200 Accumulation Index returned -3.6% in local currency terms, underperforming the Developed Market's World Index return of -2.9%. The September decline was the first negative return for the Australian share market in six months and is now down 11% in 2020. During the month, Healthcare (+0.9%), Industrials (+0.3%) and REITs (-1.5%) outperformed the most, while Energy (-11.1%), IT (-6.8%) and Consumer Staples (-6.6%) underperformed.

There were 3 main highlights for the month. Locally, the government announced a repeal of responsible lending legislation from March 2021 that will shift responsibility from "lender beware" to "borrower responsibility" and was seen as positive for banks and the housing market. A sharp decline in Victoria's covid-19 infection rates provided visibility for the future relaxation of restrictions in that state and the opening of state borders. Lastly, at the end of the month, the two US presidential candidates held a debate which was broadly criticised in the media.

In coming months we expect increased news flow on phase 3 trial results for covid-19 vaccines. This may shift focus from the current infection rates to an end to this crisis and the likely economic rebound. Locally we also have the Federal Budget on Tuesday, October 6 which is expected to provide significant fiscal stimulus to the economy.



This graph shows how $100,000 invested at the Fund's inception has increased to $927,000 (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 $523,400 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	$1.5882	$1.5824
Withdrawal price	$1.5762	$1.5704
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 -1.5% in September, 2.1% better than the ASX300 Accumulation Index of -3.6%.

Key positive contributors were **Australian Finance Group** (AFG +15.1%), **Auckland Airport** (AIA +10.2%) and **Centuria Capital** (CNI +12.6%). Key detractors were **BHP Billiton** (BHP -6.1%), **Commonwealth Bank** (CBA -6.8%) and **Macquarie Group** (MQG -6.4%).

Covid-19 has caused huge changes in our lives and the economy. To date our fund has performed strongly through this period due to our focus on higher quality businesses. Some of the largest returns have been from buying heavily sold companies that we viewed as having a far better outlook than implied in the share price. An example includes **RedBubble** a covid-19 winner that was sold down by others (+110% return).

With Australia now opening up, large government stimulus economically supportive and a vaccine on the horizon, we are looking 12-24 months ahead to what the economy may look like. Companies in the travel, entertainment and media sectors have been most impacted by covid-19 and these offer some of the best investment opportunities currently. However we are not going "all in". We are just dipping our toes and being cautious, using a rifle rather than a machine gun to selectively buy small positions. If conditions continue to improve as we expect, we will increase the weightings, all the time re-assessing and talking to the management of these businesses.

A current example is **Southern Cross Broadcasting** (SXL). It owns Australia's largest radio network spanning well known metro stations like Triple M and regional stations which are even higher quality in our view (less competition, underpenetrated). Covid-19 caused a sharp drop in advertising markets, SXL's main source of revenue. However revenue is recovering as radio audience numbers have grown, the business continues to generate positive cashflow and its balance sheet was strengthened with a capital raising in April. SXL is currently valued at half its pre-covid level while many of its peers trade at pre-covid levels in anticipation of a rebound. We believe SXL's risk/reward balance is strongly favourable and should the business progress as we expect, we will further increase the weighting over time.

We continue to see many other highly attractive investment opportunities.

Top Contributors (Absolute)	Sector
Australian Finance Group	Financials
Auckland International Airport	Industrials
Centuria Capital Group	Real Estate
Top Detractors (Absolute)	**Sector**
BHP	Materials
Commonwealth Bank	Financials
Macquarie Group	Financials

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