

Prime Value Growth Fund

Fund Update – October 2020



- Global share markets moved lower towards the latter part of October as COVID-19 cases mounted against a backdrop of fading US stimulus
- In contrast the ASX300 Accumulation Index rose 1.9% in October aided by a stimulatory Federal Budget, expectations of further monetary stimulus and a resilient domestic economy
- The Fund returned -0.9% in October, 2.8% below the ASX300 Accumulation Index of 1.9%.

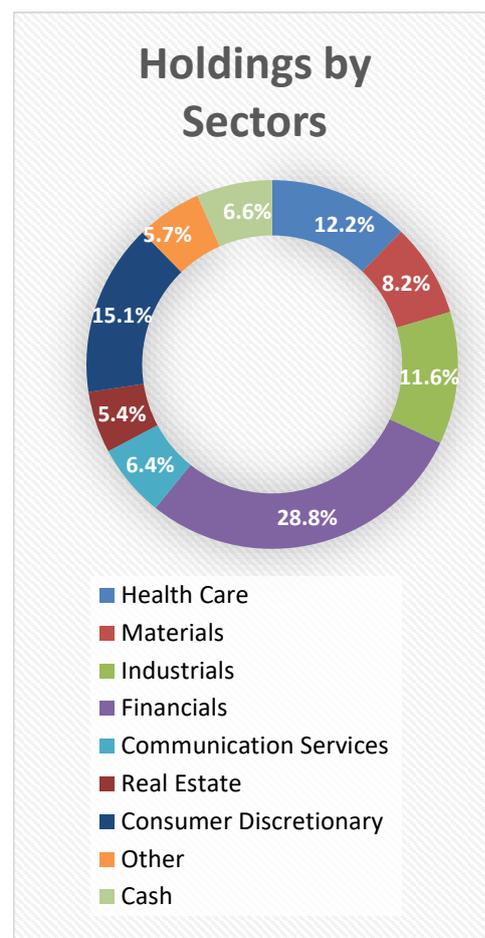
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.3%	7.7%	2.6%
5 Years (p.a.)	2.9%	6.9%	(4.0%)
3 Years (p.a.)	1.4%	4.2%	(2.9%)
1 Year	(3.6%)	(7.9%)	4.4%
FY2021 YTD	6.6%	1.8%	4.8%
3 Months	4.3%	1.2%	3.1%
1 Month	(0.9%)	1.9%	(2.8%)

*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

Top five holdings	Sector
CSL	Health Care
BHP	Materials
Commonwealth Bank	Financials
Macquarie Group	Financials
Bapcor	Consumer Discretionary

The top five holdings make up approximately 32.3% 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



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.

Market review

Global markets retreated through October, driven by fading stimulus expectations, weak US tech results and rising COVID-19 cases. Utilities and Communication Services were the only sectors that did not fall, as Energy, IT and Health Care sectors underperformed. The S&P 500 Index fell 2.7%, but still slightly outperformed the Developed Market World Index return of -3.0%. The World Developed Markets Index underperformance was led by the Euro Stoxx Index, which fell by -7.9% in US Dollar terms. In comparison, the World Emerging Markets Index outperformed, rising by 2.1% in US Dollar terms.

Global commodity prices fell slightly in October. Brent Oil prices fell US\$3.49/bbl to US\$37.46/bbl, partly driven by an appreciating US Dollar. Iron ore prices fell moderately, -US\$2.00/t to US\$118.00/t. Gold prices decreased slightly from US\$1886.90/oz to US\$1,881.85/oz but are still close to record highs.

ASX300 Index returns were positive in October (+1.9%) and outperformed most global peers. Drivers included a market-friendly Federal Budget of which many ASX300 constituents were direct beneficiaries, increased prospects of further monetary easing (including a QE program) from the RBA, and a virus and mobility trajectory that was supported by the reopening of Victoria and compared favourably with reversals in Northern Hemisphere markets. IT (+9.0%), Financials (+6.3%) and Consumer Staples (+4.8%) outperformed the most, while Industrials (-3.9%), Utilities (-1.5%) and Materials (-1.2%) underperformed the most. However, the headline numbers do not reflect that it was a month of two halves. During the first half of October equity markets were extremely bullish as low interest rates and the prospect of further stimulus from the US drove markets higher. Sentiment shifted in the latter part of October as a second wave of COVID-19 hit Europe, against a backdrop of delayed US stimulus and the prospect of higher taxes and regulation should there be a Democratic clean sweep in the US elections.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$918,600 (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 \$533,300 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	\$1.5739	\$1.5683
Withdrawal price	\$1.5619	\$1.5565
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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Growth Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Growth Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review and strategy

The fund's return was -0.9% in October, 2.8% below the ASX300 Accumulation Index of 1.9%.

Key positive contributors were Commonwealth Bank (CBA +8.5%), Bapcor (BAP +12.8%) and Macquarie Group (MQG +6.0%). Key detractors were BHP Billiton (BHP -5.1%), Omni Bridgeway (OBL -12.2%) and Austal (ASB -17.4%).

Our consistent strategy for managing the portfolio is to focus on companies that are not highly dependent on the economic cycle. They may have structural growth drivers or products / services that are not highly cyclical. Examples of such businesses are **Hotel Property investments** a landlord which owns 44 pubs and collects rent from its tenants (which includes Coles) and **Collins Foods** operates approximately 300 KFC / Taco Bell stores in Australia and Europe, meals which are affordable. Both are highly resilient and not dependent on the economic cycle.

In recent months we have also added businesses that will benefit from a vaccine. As our lives return to some form of normal, activities that were severely curtailed during 2020 may bounce back very strongly. In some cases, companies exposed to this dynamic are still trading at levels well below pre-covid (even after adjusting for the dilution of a previous equity raising). One such company is **Helloworld Travel**, a travel agent that is diversified across corporate, retail and government sectors. Most of its peers in the travel space are trading at valuations above their pre-covid level, whereas Helloworld still has approximately 30% upside to return to prior levels. With a vaccine recently approved and significant pent-up demand for travel, we expect demand will return strongly as borders are opened up. Therefore its return to profitability should be rapid. Our holding is relatively small given our focus on risk and downside protection. However we do believe there are opportunities to benefit from the changing world we live in and the temporary earnings disruptions that can provide attractive entry points.

We continue to see many other highly attractive investment opportunities. Periods of change like now are ideal for experienced stock pickers.

Top Contributors (Absolute)

Contributor	Sector
Commonwealth Bank	Financials
Bapcor	Consumer Discretionary
Macquarie Group	Financials

Top Detractors (Absolute)

Contributor	Sector
BHP	Materials
Omni Bridgeway	Financials
Austal	Industrials

Platforms

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

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