

# Prime Value Emerging Opportunities Fund Update – November 2020



- Equity markets were strong in November supported by positive news on the US election and trial data on 3 major covid vaccines.
- Returns for the first 5 months of the financial year are +20.7% (after fees) and since inception (8/10/2015) are +14.6% p.a.
- Cumulative return is 102%, which means our investors have doubled their money in just over 5 years.
- The outlook appears positive with vaccine rollouts, strong global economic growth expected in 2021 and very low interest rates.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	<b>14.6%</b>	8.0%	6.6%
5 Years (p.a.)	<b>13.1%</b>	8.0%	5.1%
3 Years (p.a.)	<b>16.0%</b>	8.0%	8.0%
2 Years (p.a.)	<b>21.8%</b>	8.0%	13.8%
1 Year	<b>20.1%</b>	8.0%	12.1%
3 Months	<b>10.0%</b>	1.9%	8.1%
1 Month	<b>9.0%</b>	0.6%	8.4%

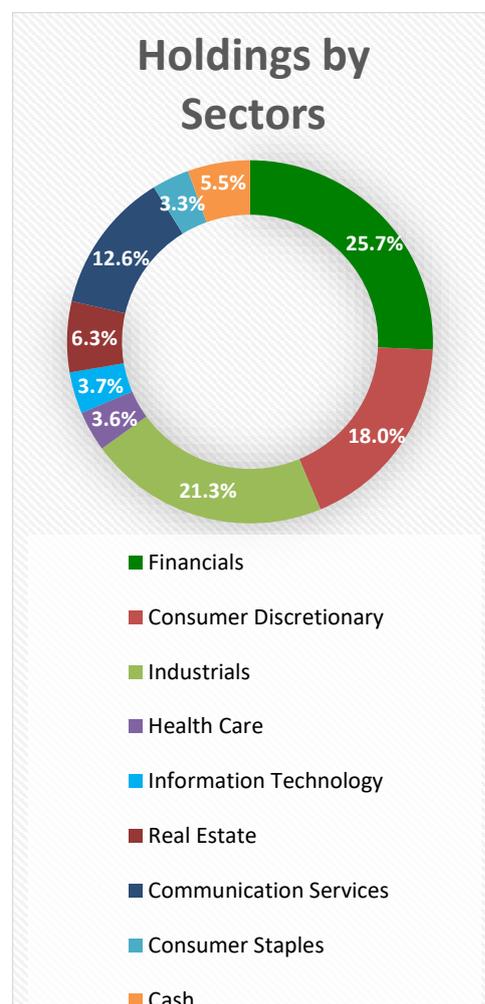
\* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%)	<b>13.8%</b>	<b>13.8%</b>
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%	<b>3.4%</b>	<b>17.6%</b>
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%	<b>19.0%</b>	<b>40.0%</b>
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%)	<b>1.2%</b>	<b>41.7%</b>
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%	<b>18.1%</b>	<b>67.3%</b>
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%								<b>20.7%</b>	<b>101.9%</b>

Top five holdings (alphabetical order)	Sector
EQT Holdings	Financials
Mainfreight	Industrials
News Corporation	Communication Services
Omni Bridgeway	Financials
Pinnacle Investment Management Group	Financials

\* The top five holdings make up approximately 22.6% 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

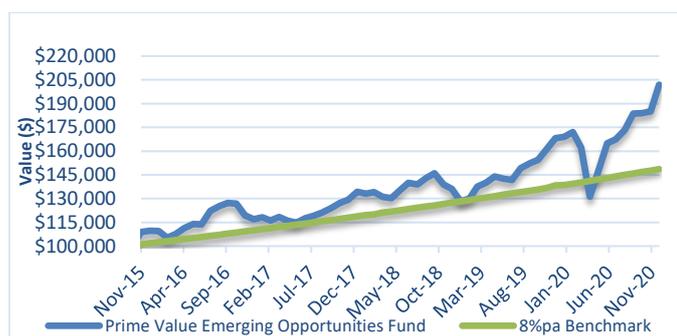


## Market review

Global markets rose through November, driven by positive vaccine news and increased certainty regarding the US election result. The outcome of the US election – a constrained Biden Presidency – was taken positively by markets, but the real driver of the global rally in stocks was the vaccine news. With not just one, but two vaccines with over 90% effectiveness, investors have a clear line of sight on the end of the pandemic, and a normalisation of the economy.

Globally, no sectors fell in November, with Energy and Financial sectors outperforming the most. The S&P 500 Index rose 10.9% in November, but still underperformed slightly against the DM World Return Index of 12.8%. The world developed market's outperformance was led by the Euro Stoxx Index, which rose sharply by 22.5% in US Dollar terms. In comparison world emerging markets underperformed slightly, rising by 9.3% in US Dollar terms. The Nikkei 225 Index also rose sharply, rising 15.1% in November. Brent Oil prices rose US\$10.13/bbl to US\$47.59/bbl, partly driven by vaccine optimism. Iron ore prices rose by US\$12.50/t to US\$119.30/t. Gold prices decreased substantially from US\$1,881.85/oz to US\$1,762.55/oz due to increase in risk on sentiment and higher real yields.

The 10.2% total return in November for the ASX300 Accumulation Index ranks within the top 10 monthly returns since 1980. Value stocks took a leading role, outperforming growth stocks by 12%. The Energy sector led the market up with the Financials sector not far behind. The Staples, Utilities, Healthcare sectors were sold off to fund the rotation. While both had strong performances, Resources fared better than Industrials across most of the size indices with the exception of mid-caps. Large (11.0%) and Small Caps (10.3%) sectors were in line with the ASX300 Accumulation Index performance, with the Mid Cap 50 Index (6.6%) lagging. Within sectors, Energy rose the most (+28.5%) followed by Financials (16.1%). Staples (-0.7%) was the only negative in the month, while Utilities (1.5%) and Health Care (2.7%) were notable laggards.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$201,900 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$148,600 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$1.8587
Withdrawal price	\$1.8439
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

### Mail:

Prime Value Asset Management Ltd  
Level 9, 34 Queen Street, Melbourne VIC 3000  
Web: [www.primevalue.com.au](http://www.primevalue.com.au)

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## Fund review & strategy

The fund's return was 9.0% in November, 8.4% above the benchmark of 0.6% (8% p.a.).

Key positive contributors for the month were **Helloworld Travel** (HLO +77.8%), **News Corp** (NWS +32.8%) and **Southern Cross Media** (SXL +33.1%). Key detractors were **Bapcor** (BAP -8.5%), **Breville Group** (BRG -7.6%) and **Collins Foods** (CKF -3.2%).

To put the current market in context it's worth looking back at the 3 main phases of this year;

**Phase 1 (February-March):** the Small Ordinaries Accumulation index (index) declined 29.1% as the implications of a global pandemic became evident (**Fisher Paykel Healthcare** a rare winner). The fund fell by 23.8%, delivering outperformance of 5.3% driven by our focus on quality businesses that are economically resilient.

**Phase 2 (April-October):** the index rebounded +31.5% and the fund +41.1%, delivering outperformance of +9.6%. It became evident that government and central bank support would limit the economic impacts. There were clear covid winners (incl tech, online retail) and covid losers (incl travel, media). We maintained a long term view, selling winners when valuations became stretched and selectively purchasing covid losers (vaccine beneficiaries) when valuations were extremely attractive eg **Auckland Airport**, **Helloworld Travel**.

**Phase 3 (from November):** multiple successful vaccine trial results in early November switched the focus to a world post covid. Initially, stocks reversed prior trends and previous covid winners fell (incl tech, online retail) and covid losers rose sharply (incl travel, media). In November the index rebounded 10.3% and we captured almost all of this upside which is pleasing as we continue to hold lower risk stocks. Gains were driven by some small positions that generated large gains (eg **Helloworld Travel** +78%, **Southern Cross Media** +33%) and strong financial results from core/large holdings (**Mainfreight**, **News Corp**).

So where to from here? We are not in the game of picking markets (we pick stocks) but the outlook does appear positive for equities; an impending global rollout of multiple vaccines with high efficacy, global economic growth likely to rebound strongly in 2021 as economies re-open and interest rates likely to stay very low for many years. A supportive combination. Looking out 12 – 24 months it's possible to imagine a world where health risks have largely normalised and our freedoms restored. Australia's response to the pandemic is likely to enhance its reputation as a safe and prosperous place to live and do business.

We remain optimistic on the outlook for the fund and continue to find many appealing new investments. Times of change are good for experienced stock pickers.

Top Contributors (Absolute)	Sector
Helloworld Travel	Consumer Discretionary
News Corporation	Communication Services
Southern Cross Media	Communication Services
Top Detractors (Absolute)	Sector
Bapcor	Consumer Discretionary
Breville Group	Consumer Discretionary
Collins Foods	Consumer Discretionary
Platforms	
Netwealth	

### Contact details:

Brittany Shazell, Riza Crisostomo, Julie Abbott, Dora Grieve & Angela Ly - Client Services Team  
Phone: 03 9098 8088 Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)