

Prime Value Opportunities Fund

Fund Update – December 2020



- Global share markets posted further gains on top of strong November rallies and in spite of incrementally negative COVID-19 news during the month
- The ASX300 Accumulation Index rose 1.3% in December, to end 2020 1.7% higher. Stock-pickers benefitted from the significant dispersion of performance between the winners and losers in 2020
- In a remarkably dynamic year, the Fund gained 8.7% in 2020 which was 700 basis points better than the broader market. We start 2021 with a confidence that new opportunities have arisen with conditions favourable for equities

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.8%	8.0%	2.8%
7 Years (p.a.)	8.0%	8.0%	0%
5 Years (p.a.)	7.4%	8.0%	(0.6%)
3 Years (p.a.)	7.0%	8.0%	(1.0%)
2 Years (p.a.)	12.4%	8.0%	4.4%
1 Year	8.7%	8.0%	0.7%
3 Months	10.7%	1.9%	8.8%
1 Month	2.1%	0.6%	1.5%

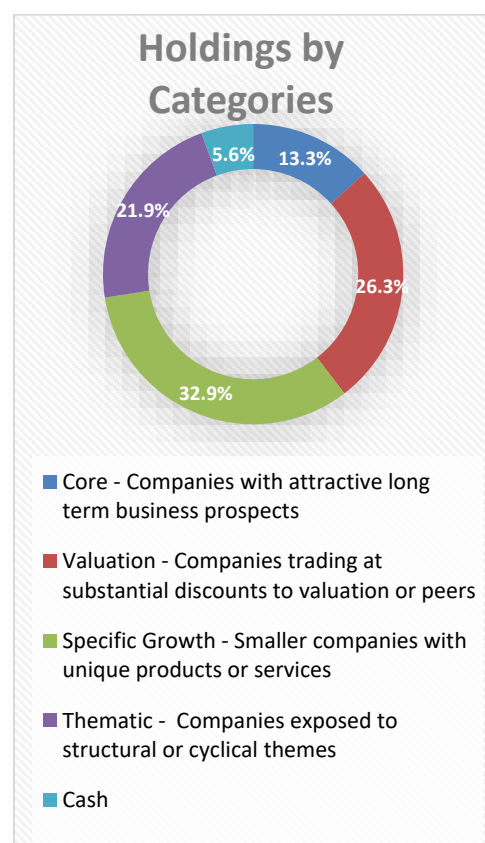
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%	(3.6%)	0.5%	7.9%	2.1%							12.7%	131.4%

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Commonwealth Bank	Financials
Macquarie Group	Financials
NAB	Financials

The top five holdings make up approximately 29.2% 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

US equities had a strong month through December, rallying following the commencement of COVID-19 vaccine distribution and general optimism for 2021. A notable development was President Trump signing the aid bill four days before the end of the year. The combined US\$2.3 trillion relief and government funding package prompted the S&P500 Index to finish December up 3.7%, the Nasdaq 5.1% higher and the Dow Jones Industrial Average up by 3.7%. In Europe, the STOXX600 and the FTSE100 indices rose 2.5% and 3.1% respectively as COVID-19 vaccines fuelled hopes of an economic rebound, while the U.S. election and Brexit deal reduced political risks. The Basic Resources sector stood out for the STOXX600 Index returning 10.8%, followed by Travel and Leisure (+6.5%). Consumer Products and Services (+5.8%). Telecommunication sectors lagged the index down (-3.05%) over the month.

Crude oil futures posted further gains in December. WTI and Brent Crude oil gained 7.0% and 10.5% in December, following 26.7% and 27.9% in November. Gold posted the first monthly gain since July after a run of losses prompted by the development of effective COVID-19 vaccines. Gold increased 6.8% in December. Despite the government struggling to contain COVID-19 clusters within Australia, the Australian Dollar finished the year strong at 76.9c against the US Dollar.

The ASX300 Accumulation Index was stronger in December, closing 1.3% higher and leading global peers for the quarter. Resources fared better than Industrials across all size indices by a significant margin with the ASX200 Resources Index returning 8.5% compared to the ASX200 Industrials index falling -0.6%. Mid-Caps (3.4%) outperformed the Small (2.8%) and Large (0.7%) Indices. Within sectors, Info Tech rose the most (+9.5%) followed by Materials (8.8%). Utilities (-5.4%) and Health Care (-4.9%) fell the most in the month.

Australia is well placed. We expect Australia's economic recovery to continue in 2021, helped by lower virus incidence and sustained policy support. Recent economic data has been better than expected, and while momentum should slow in 2021 the economy in a stronger base to build a recovery.

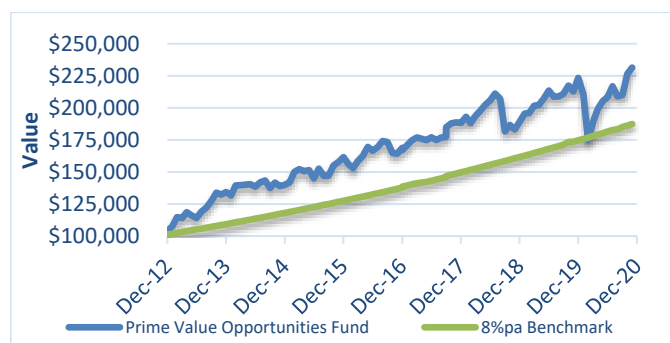
Fund review and strategy

The Fund gained 2.1% in December, bringing the total return for the first six months of FY21 to 12.7%. The Fund gained 8.7% in 2020 which was 700 basis points higher than the ASX300 Accumulation Index's 1.7%. The top contributors to performance in December were: **City Chic** (+45.7%), **BHP** (+11.4%) and **Pinnacle Investments** (+15.6%). The top detractors from performance in December were: **CSL** (-4.8%), **Worley** (-10.9%) and **IDP Education** (-18.9%).

Company specific positive news during the month enabled some of our more growth orientated companies to perform well despite the recent market preference for cyclical or value stocks. In a rapidly changing market environment where new themes seem to emerge weekly, we are being patient and look for companies with unique characteristics and advantages. One key feature we look for is companies' ability to take advantage of industry change to enhance their market position through market share gains or acquiring weaker competitors—we highlight three of our investments below. These investments were made long before COVID-19 impacted markets and the decision to invest were made based on work that has been made in the prior two, three, five years.

City Chic (+45.7% December; +61.3% 2020) announced the company was acquiring Evans, a UK based plus-sized women e-commerce fashion retailer. Evans is part of the UK retail conglomerate Arcadia that fell into administration in November 2020. We observe that the Evans business has been operating since 1930 and will give City Chic access to the estimated A\$9bn p.a. UK plus sized women's market. City Chic will pay \$41m for the Evans assets. We expect City Chic's management to translate the Evans potential into revenues through improvements in stock position and fashion offerings. The Evans acquisition is consistent with the company's stated goal of building a global footprint focused on the plus-sized market, which started with the acquisition of another weakened retailer, US based Avenue, last year. **Alliance Aviation (+11.0% December; +48.8% 2020)** announced another acquisition of a fleet of 16 Embraer E190 aircraft, in addition to the 14 they announced in mid-2020. The net 30 aircraft acquired adds to Alliances' existing active fleet of 42 Fokker aircraft. As we have highlighted before, Alliance is well placed to take advantage of disruption in the aviation industry by buying assets at deep-discounted prices. The latest aircraft acquisition would further suggest strong emerging demand from its client base, notably mining companies in regional areas. **Pinnacle Investments (+15.6% December; +52.4% 2020)** has been steadily building a composite group of fund managers across different asset classes over a number of years. We have found management to be forward looking and highly motivated to build a group of assets that will grow into the future. We believe latent value resides in the group's asset distribution capability that can be leveraged for future growth opportunities.

We start 2021 with a confidence that new opportunities have arisen with conditions favourable for equities. We will continue to monitor the economic data and developments closely, and we are encouraged by the outlook—however, our best work is around individual companies, not predicting the macro environment, where we continue to find great opportunities.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$231,400 (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 \$187,400 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	\$ 1.7139	\$ 1.6806
Withdrawal price	\$ 1.7121	\$ 1.679
Distribution (31/12/2020)	\$ 0.0350	\$ 0.0340
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

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Top contributors (absolute)	Sector
City Chic	Consumer Discretionary
BHP	Materials
Pinnacle Investments	Financials

Top detractors (absolute)	Sector
CSL	Health Care
Worley	Energy
IDP Education	Consumer Discretionary

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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