Prime Value Growth Fund
Fund Update – January 2021

- Investors started the new year on a positive note, although sentiment waned post the Biden presidential inauguration
- Australian shares rose 0.3% in January, outperforming the 1.1% fall in the S&P500 Index. Large caps were outperformers, with the ASX20 Index gaining 1.6% while the Small Ordinaries Index fell 0.3%
- The Fund returned +0.4% in January, 0.1% above the ASX300 Accumulation Index of +0.3%. For the first 7 months of the current financial year, the fund has returned +21.1%, 7.1% above the index return of +14.1%.

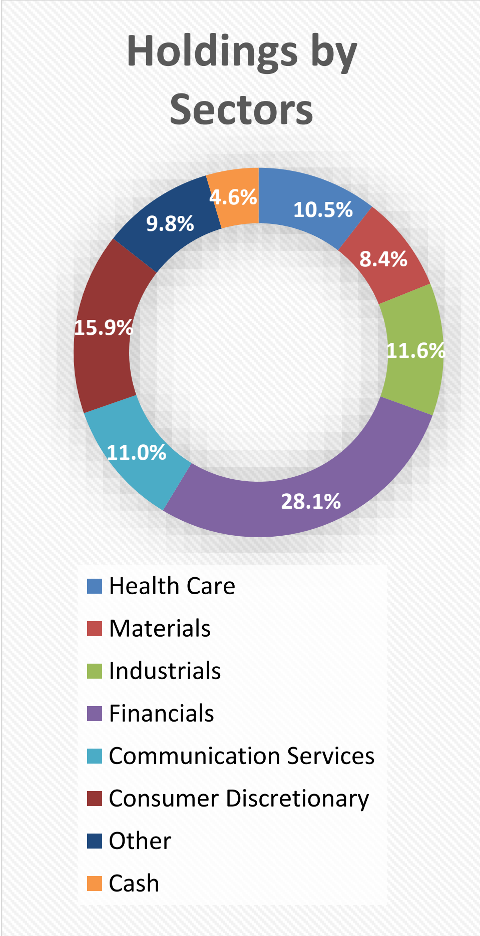
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.8%**	8.1%	2.7%
5 Years (p.a.)	**6.1%**	10.1%	(4.1%)
3 Years (p.a.)	**5.2%**	7.1%	(1.9%)
2 Years (p.a.)	**9.3%**	10.3%	(0.9%)
1 Year	**5.7%**	(2.7%)	8.4%
3 Months	**13.6%**	12.1%	1.6%
1 Month	**0.4%**	0.3%	0.1%

*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

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Commonwealth Bank	Financials
Macquarie Group	Financials
Pinnacle Investment Management Group	Financials

The top five holdings make up approximately 29.1% 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



performance is not necessarily an indicator of future performance.

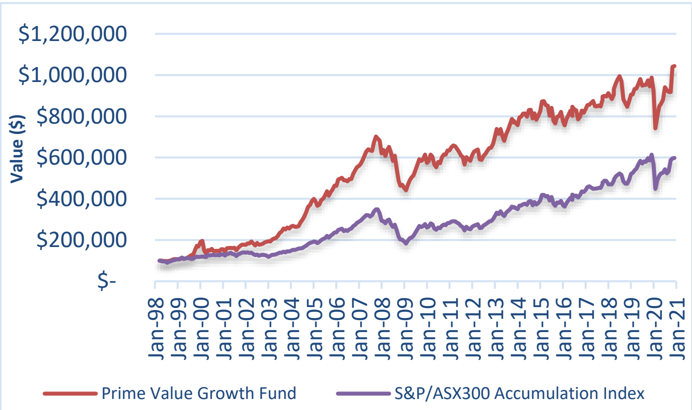
Market review

Equities ran up to record highs in early January as investors awaited the release of Biden's COVID-19 relief proposal. The S&P500 Index started to slide mid-month as optimism around President-elect Joe Biden's US$1.9 trillion COVID-19 relief proposal dissipated and bank stocks dragged after reporting earnings. Investors came into the year positively, with expectations of a strong second quarter. However, US consumer sentiment edged lower in late January, adding to signs that consumers remain subdued about prospects for the economic recovery as the pandemic wears on. Overall, the Nasdaq Composite Index finished the month up 1.4% while the Dow Jones Industrial Average and the S&P 500 Index fell 2.0% and 1.1% respectively.

Brent Oil prices rose US$4.08/bbl to US$55.88/bbl, partly driven by vaccine optimism and a surprise Saudi oil supply cut. Iron ore prices surged to US$170/Mt by late January but retraced back to US$158/Mt by the end of the month. Gold prices fell US$23.80/oz to US$1,863.80/oz.

It was a volatile month for Australian equities, with the local benchmark starting on a positive note before finishing the month +0.3% higher. The early to mid-January trading was dominated by another surge in optimism towards reflation and cyclically led rotation opportunities particularly post the US Georgia run-off election outcomes. However, this strength and direction faded into month end as the resources sector fell towards the end of the month with Industrials performing better across all size indices. In contrast to the recent trend, large caps were the better outperformers, with the ASX20 Index up 1.6% while the Small Ordinaries Index fell 0.3%.

In Australia, the Consumer Discretionary (+4.7%), Communication Services (+2.7%), and Financials (+2.2%) sectors outperformed the most, whilst REITs (-4.1%), Industrials (-3.0%) and Healthcare (-1.8%) underperformed the most.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,043,800 (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 $597,600 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	$1.7329	$1.7273
Withdrawal price	$1.7197	$1.7143
Distribution (31/12/2020)	$0.0550	$0.0550
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 +0.4% in January, 0.1% above the ASX300 Accumulation Index of +0.3%.

Key positive contributors were **Redbubble** (RBL +21.4%), **Oceania Healthcare** (OCA +10.8%) and **Breville Group** (BRG +13.5%). Key detractors were **CSL** (CSL -4.1%), **Centuria Capital** (CNI -11.4%) and **Omni Bridgeway** (OBL -8.1%).

For the first 7 months of the current financial year, the fund has returned +21.1%, 7.1% above the index return of +14.1%.

Looking at the year ahead, a key theme is likely to be vaccine rollout. As our lives return to a form of normal, the earnings profile of many companies will change dramatically while others will be less affected. To frame this dynamic we group companies into 4 types;

Unaffected (22% of portfolio): the earnings profile of these companies were largely unaffected by covid and the recent rebound. They are typically higher quality, defensive businesses. We are focused on ensuring the covid impact is not just delayed, along with valuations which are stretched in some areas.

Negative covid impact, rebound underway (47%): significantly impacted by covid in 2020 but are already experiencing a noticeable earnings rebound as their operations normalise. In many cases there is significant upside risk to consensus earnings expectations meaning valuation multiples are more attractive than would appear on face value. M&A is also becoming a feature as the strong get stronger.

Negative covid impact, rebound medium term (15%): still being significantly impacted by covid with normalisation some time away. Our investments in this category are higher quality with significant valuation upside longer term. Typically these companies are the greatest beneficiaries of vaccine rollout.

Covid beneficiaries (11%): earnings accelerated above pre-covid trajectory e.g. discretionary retail which benefited from stimulus payments. Our relatively low weighting in this category reflects caution that high valuations are being placed on unsustainably high earnings.

We remain positive on the outlook for the fund. This is not a call on the market, which is not our strength, but reflects our confidence in the underlying investments in the fund..

Top Contributors (Absolute)	Sector
Red Bubble	Consumer Discretionary
Oceania Healthcare	Health Care
Breville	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
CSL	Health Care
Centuria Capital	Real Estate
Omni Bridgeway	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 & Angela Ly
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