Prime Value Opportunities 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 fell by a marginal 0.1% in January, with consumer discretionary companies the major contributor to fund performance

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**10.7%**	8.0%	2.7%
7 Years (p.a.)	**8.4%**	8.0%	0.4%
5 Years (p.a.)	**8.2%**	8.0%	0.2%
3 Years (p.a.)	**7.1%**	8.0%	(0.9%)
2 Years (p.a.)	**10.5%**	8.0%	2.5%
1 Year	**3.5%**	8.0%	(4.5%)
3 Months	**10.0%**	1.9%	8.1%
1 Month	**(0.1%)**	0.3%	(0.4%)

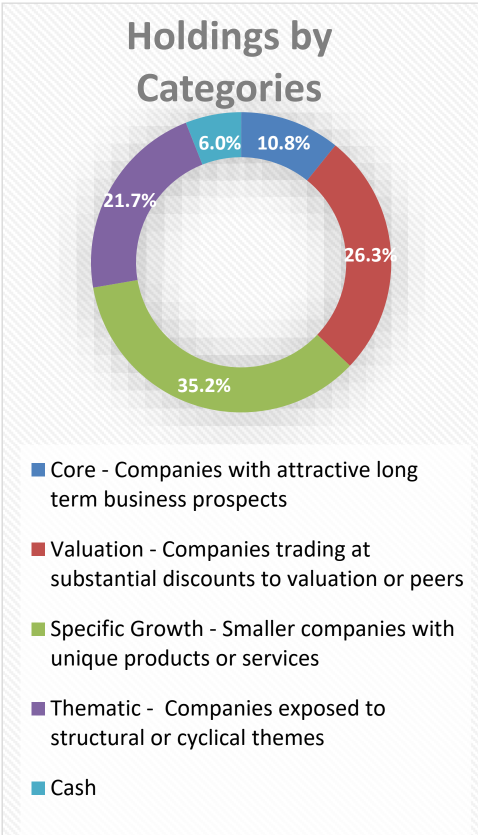
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%	(0.1%)						**12.6%**	**131.1%**

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

The top five holdings make up approximately 28.7% 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

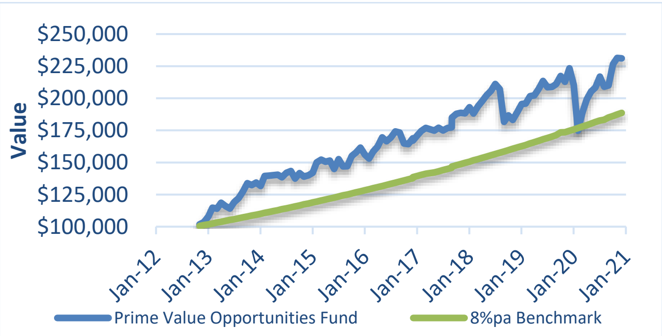
Market review

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 $231,100 (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 $188,600 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	$ 1.7171	$ 1.6837
Withdrawal price	$ 1.7041	$ 1.6709
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

Fund review and strategy

The Fund declined by a marginal 0.1% in January, bringing the total return for the first seven months of FY21 to 12.6%. The top contributors to performance in January were: **Red Bubble** (+21.4%), **Breville** (+13.4%) and **BHP** (+2.7%). The top detractors from performance in January were: **CSL** (-4.0%), **Macquarie Group** (-5.1%) and Goodman Group (-6.5%).

Consumer discretionary stocks performed well through January as economic data pointed to consumer spending continuing to stay elevated. This sentiment affected Red Bubble and Breville positively through the month. Both companies have benefitted significantly from the stay-at-home trend over the past year—which is why we will be examining how earnings will be affected in a more normalised environment. But make no mistake, we believe Red Bubble and Breville have durable business advantages that extends well over the short term. Both have opportunities to penetrate new markets and will introduce new products that should lead to very profitable growth over the next few years.

Macquarie Group appears to have suffered from short term traders selling-off the shares on the back of the Australian Dollar appreciation. The theory goes that Macquarie's profits would be affected by the strengthening Australian Dollar as the Group earns a high proportion of its revenues from offshore markets. However, Macquarie delivered a surprise profit upgrade at its operational briefing in early February. Stronger-than-expected market conditions have led Macquarie to issue a first-time profit guidance for FY21 of "slightly down" compared to the previous financial year. For context, analysts were expecting Macquarie's profits to fall between 15% to 20% in FY21. We have owned Macquarie for more than six years. We took the opportunity to add to our holdings when the shares were sold off in 2020 on the back of the pandemic. The strength of the current business supports our view that Macquarie is a much more diversified and resilient business due to management's pivot to grow its funds management business over ten years ago. More importantly, in addition to its track record of resilient earnings, Macquarie is well place for opportunities to deploy capital in dislocated markets.

Like most investors, we will now look to the February reporting season to gain a detailed insight into how companies are performing through the pandemic affected economy. Some companies will be doing very well but we will be seeking to understand the durability of their business models in more normalised conditions. We also expect to spend considerable amount of time looking at stocks which have lagged, perhaps due to uncertainty or skepticism of their near-term outlook--it's likely that some of these stocks would be extraordinary long-term investments that can generate strong returns over time. To separate the hype from the reality, our research into companies remains stock-by-stock, bottom-up research with an emphasis on identifying high-quality companies trading at appropriate valuations. This active approach will help us avoid common landmines and position the Fund to generate compelling returns over time.

Top contributors (absolute)	Sector
Red Bubble	Consumer Discretionary
Breville	Consumer Discretionary
BHP	Materials

Top detractors (absolute)	Sector
CSL	Health Care
Macquarie Group	Financials
Goodman Group	Real Estate

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

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