# Prime Value Opportunities Fund
# Fund Update – February 2021

- Global share markets gained modestly in February as optimism grew that the global roll-out of vaccines will pave the way for full economic recovery
- The ASX300 Accumulation Index was up in February, closing 1.5% higher, with resources companies performing strongly due to expectations of good global economic growth
- The Fund rose 2.3% in February, a strong outcome as performance attributable to good stock selection outstripped headwinds caused by investors rotating to value and cyclical stocks

| | Total Return* | Benchmark (8% pa) | Value Add |
|---|---|---|---|
| Since inception (p.a.) | **10.9%** | 8.0% | 2.9% |
| 7 Years (p.a.) | **7.8%** | 8.0% | (0.2%) |
| 5 Years (p.a.) | **9.1%** | 8.0% | 1.1% |
| 3 Years (p.a.) | **7.0%** | 8.0% | (1.0%) |
| 2 Years (p.a.) | **10.0%** | 8.0% | 2.0% |
| 1 Year | **12.4%** | 8.0% | 4.4% |
| 3 Months | **4.3%** | 1.9% | 2.4% |
| 1 Month | **2.3%** | 0.5% | 1.8% |

* 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 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.

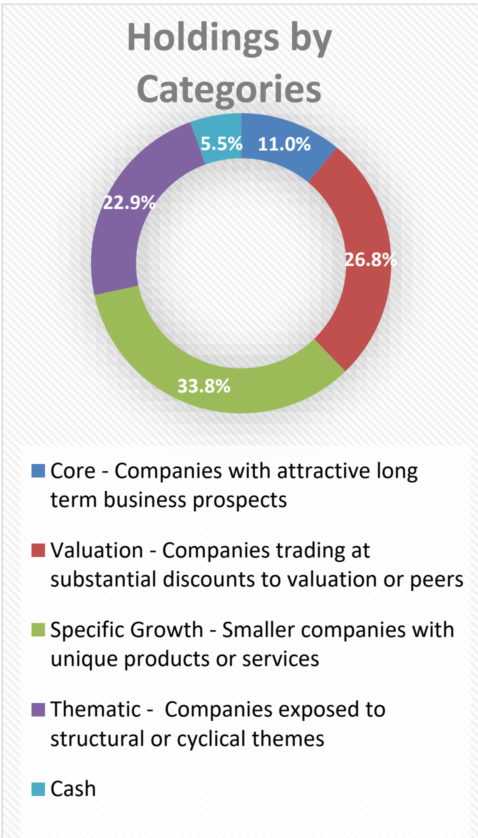
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | (0.6%) | 4.0% | (2.2%) | (1.6%) | **14.1%** | **14.1%** |
| FY 2014 | 4.4% | 2.6% | 4.3% | 5.0% | (1.1%) | 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%) | 2.3% | | | | | **15.2%** | **136.4%** |

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

The top five holdings make up approximately 27.5% 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<br>Lonsec - Recommended |

# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

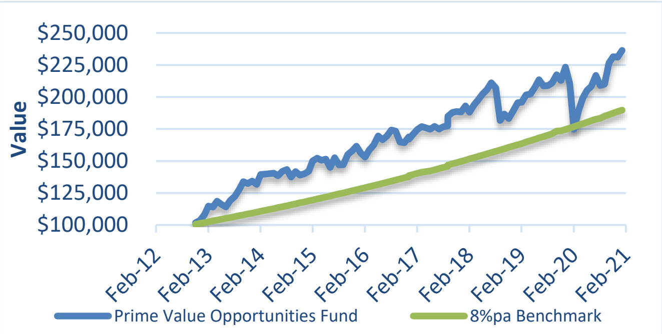


## Market review

Global markets pulled back toward the end of February, as global bond yields rose. The MSCI World Developed Markets Index rose 2.6%, outperforming the Emerging Markets World return of 0.8% in US Dollar terms. The Developed markets outperformance was partially driven by the DJ Euro Stoxx which rose by 4.5%. US President Biden's US$1.9tn stimulus package is currently awaiting approval from the Senate. The stimulus plan will provide $1,400 direct payments to eligible individuals, increase federal unemployment benefits from $300 to $400 a week, and provide about $50bn additional funding to schools, alongside numerous other payments/initiatives. Talks of the Biden stimulus have prompted commentators to voice concerns over a consequential overheating of the US economy and higher inflation.

Brent Oil prices rose $10.25/bbl to $66.13/bbl, partly driven by the reflation trade and vaccine optimism. Iron ore prices surged to $US174.0$/Mt rising by $US16.0 $/Mt. Gold prices fell $120.95/oz to $1,742.85/oz.

ASX300 Accumulation Index rose by 1.5% in February, underperforming against the DM World Index's return of 2.7% in local currency terms. The Materials (+7.3%), Financials (+5.2%) and Energy (+2.4%) sectors outperformed in Australia. As expected in this rising yield environment the longer duration Technology sector underperformed the most (-8.9%). The Utilities (-8.0%) and Consumer Staples (-4.6%) sectors also under performed. Large caps (+2%) performed strongest, while Small Caps (+1.6%) were also positive, but Mid Caps were down 1.4%. In the first two weeks of February the focus was on company results beats and misses. The market was rewarding stocks that beat due to COVID tailwinds and sold-off stocks that missed due to COVID headwinds. In the second half market focus shifted to the impact that rising bond yields was having on stocks. As a consequence, despite a strong reporting season, the ASX300 Index underperformed its global peers weighed by the sectors mentioned above.




This graph shows how $100,000 invested at the Fund's Inception has increased to $236,400 (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 $189,700 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 | $ 1.7565 | $ 1.7224 |
| Withdrawal price | $ 1.7433 | $ 1.7094 |
| 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 rose 2.3% in February, bringing the total return for the first eight months of FY21 to 15.2%.

We are pleased with the Fund's performance in February for two reasons: First, the market has continued to favour value or cyclical stocks, causing a rotation out of quality growing companies, where the Fund has a high proportion of investments. Second, and the most important factor, the February company reporting period highlighted the strengths of our investment holdings—A very high proportion of companies meet or exceeded the market's earnings expectations. Overall, our portfolio holdings featured good top line revenue growth, despite COVID-19 interruptions, backed by excellent cost and cash flow management. A number of our holdings had gained market share and looks to sustain their business momentum into the future. An example was Pinnacle Investment Management which reported a very strong profit result for the six months ended 31 December. Underpinning the result was the solid growth in funds under management in its key affiliates. The company is experiencing good demand from retail investors in addition to good progress in penetrating funds inflow from institutional investors.

A small proportion of our holdings posted weaker-than-expected earnings largely on the back of COVID-19 restrictions impacting their business operations. We will continue to monitor these companies but do not expect them to experience future financial stress as management have taken action to address balance sheet and cost issues.

The top contributors to performance in February were: **BHP** (+12.8%), **Pinnacle Investment** (+23.2%) and **News Corp** (+18.3%). The top detractors from performance in February were: **Redbubble** (-23.7%), **Bapcor** (-9.0%) and **Fisher & Paykel Healthcare** (-16.1%).

We initiated an investment in News Corp approximately six months ago recognizing News Corp management's efforts to uncover the underlying value of its assets through better disclosure and simplify its corporate structure—it gives us better look through to the underlying performances of its operating assets. We categorize News Corp as a Valuation company as the potential share price upside is significant as latent value is unlocked. In the near term, News Corp's shares have traded well due to the release of strong quarterly results. News Corp posted a second consecutive quarter of materially stronger earnings in the March 2021 quarter. Key to the strong results has been News Corp's print media Dow Jones division making a strong transition to digital media. Digital-only subscriptions at Dow Jones' key mast head the Wall Street Journal grew by over 29%. Digital subscriptions now account for over a staggering 75% of total Wall Street Journal subscriptions.

Redbubble is a COVID-19 winner as on-line sales grew significantly as people stayed home. The company posted a much weaker-than-expected profit margin during peak December quarter despite sales continuing to be very strong. The company disclosed that it has increased its marketing and promotion spend in the December quarter to capture opportunities, thereby impacting profit margins. The outlook for Redbubble hinges on increasing its scale significantly, which we believe the company is capable of achieving.

| Top contributors (absolute) | Sector |
|---|---|
| BHP | Materials |
| Pinnacle Investments | Financials |
| Newscorp | Communication Services |

| Top detractors (absolute) | Sector |
|---|---|
| Redbubble | Consumer Discretionary |
| Bapcor | Consumer Discretionary |
| Fisher & Paykel Healthcare | Health Care |

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


**Contact details:**
Brittany Shazell, Riza Crisostomo, Julie Abbott, Dora Grieve & Angela Ly
Client Services Team
Phone: 03 9098 8088
Email: info@primevalue.com.au

**Mail:**
Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000
Web: www.primevalue.com.au