

Prime Value Growth Fund

Fund Update – March 2021



- Globally, the more value-oriented regions outperformed in the March quarter. Strongest performances came from Europe and the UK, while in the US, the S&P500 and Dow Jones indices outperformed the NASDAQ.
- The ASX300 Accumulation Index was up 2.3% in the month of March, and closed 4.2% higher for the March quarter
- The Fund returned +0.1% in March, 2.2% below the ASX300 Accumulation Index of +2.3%. For the first 9 months of the current financial year, the fund has returned +23.2%, 4.8% above the index return of +18.4%.

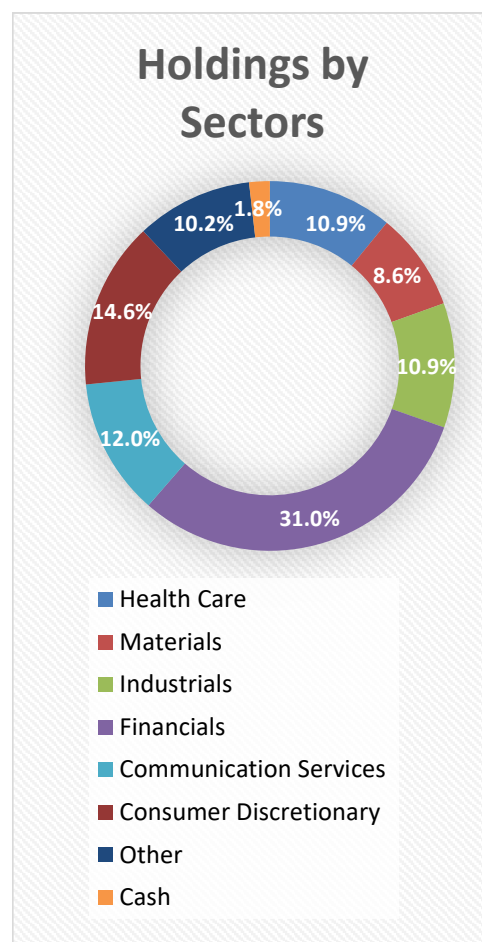
| | Total Return* | S&P/ASX 300 Accumulation Index | Value Add |
|------------------------|---------------|--------------------------------|-----------|
| Since Inception (p.a.) | 10.8% | 8.3% | 2.6% |
| 5 Years (p.a.) | 6.2% | 10.3% | (4.2%) |
| 3 Years (p.a.) | 6.3% | 9.7% | (3.4%) |
| 2 Years (p.a.) | 8.2% | 8.7% | (0.5%) |
| 1 Year | 43.2% | 38.3% | 4.9% |
| 3 Months | 2.1% | 4.2% | (2.1%) |
| 1 Month | 0.1% | 2.3% | (2.2%) |

*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 |
| Pinnacle Investment Management Group | Financials |
| News Corporation | Communication Services |

The top five holdings make up approximately 30.6% 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.

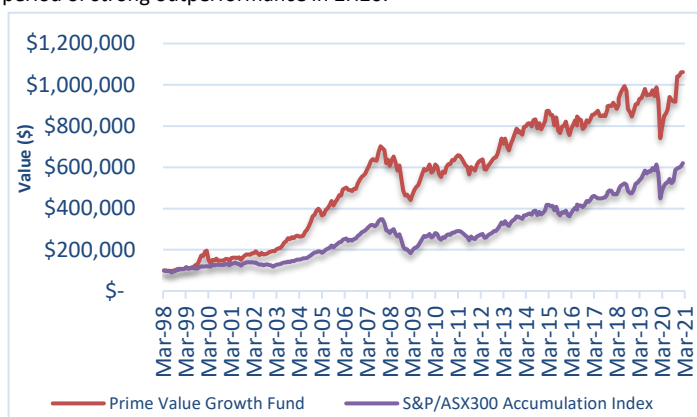
Market review

Global equities rallied in March despite global bond yields continuing to rise as investors oscillated between growth and value stocks. The MSCI World Developed Markets index dropped -3.3%, underperforming against the Emerging Market's World Index return which rose +1.5% in US Dollar terms. The DJ Euro Stoxx Index (-4.3%) and The FTSE 100 Index (-2.7%) also both dropped, however the Nikkei 225 Index rose +2.3%.

The Australian Dollar fell 0.007c against the US Dollar to \$0.767 as the spread between Australian and US bond yields narrowed and commodity prices pulled back. Iron Ore prices fell to US\$174/Mt (-US\$16/Mt) and gold prices fell. Oil prices declined to US\$63.54/bbl (-US\$2.59/bbl).

The ASX300 Accumulation Index rose by 2.3% in March, underperforming against the DM World Index return of 4.4% in local currency terms. Following the spike in February, Australian bond yields fell modestly in March, supporting returns for the Utilities, Discretionary and Communications sectors - the Consumer Discretionary (+7.0%), Utilities (+6.8%), and REITs (+6.6%) sectors outperformed in Australia. The largest underperforming sectors were Materials (-3.0%) and IT (-2.9%). Large caps led the market higher again, with the ASX50 Index up 1.8% compared to a 0.7% increase in the Small Ordinaries Index. This is consistent with the US market, where the Russell 2000 underperformed the S&P500 Index by 4.4 percentage points.

Style rotation remained a dominant theme through 1Q21. A strong rebound in cyclical earnings, a steepening yield curve, optimism around the re-opening of economies and expansionary fiscal policy are supporting cyclicals over growth stocks. This can be seen in the clear outperformance of Financials and the underperformance of the Technology sector. Interestingly, the Materials sector underperformed during the quarter, despite seeing a strong level of earnings upgrades. A late pull back in iron ore and base metals prices during March weighed on the sector following a period of strong outperformance in 2H20.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,061,400 (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 \$620,300 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 | \$1.7621 | \$1.7571 |
| Withdrawal price | \$1.7487 | \$1.7437 |
| 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

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Fund review and strategy

The fund's return was +0.1% in March, 2.2% below the ASX300 Accumulation Index of +2.3%.

Key positive contributors for the month were **News Corp** (NWS +9.2%), **Commonwealth Bank** (CBA +5.6%) and **United Malt Group** (UMG +11.5%). Key detractors were **BHP** (BHP -7.8%), **Oceania Healthcare** (OCA -9.8%) and **Chorus** (CNU -14.2%).

Typically, our best investments are when we identify value in a company that is not widely understood or reflected in the stock price. Often the company in question is unloved by the market which can be overly short term focused. We think of it like planting a seed – we expect that investment to sprout and grow over time. However the timing of this “sprouting” is hard to predict as it is dependent on others in the market also recognising value in the underlying asset and bidding up the stock price to reflect it. This is one reason why our investment performance will vary through time. In some periods many seeds will be sprouting at once, while at others we are planting many seeds but few are sprouting. Consequently investment performance should be judged over the long term.

An example is **United Malt Group** (UMG). Since our purchase it has generated a moderate return but below the fund's overall return (it has underperformed). However we believe the outlook has improved i.e. UMG appears to be a seed that has not yet sprouted. UMG is the world's 4th largest supplier of malted barley to beer and whiskey manufacturers. Its key market is the US (60% of revenue), along with UK (20%), Asia (15%) and Australia (5%). Craft and micro brewers (30% of revenue) are the most profitable segment as they pay a higher price than large commercial brewers, typically use more malt per litre of beer and often use premium, speciality malts. This craft segment was significantly impacted by the covid lockdown of bars. With the US vaccine rollout accelerating (20% of adult population fully vaccinated, c 3m jabs/day), UMG should benefit from re-opening. Yet the stock is well below its high of late 2020 and valuation looks appealing. Interestingly this contrasts with travel stocks, many of which are above their pre-covid high and exposed to a slower Australian vaccination program. Further, UMG benefits from the longer term structural growth of craft beer and its de-merger from Graincorp which will deliver efficiencies and higher return on capital. Over time we expect underlying value to be reflected in the stock price.

| Top Contributors (Absolute) | Sector |
|-----------------------------|------------------------|
| News Corp | Communication Services |
| Commonwealth Bank | Financials |
| United Malt | Consumer Staples |
| Top Detractors (Absolute) | Sector |
| BHP | Materials |
| Oceania Healthcare | Healthcare |
| Chorus | Communication Services |

| Platforms |
|---|
| Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac |

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