

# Prime Value Opportunities 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 4.1% higher for the March quarter
- The Fund rose 1.5% in the month of March and 3.7% for the March quarter. Good Fund performance has been driven by strong performances from a large number of investments across a range of different sectors

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	<b>11.0%</b>	8.0%	3.0%
7 Years (p.a.)	<b>8.0%</b>	8.0%	0%
5 Years (p.a.)	<b>8.6%</b>	8.0%	0.6%
3 Years (p.a.)	<b>8.5%</b>	8.0%	0.5%
2 Years (p.a.)	<b>10.7%</b>	8.0%	2.7%
1 Year	<b>37.3%</b>	8.0%	29.3%
3 Months	<b>3.7%</b>	1.9%	1.8%
1 Month	<b>1.5%</b>	0.7%	0.8%

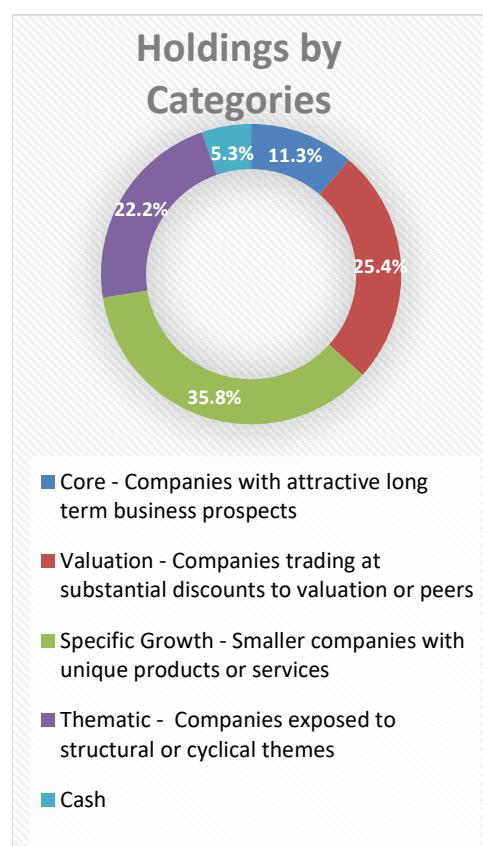
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%)	<b>14.1%</b>	<b>14.1%</b>
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%)	<b>21.4%</b>	<b>38.5%</b>
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%)	<b>4.6%</b>	<b>44.9%</b>
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%)	<b>14.9%</b>	<b>66.5%</b>
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%	<b>6.3%</b>	<b>77.0%</b>
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%	<b>14.3%</b>	<b>102.4%</b>
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%	<b>2.5%</b>	<b>107.5%</b>
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%	<b>(1.1%)</b>	<b>105.2%</b>
FY 2021	1.6%	4.1%	(3.6%)	0.5%	7.9%	2.1%	(0.1%)	2.3%	1.5%				<b>17.0%</b>	<b>140.0%</b>

Top five holdings	Sector
BHP	Materials
CSL	Health 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 <sup>#</sup>	0 - 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended



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

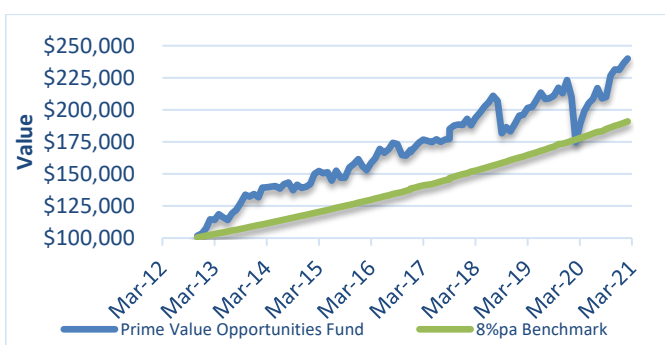
## Market review

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 cyclical 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 \$240,000 (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 \$191,000 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	\$ 1.7836	\$ 1.7489
Withdrawal price	\$ 1.7706	\$ 1.7357
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 1.5% in the month of March and 3.7% for the March quarter, bringing the total return for the first nine months of FY21 to 17.0%.

The top contributors to performance in March were: James Hardie (+9.1%), Macquarie Group (+7.3%) and News Corp (+9.2%). The top detractors from performance in January were: IDP Education (-12.4%), BHP (-7.8%) and Southern Cross Media (-10.8%).

Macquarie Group ended the March quarter on an all-time high share price of \$152.83. Macquarie has been a Thematic holding for the Fund for more than five years. Macquarie Group has been a prime beneficiary of management's long term plan to establish the Group as a global manager and investor in asset management. Since our initial investment, Macquarie has proven itself to be an excellent capital allocator, acquiring key asset management businesses at depressed prices (e.g. during the GFC, and more recently during the current pandemic) to grow shareholder value. It's no coincidence we hold a large position in Macquarie as we like companies with strong balance sheets that could be deployed. Macquarie is one example of Fund performance driven by long-term investments in exceptional businesses that we have identified and thoroughly researched over the years. We invest in companies like Macquarie because we believe they have significant growth potential that the market has not yet appreciated. We see our job as being able to look through the short-term volatility and focus on the long-term fundamentals.

IDP Education fell during the month on news that its major shareholders are seeking to restructure Education Australia's holdings with IEL shares to be transferred to 38 University shareholders via an in-specie distribution, following a divestment of the remaining 15% shareholding in IEL via a market sell-down (by 11-Dec-21). The prospect of a relatively large amount of IEL shares to be sold on market is likely to weigh on IEL's share price in the short term. We have been expecting this event and have managed our exposure accordingly—nevertheless, the fundamentals of the company are unchanged: IEL is one of the education market leaders that were severely impacted by COVID 19. However, the company has emerged in stronger market position as management navigated the challenging environment extremely well and as smaller competitors exit the market.

Southern Cross announced that Nine Entertainment (NEC) will not extend its regional TV affiliation agreement beyond its June 2021 expiry. The NEC affiliate agreement was established in April 2016 for a period of 5 fiscal years (FY17-21) to allow Southern Cross to broadcast NEC's content across regional markets of Queensland, Southern NSW and Victoria. We expect Southern Cross to enter into a new agreement with Network 10—pending an outcome, this is likely to weigh on Southern Cross's share price in the short term.

The Fund is well positioned not only because of our exposures to parts of the economy that are growing but also because of strong stock selection. Stock selection has significant driver of Fund outperformance with our focus firmly on investing in quality companies with good business models that are led by strong management teams, trading at attractive valuations.

Top contributors (absolute)	Sector
Macquarie Group	Financials
News Corp	Communication Services
James Hardie Industries	Materials
Top detractors (absolute)	Sector
BHP	Materials
IDP Education	Consumer Discretionary
Southern Cross Media	Communication Services

### 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

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