

# Prime Value Emerging Opportunities Fund Update – April 2021



- April was a strong month for equity markets globally and in Australia. Vaccine rollout and strong economic data were the key drivers.
- The fund returned +7.0% in April, 2.0% above the Small Ordinaries Accumulation Index of +5.0% and 6.4% above the benchmark of +0.6% (8% p.a.).
- April marked the 3 year anniversary with the fund's current portfolio manager, Richard Ivers. Over that time returns have been 20.7% per annum (after fees), 11.6% above the Small Ordinaries Accum of 9.1% p.a, while risk measurements have been lower. Page 2 has details.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	<b>16.0%</b>	8.0%	8.1%
5 Years (p.a.)	<b>15.5%</b>	8.0%	7.5%
3 Years (p.a.)	<b>20.7%</b>	8.0%	12.7%
2 Years (p.a.)	<b>26.1%</b>	8.0%	18.1%
1 Year	<b>54.9%</b>	8.0%	46.9%
3 Months	<b>9.1%</b>	1.9%	7.2%
1 Month	<b>7.0%</b>	0.6%	6.4%

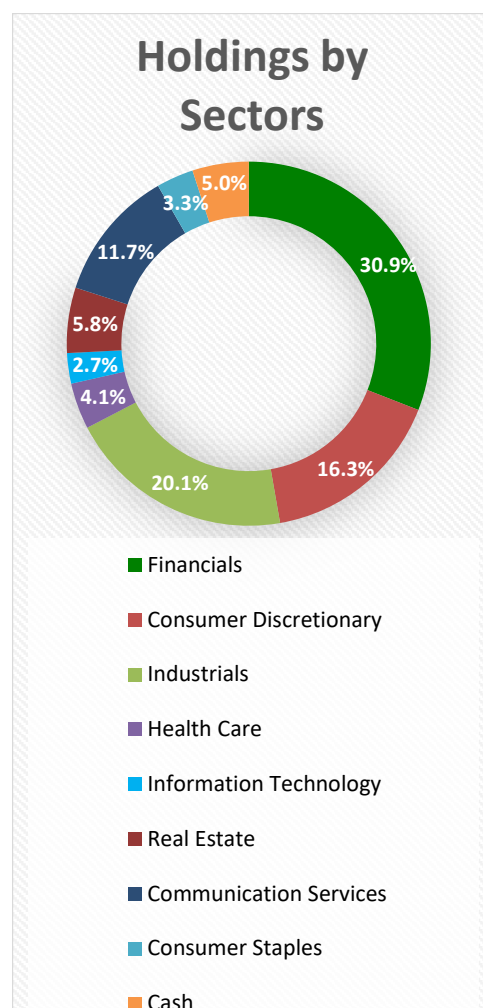
\* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	<b>13.8%</b>	<b>13.8%</b>
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	<b>3.4%</b>	<b>17.6%</b>
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	<b>19.0%</b>	<b>40.0%</b>
FY 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	<b>1.2%</b>	<b>41.7%</b>
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%	(5.8%)	(19.1%)	12.7%	11.6%	1.4%	<b>18.1%</b>	<b>67.3%</b>
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%	3.2%	0.7%	0.6%	1.4%	7.0%			<b>37.0%</b>	<b>129.1%</b>

Top five holdings (alphabetical order)	Sector
City Chic	Consumer Discretionary
EQT Holdings	Financials
Mainfreight	Industrials
News Corporation	Communication Services
Pinnacle Investment Management	Financials

\* The top five holdings make up approximately 20.8% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 100%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years



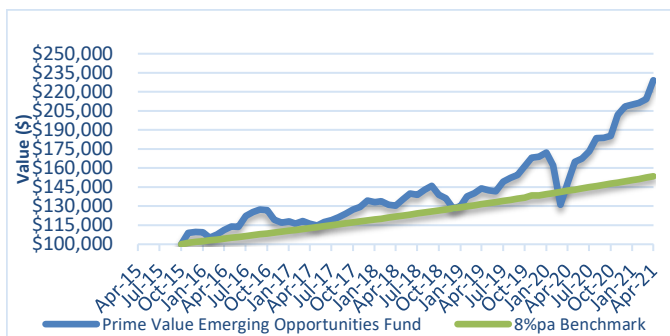
## Market review

Global share markets continued to post gains in April. US markets posted particularly impressive performances with the S&P500 and Nasdaq indices gaining 5.3% and 5.4% respectively on one of the broadest rallies on record. 95% of US stocks rose in April against a typical month averaging 60-65%. In Europe gains were a little lower, following strong gains in February and March. The MSCI Europe ex UK Index gained 2.1% which lagged the MSCI UK Index's 4.0% rise. Asian markets did lag its global peers with MSCI Japan Index down 2.6% while the MSCI China Index gained 1.2%

Both soft and hard commodity prices also continued to rally over the month. Soy and corn prices rose on the back of stronger demand and global restrictions on trade whilst hard commodities such as copper and iron are facing deficit issues. Notably, a number of soft and hard commodities have rallied past their pre-COVID levels. Rising commodity prices will add to inflation concerns.

The Australian Dollar rose in April, supported by higher commodity prices and a weaker US Dollar.

April provided evidence of a V-shaped recovery in corporate earnings. Despite a lagged start, the vaccine rollout is creating a pathway to broader economic re-opening. Domestic economic data is stronger than anticipated, prompting the market to start considering not only a recovery to post-Covid earnings, but the prospect of a cyclical earnings growth in FY22 and beyond. The ASX300 Accumulation Index was up in April, closing 3.6% higher. Resources performed strongly, outperforming Industrials across all size indices. Mid (+5.3%) and Small (+5.0%) Caps performed strongly in April with Large Caps (+3.2%) not far behind. Within sectors, the IT sector rose the most (+9.7%), followed by Materials (+6.8%). The largest declines were in Energy (-4.9%) and Consumer Staples (-2.5%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$229,100 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$153,500 over the same period. The returns exclude the benefits of imputation credits.

Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$2.0833
Withdrawal price	\$2.0667
Distribution (31/12/2020)	\$0.0230
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%** p.a.

\* 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 positive performance

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## Fund review & strategy

The fund's return was +7.0% in April, 6.4% above the benchmark of +0.6% (8% p.a.).

Key positive contributors for the month were **Mainstream** (MAI +119.9%), **Uniti Wireless** (UWL +20.4%) and **City Chic** (CCX +17.6%). Key detractors were **Redbubble** (RBL -18.2%), **Southern Cross Media** (SXL -9.9%) and **Helloworld** (HLO -13.0%).

April was the 3 year anniversary of the fund being managed by the current portfolio manager. 3 years is commonly used to assess fund performance so we thought it worthwhile to provide a summary.

The table below has a brief summary of key performance measurements. Interestingly performance has been strong on both investment returns and risk. Returns have been +20.7% p.a. (after fees), 11.6% above the index. However risk as measured by volatility (standard deviation) has been 13.8% below the index. This results in a far superior Sharpe ratio which measures risk-adjusted returns.

3 yrs to April 2021	Em Opp Fund	Index	Difference
<b>Return per annum</b>	20.7%	9.1%	+11.6%
<b>Risk (standard deviation)</b>	18.6	21.5	-13.8%
<b>Sharpe ratio</b>	0.76	0.35	+117.1%
<b>Months with negative return</b>	8	15	-46.7%

Note: Em Opp Fund returns are after fees, Index is Small Ordinaries Accumulation

Other key performance points of note over the 3 years;

- Outperformance in falling markets:** in month's the index return was negative, the fund outperformed 87% of the time. This is particularly strong given the fund is long-only (does not short companies) The last month it underperformed was December 2018, over 2 years ago.
- Keeps pace in rising markets:** in month's the index return was positive, the fund outperformed 52% of the time (including Apr '21).
- Overall outperforms:** of all 36 months, the fund outperformed 67% of the time (24 months). This includes longer periods of rising markets eg last 12 months +54.9% v's index +39.8%.
- Number 1 small cap fund in Australia FY20:** for the 2020 financial year, the fund was ranked the top performing fund of its type in Australia (source MercerInsight). Given the extreme volatility and challenging market conditions this was particularly pleasing.

We believe the attractive combination of higher returns and lower risk is driven by 3 main factors; 1) Investment process: including a highly active company meeting program, 2) Investing in quality companies: reduces risk and delivers long term compounding returns, and 3) Alignment: we are personally heavily invested in the fund so incentivised to deliver.

Despite this solid performance, we made many mistakes. We continue to learn from them and improve our process. Strong growth has enabled us to expand the investment team and we are as hungry as ever to deliver.

Top Contributors (Absolute)	Sector
Mainstream Group	Financials
Uniti Group	Communication Services
City Chic	Consumer Discretionary
Top Detractors (Absolute)	Sector
Redbubble	Consumer Discretionary
Southern Cross Media	Communication Services
Helloworld Travel	Consumer Discretionary
Platforms	
Netwealth, uXchange	

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