

Prime Value Growth Fund

Fund Update – April 2021



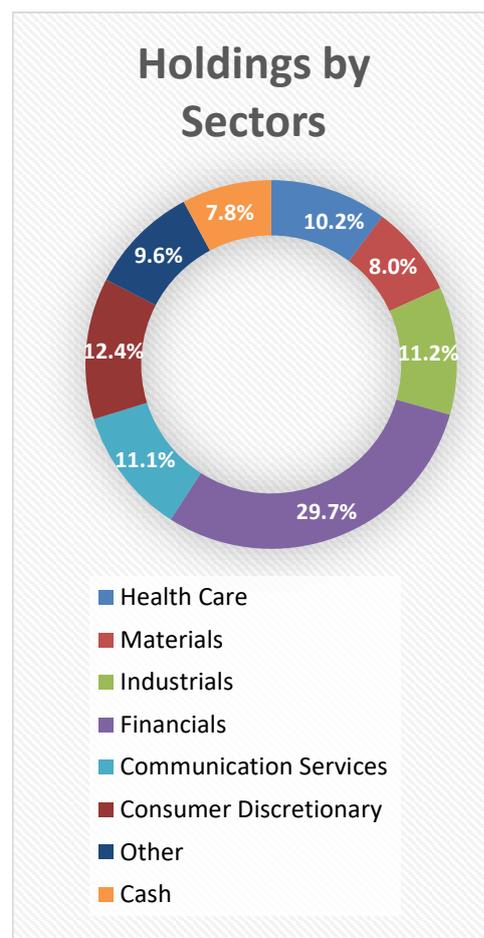
- April delivered broad based positive share market performance in the US led by an acceleration in US vaccination roll-out and good corporate earnings.
- The ASX300 Accumulation Index gained 3.6% in April. A rebound in the IT sector, strong domestic economic data and tailwinds from the materials sector helped the ASX keep pace with its global peers.
- The Fund returned +6.0% in April, 2.3% above the ASX300 Accumulation Index of +3.7%. For the first 9 months of the current financial year, the fund has returned +30.6%, 7.8% above the index return of +22.8%.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.1%	8.4%	2.7%
5 Years (p.a.)	6.9%	10.4%	(3.5%)
3 Years (p.a.)	7.2%	9.7%	(2.5%)
2 Years (p.a.)	9.8%	9.4%	0.4%
1 Year	40.8%	31.6%	9.2%
3 Months	7.8%	7.6%	0.1%
1 Month	6.0%	3.7%	2.3%

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Commonwealth Bank	Financials
Macquarie Group	Financials
News Corporation	Communication Services

The top five holdings make up approximately 27.8% 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



*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 performance is not necessarily an indicator of future performance.

Market review

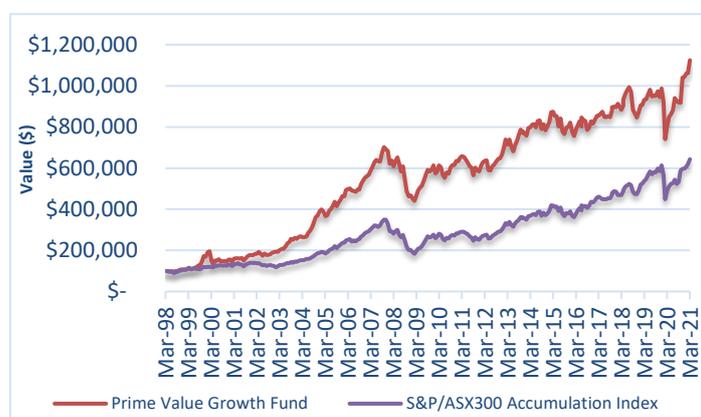
Global share markets continued to post gains in April. US markets posted particularly impressive performances with the S&P500 and Nasdaq indices gaining 5.3% and 5.4% respectively on one of the broadest rallies on record. 95% of US stocks rose in April against a typical month averaging 60-65%. In Europe 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 \$1,124,800 (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 \$643,200 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 (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$1.8674	\$1.8625
Withdrawal price	\$1.8532	\$1.8483
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 +6.0% in April, 2.3% above the ASX300 Accumulation Index of +3.7%.

Key positive contributors for the month were **Uniti Wireless** (UWL +20.4%), **City Chic** (CCX +17.6%) and **Pinnacle** (PNI +15.0%). Key detractors were **Southern Cross Media** (SXL -9.9%), **Redbubble** (RBL -18.2%) and **Helloworld** (HLO -13.0%).

Positive contributors to performance in April was broad based. Several companies rebounded after being relatively flat in March eg Uniti Wireless, City Chic and Pinnacle Investment. There appeared little reason for these trends in either month. As they are 3% - 4% of the portfolio each, their impact on relative performance can be meaningful.

There were no losses of significance during the month. Redbubble was one of the larger detractors from performance but we had reduced the holding significantly in recent month's so its decline impacted the portfolio by only -0.2%. The company was a covid-beneficiary given its position as an online marketplace. With some uncertainty of its outlook in a more normal, vaccinated world, the stock has been sold down. We believe the long-term outlook is still strong but recognise volatility is likely over the course of 2021 so our holding is small.

We added NIB Holdings (NFH) to the portfolio in April. It is a relatively well known Australian private health insurer, focused on younger demographics. Covid has been positive for the group as greater awareness of health care has driven strong member growth. Additionally many elective medical procedures have been delayed / cancelled. So strong revenue growth combined with lower expenses delivering higher profits. Many are concerned about a strong rebound in elective medical procedures impacting near-term profits. We agree this is somewhat likely however our investment process enables us to take a longer-term view. Using long run (pre-covid) margins to forecast earnings (not current high margins), we estimate the company is trading at a significant valuation discount to market. We also believe the company is a higher quality business than average. Large supportive macro tailwinds include i) a tax system which incentivises private health insurance membership, and ii) the sector's importance to the long-term sustainability of the Australian healthcare system given government funding constraints. At the company level it has a strong track record of earnings growth and generates a very high return on capital. We expect NHF to be a long-term holding in the fund.

Top Contributors (Absolute)	Sector
Uniti Group	Communication Services
City Chic	Consumer Discretionary
Pinnacle Investment	Financials
Top Detractors (Absolute)	Sector
Southern Cross Media	Communication Services
Redbubble	Consumer Discretionary
Helloworld Travel	Consumer Discretionary

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

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