

Prime Value Opportunities Fund

Fund Update – April 2021



- 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 rose 4.6% in April. Major contributors to performance were small and mid-cap stocks with strong growth prospects. The Fund has maintained a large exposure to small and mid-cap companies over the past year.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.5%	8.0%	3.5%
7 Years (p.a.)	8.7%	8.0%	0.7%
5 Years (p.a.)	9.1%	8.0%	1.1%
3 Years (p.a.)	9.0%	8.0%	1.0%
2 Years (p.a.)	11.6%	8.0%	3.6%
1 Year	32.9%	8.0%	24.9%
3 Months	8.7%	1.9%	6.8%
1 Month	4.6%	0.6%	4.0%

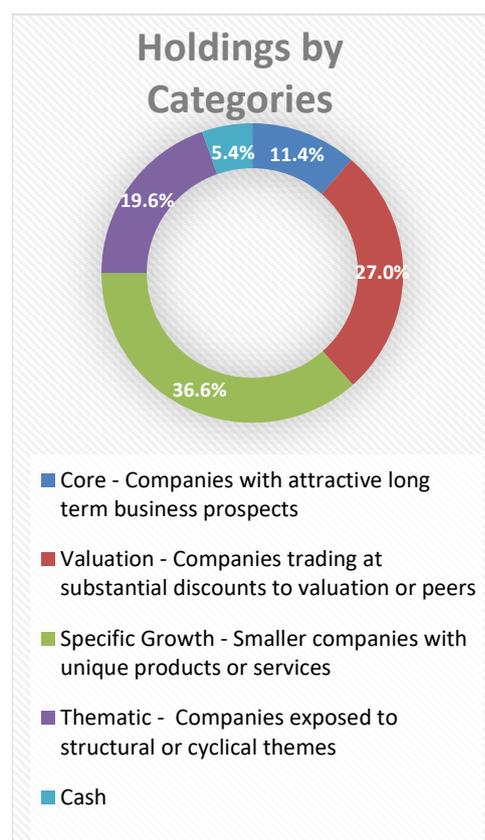
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%	1.5%	4.6%			22.4%	151.1%

Top five holdings	Sector
BHP	Materials
CSL	Health Care
Macquarie Group	Financials
NAB	Financials
Commonwealth Bank	Financials

The top five holdings make up approximately 27.3% 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 Lonsec - Recommended



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

Market review

Global share markets continued to post gains in April. The 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 have risen on the back of stronger demand and global restrictions to 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. Without doubt rising commodity prices will add to inflation concerns. The Australian Dollar rose in April, supported by higher commodity prices and a weaker US Dollar Index.

Company results in April set the platform for a v-shaped recovery in corporate earnings. In the US and UK, the vaccine roll-out is opening up a pathway to a broader economic reopening although it's being tempered by new waves of infection elsewhere. Domestically, Australia's economic data has been stronger than expected. A number of sectors including housing and retail are underpinning an earnings recovery to pre-Covid levels with the market starting to consider the possibility of a full recovery in FY22.

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%). Energy (-4.9%) and Consumer Staples (-2.5%) fell the most in the month.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$251,100 (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 \$192,200 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	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.8658	\$ 1.8294
Withdrawal price	\$ 1.8516	\$ 1.8156
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

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Fund review and strategy

The Fund rose 4.6% in April, bringing the total return for the first ten months of FY21 to 22.4%.

The top contributors to performance in April were: Uniti Group (+20.4%), Mineral Resources (+25.6%) and City Chic (+17.6%). The top detractors from performance in April were: Southern Cross Media (-9.9%), Redbubble (-18.2%) and Seven Group (-4.5%).

Uniti Group is a recent investment for the Fund -- we made our first investment in Uniti in the December 2020 quarter—Uniti's acquisition of competitor Opticomm, in 2020 had been a key reason for investing in Uniti. Uniti is categorised as Specific Growth company as we see multiple growth options for the group. Uniti Group provides telecommunications services across multiple brands and markets. Chiefly, Uniti owns broadband and fibre network infrastructure providing private wholesale fibre services in high density and broad acre developments, to residential services providers. Uniti is starting to gain traction as a provider of alternative solutions to the nbn on a national scale. Notably by keeping operating at costs lower than accessing the nbn, Uniti delivers products that are competitively priced when compared to nbn retail service providers. Uniti's earnings profile means that the company has a high percentage of recurring revenues that underpins strong cash flows and balance sheet for the company.

Mineral Resources operates three core businesses: (1) the world's largest crushing contractor that's expected to grow 20% p.a. over the next few years; (2) the fifth largest Australian iron ore producer producing 20Mt p.a. with an aim of achieving 90Mt p.a. and (3) the fifth largest owner of lithium assets with focus on hard rock lithium. Due to the growth options available to the company, Mineral Resources is a Specific Growth company. The company is backed by an extremely strong balance sheet which would underpin Mineral Resources' diversification from its core mining services operations across commodities.

Both Uniti and Mineral Resources are led by strong management teams that have a record of successful capital allocation that has led to shareholder value creation. Notably management retains a high degree of ownership in the businesses which aligns to shareholder interest.

Southern Cross Media's share price continues to be weak in the short term, most likely weighed down by regional TV contractual negotiations with Network 10. In early May, Southern Cross indicated the March quarter advertising revenues were down 4.3% year on year, which was better than guidance provided in August 2020 (of -6% to -8%). This is consistent with other media companies exceeding guidance given the pace of the cyclical recovery. Southern Cross's valuation is attractive, with earnings recovery quite imminent into 2022.

The Australian share market has continued to be resilient with an uptrend bias. Economic conditions are strong domestically. The May Federal Budget is likely to be supportive of a jobs and growth agenda. Such strong conditions will introduce some inflationary risks for the economy, and it's an area we are monitoring. Companies that are able to exert pricing power (e.g. REA Group will institute price increases from July) will be able to mitigate some inflationary risks. Our investment focus remain very much bottom up, selecting good quality companies trading at reasonable valuations, without any large skews to big picture themes such as growth-vs-value stocks. In our view, the durability of such themes is impossible to predict.

Top contributors (absolute)	Sector
Uniti Group	Communication Services
City Chic	Consumer Discretionary
Mineral Resources	Materials

Top detractors (absolute)	Sector
Southern Cross Media	Communication Services
Redbubble	Consumer Discretionary
Seven Group	Industrials

Platforms

BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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