

Prime Value Opportunities Fund

Fund Update – May 2021



- Global share markets were broadly positive in May, with commodities a stand-out positive driver during the month
- The ASX300 Accumulation Index gained 2.3% in May, led by large cap stocks in banks, resources and healthcare sectors
- The Fund rose 1.3% in May and on track to close off FY21 on a strong note. The portfolio is diversified across a number of themes and is positioned to take advantage of the upcoming economic strength and durable secular trends

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	11.5%	8.0%	3.5%
7 Years (p.a.)	8.9%	8.0%	0.9%
5 Years (p.a.)	8.5%	8.0%	0.5%
3 Years (p.a.)	8.8%	8.0%	0.8%
2 Years (p.a.)	12.2%	8.0%	4.2%
1 Year	27.8%	8.0%	19.8%
3 Months	7.6%	2.0%	5.6%
1 Month	1.3%	0.7%	0.6%

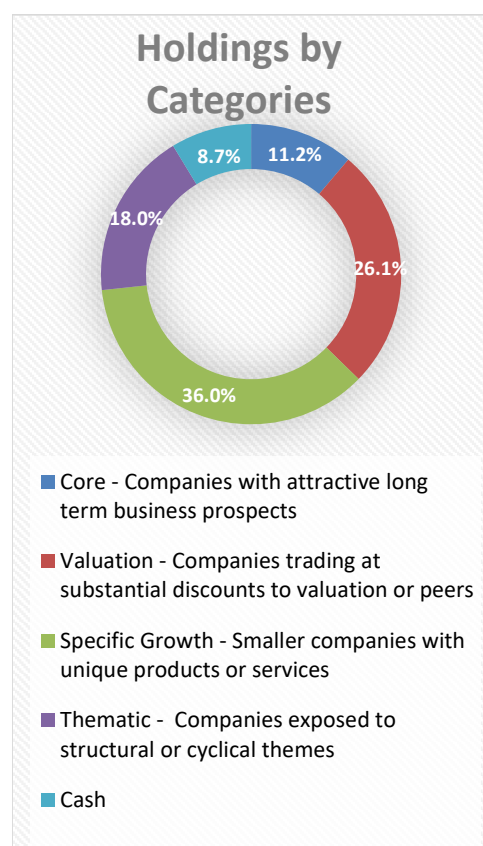
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%	1.3%		22.4%	151.1%

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

The top five holdings make up approximately 27.0% 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



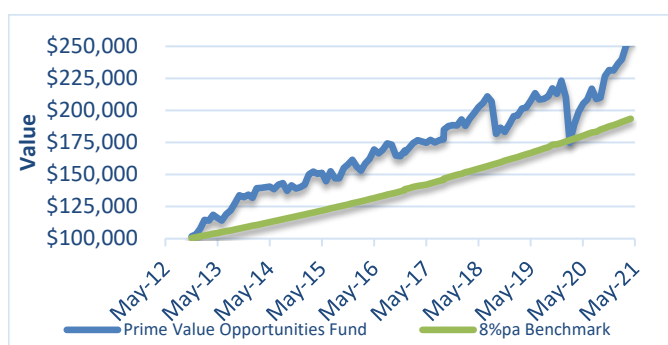
[#] The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

Market review

US stocks finished slightly higher in May, underpinned by the conflict of inflation concerns and strong economic data. This marked the fourth consecutive monthly advance for the US benchmark. The S&P500 Index rose into the start of the month, following Powell's reiteration of "real progress" in the economy. Reporting season was strong. The S&P500 Index grew earnings +47% YoY and sales +10.3%. The sectors with earnings leadership were that of Financials, Basic Resources and Technology. Despite this, Tech stocks fell on rising inflation concerns. The MSCI World Developed Markets Index rose (+1.6%), outperforming the Emerging Markets World Index which rose (+1.2%) in US Dollar terms. The Developed Markets outperformance was driven by the Euro Stoxx 50 Index (+4.1%). The FTSE 100 (+3.8%) and the ASX 300 (+2.6%) indices were also key drivers of the outperformance.

Brent Oil prices rose \$2.07/bbl to \$69.23/bbl, partly driven by the reflation trade and strong global demand. Iron ore prices surged to \$US218/Mt, and then retraced slightly, still ending the month up \$US14.50/Mt at \$US201.50 Mt. Gold prices rose \$132.30/oz to \$1,899.95/oz. Gold rallied over the month of May largely driven by a weaker US Dollar and cooling US April manufacturing data. The Australian Dollar finished the month 0.23% higher. The Australian Dollar outperformed the G10 complex into the start of the month as commodities rallied.

The ASX300 Accumulation Index continued to rise in May, closing 2.3% higher. Resources and Industrials performed positively across the majority of size indices with Small Industrials (-0.6%) the only negative performer in the month. Large caps (+2.9%) performed strongly in May. Mid (+0.9%) and Small caps (+0.3%) whilst lagging still posted positive gains. Within sectors, Financials rose the most (+5.7%) followed by Consumer Discretionary (+3.5%) and Health Care (+3.5%). Info Tech (-9.9%) and Utilities (-6.6%) sectors fell most during the month.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$254,400 (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 \$193,500 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 (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.8905	\$ 1.8537
Withdrawal price	\$ 1.8761	\$ 1.8397
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 1.3% in May, bringing the total return for the first eleven months of FY21 to 24.0%. The top contributors to performance in May were: CBA (+12.0%), CSL (+7.0%) and Collins Food (+10.8%). The top detractors from performance in May were: Macquarie Group (-5.3%), AUB Group (-4.9%) and Elders (-8.0%).

The Fund's three largest detractors during the month, Macquarie Group, AUB Group and Elders, reported results or profit updates in May. In our view, all three companies are currently executing well, and each with tailwinds to back their growth profiles over the next few years. There were few flags in their latest updates that gives rise to concerns over their business operations. Each one of these companies fit a number of criteria that we look for in our investments—strong management teams leading good businesses to compound growth over time. The track records of Macquarie, AUB and Elders over a duration of time have proven that value has been created for shareholders as their profitability improve.

Macquarie Group has, over a number of years, transitioned to a diversified business mix with lending, client brokerage, and principal investments in both equities and credit. But notably its most significant business is capital-light but high returning asset management. We categorise Macquarie Group as Thematic company as we see the Group continuing to transition towards a higher quality and resilient business. In the short term, Macquarie's earnings growth can continue over the next two years as the economy recovers supported by capital allocations into tailwinds in private markets, infrastructure and renewable energy. What keeps us excited about Macquarie Group, six years after we originally invested in the company? Macquarie has become very adaptable and established a track record of exploiting numerous opportunities across global capital markets. The Group is a leader in alternative and infrastructure investments. More recently, Macquarie has positioned itself to participate in the meaningful increase in green or renewable energy investments—we think this is a sustainable trend that will not reverse anytime soon.

We believe agribusiness leader Elders, another Thematic company, is well-positioned to benefit from ongoing execution of its backward integration strategy to drive gross margin improvements. The company is making good progress on its backward integration strategy that should lead to savings across a broader range of products that Elders distribute to the agriculture sector. Notably, there is a high degree of self-help in the strategy that reduces Elders reliance on a strong agriculture environment continuing.

We are on track to close FY21 on a very strong note: Monetary and fiscal policies have played their roles in supporting the Australian economies effectively whilst the Fund has benefitted from a cross section of themes affecting markets. These include digital transformation where an acceleration of digital uptake by consumers and businesses has been critical to getting through the pandemic. We are certain we are unlikely to see another year quite like the past 12 months but we continue to see a number of opportunities across many of our themes, including telecommunication, medical devices, education, and other COVID-19 recovery scenarios.

Top contributors (absolute)	Sector
Commonwealth Bank	Financials
CSL	Health Care
Collins Foods	Consumer Discretionary

Top detractors (absolute)	Sector
Macquarie Group	Financials
AUB Group	Financials
Elders	Consumer Staples

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.primvalue.com.au