Prime Value Emerging Opportunities Fund Update – June 2021

- Global share markets were broadly higher in June concluding a strong financial year on a positive note.
- The fund returned +3.1% in June, in-line with the Small Ordinaries Accumulation Index of +3.1% and above the benchmark of +0.6% (8% p.a.).
- June concluded the financial year and the fund returned +42.0% (after fees), 8.8% above the index return of +33.2%. Markets have run hard but we are still finding attractive opportunities. A final distribution of 4.5 cents/unit was declared bringing total income yield for the year to 4.4% which reflects strong investment returns.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**16.3%**	8.0%	8.3%
5 Years (p.a.)	**15.9%**	8.0%	7.9%
3 Years (p.a.)	**19.3%**	8.0%	11.3%
2 Years (p.a.)	**29.5%**	8.0%	21.5%
1 Year	**42.0%**	8.0%	34.0%
3 Months	**10.9%**	1.9%	9.0%
1 Month	**3.1%**	0.6%	2.4%

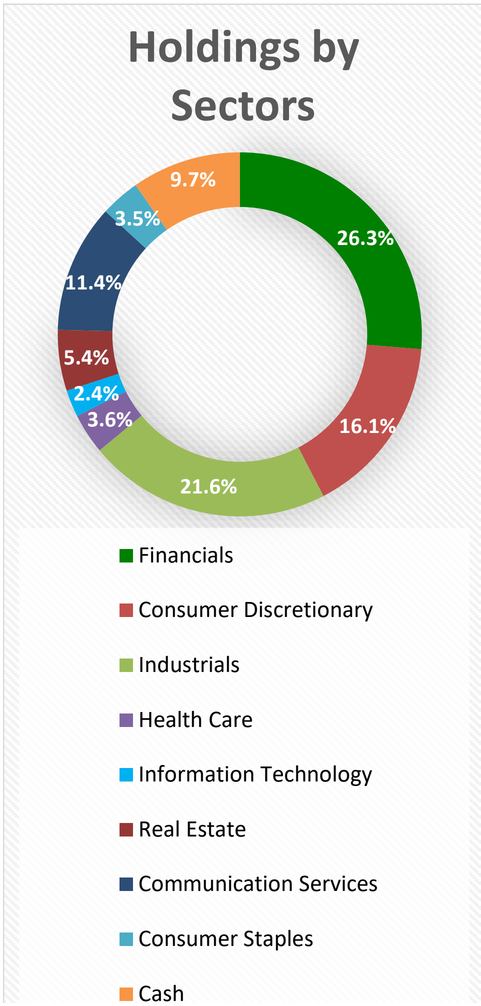
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%)	**13.8%**	**13.8%**
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%	**3.4%**	**17.6%**
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%	**19.0%**	**40.0%**
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%)	**1.2%**	**41.7%**
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%	**18.1%**	**67.3%**
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%	3.2%	0.7%	0.6%	1.4%	7.0%	0.6%	3.0%	**42.0%**	**137.6%**

Top five holdings (alphabetical order)	Sector
City Chic Collective	Consumer Discretionary
EQT Holdings	Financials
Mainfreight	Industrials
News Corporation	Communication Services
Uniti Group	Communication Services

* 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



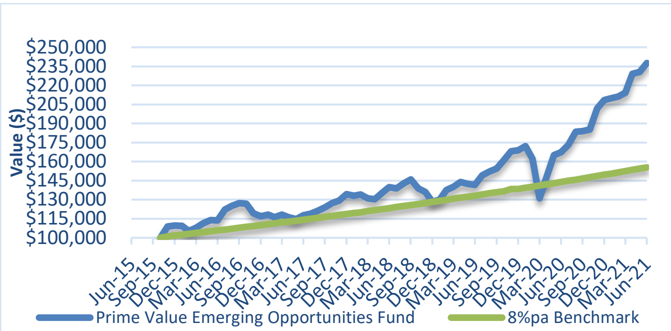
Market review

The financial year to June 2021 was a bumper year for the Australian share market. The ASX300 Accumulation Index return of +28.5% was the strongest financial year since 2007. A rapid economic recovery and sustained policy support helped drive the Australian share market higher through the year, with September 2020 the only down month. Consumer Discretionary (+46.1%) and Financials (+40.6%) were the best performers over the year with Utilities (-18.6%) the clear laggard. BHP and the major Banks added the most to index returns at a stock level.

In June the MSCI World Developed Markets Index rose in US Dollar terms (+1.4%), performing in line with the Emerging Markets World Index which also rose in US Dollar terms (+1.4%). The S&P500 Index in the US (+2.3%) was the key driver of developed market performance in US Dollar terms. Globally, in local currency terms, the IT (+6.9%), Energy (+3.1%) and Health Care (+3.0%) sectors performed best. The Materials (-4.1%), Financials (-3.4%) and Utilities (-2.8%) sectors performed worst. Global bond yields continued to retrace from previously elevated levels with the US 10-year government bond yield falling 13bp to 1.44%. Australian bonds followed the US with 10-year yields dropping 12bps to 1.51%.

Brent Oil prices rose $5.50/bbl to $75.13/bbl in June as global demand remained strong. Iron ore prices surged to $US215.50$/Mt ending the month up $US14.00 $/Mt. Interestingly, Gold prices declined $136.80/oz to $1,763.15/oz on the back of lower inflationary expectations.

The ASX300 Accumulation Index closed 2.3% higher in June. Industrials outperformed Resources across all size indices with Mid Cap Industrials (+5.9%) the best performing. Large caps (+1.9%) underperformed Mid (+3.7%) and Small caps (+3.1%) in the month. The Information Technology (+13.4%), Communication Services (+5.5%) and REIT (+5.5%) sectors outperformed the most. The Financials (-0.2%), Materials (+0.3%), and Health Care (+2.2%) sectors underperformed the most.



This graph shows how $100,000 invested at the Fund's Inception has increased to $237,600 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $154,400 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	$2.1150
Withdrawal price	$2.0982
Distribution (30/06/2021)	$0.0450
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 +3.1% in June, above the benchmark of +0.6.

Key positive contributors for the month were **City Chic** (CCX +17.1%), **EQT Holdings** (EQT +13.3%) and **Pinnacle** (PNI +15.9%). Key detractors were **Collins Food** (CKF -9.0%), **Mayne Pharma** (MYX -16.9%) and **Austal** (ASB - 9.3%).

Forgive us for taking a minute to reflect on performance over the past year. The fund returned +42% (after fees), 9% above the Small Ords Accum index. Every month generated a positive return and we had a high strike rate of beating the market; outperforming the index 8 months, underperforming 3 months and in-line 1 month. On a relative basis we are strongest in falling markets so to generate these returns in rapidly rising markets is pleasing. The last time we underperformed in a month the index fell was over 2.5 years ago (Dec '18). The fund was the #1 fund of its type in the FY20 year (Mercer) and we may be near the top again in FY21.

Now to more important things – future returns. Markets have run hard and there is some media speculation they may fall in the near term. We have no idea if this will be true. Calling short term market movements is fraught with error. As a high-conviction stock-picker, Prime Value invests in a portfolio of stocks and its composition differs from the market indices. We invest in companies not the market. Importantly, we are still finding new opportunities, adding c. 2 new stocks per month to the portfolio and adjusting weightings within the portfolio based on relative risk/return. If a fall were to happen, we have cash ready to deploy and a shopping list of companies to buy. A sell-off would likely enhance longer term returns as illustrated over the last 18 months (see chart on left).

Moving onto stocks. Periods of change create fantastic opportunities for stock pickers as markets are often short term focused. To illustrate, we hold two companies in the portfolio with opposite short term earnings momentum but both are very attractive investments on a 2-3 year view.

NIB Health (NHF) is a large private health insurer and "covid winner". The consensus view is that profit margins are unsustainably high and it's better to own the health providers as elective surgeries etc return. We agree NHF's margins will fall but using long term, sustainable margins the company is very attractively priced. And in the meantime it generates very high cashflows, boosting the balance sheet. To us, fundamental underlying value is more important than short term earnings trends.

By contrast, **United Malt Group** (UMG) was a "covid loser" as its products are used by craft brewers that were impacted by the shutting of bars and restaurants. 60% of revenue is generated in the US and 20% in the UK. These 2 countries have amongst the fastest vaccine rollouts globally and are in the process of re-opening. The company also announced a cost-out and efficiency plan that could add 30% to pre-covid earnings over coming years. Yet the stock trades on a valuation multiple well below market.

NHF and **UMG** are both high quality businesses at attractive prices and examples that give us confidence in the fund's long term returns.

Top Contributors (Absolute)	Sector
City Chic Collective	Consumer Discretionary
EQT Holdings	Financials
Pinnacle Investments	Financials
Top Detractors (Absolute)	**Sector**
Collins Foods	Consumer Discretionary
Mayne Pharma Group	Health Care
Austal	Industrials
Platforms	
Netwealth, uXchange	

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