

Prime Value Growth Fund

Fund Update – June 2021



- Global share markets were broadly higher in June concluding a strong financial year on a positive note.
- The Fund returned +3.4% in June, 1.2% above the ASX300 Accumulation Index of +2.2%.
- June brings a close to the current financial year. Over the last 12 months, the fund has returned +36.9%, 8.4% above the index return of +28.5%.

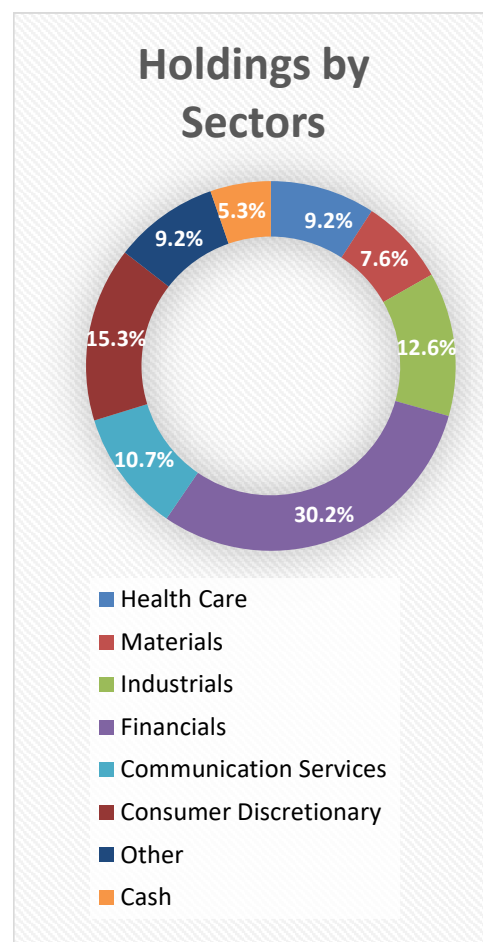
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.2%	8.5%	2.7%
5 Years (p.a.)	8.0%	11.3%	(3.3%)
3 Years (p.a.)	7.1%	9.8%	(2.7%)
2 Years (p.a.)	11.0%	9.0%	2.0%
1 Year	36.9%	28.5%	8.4%
3 Months	11.1%	8.5%	2.6%
1 Month	3.4%	2.3%	1.2%

*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.

Top five holdings	Sector
Commonwealth Bank	Financials
CSL	Health Care
Uniti Group	Communication Services
Pinnacle Investment	Financials
EQT Holdings	Financials

The top five holdings make up approximately 22.3% 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



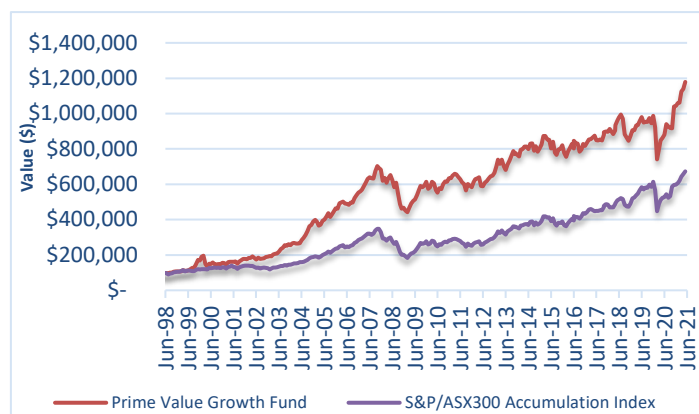
Market review

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 \$1,179,100 (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 \$672,900 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	\$ 1.9176	\$ 1.9127
Withdrawal price	\$ 1.9030	\$ 1.8983
Distribution (30/06/2021)	\$ 0.0398	\$ 0.0399
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

Fund review and strategy

The fund's return was +3.4% in June, 1.2% above the ASX300 Accumulation Index of +2.2%.

Key positive contributors for the month were **Pinnacle** (PNI +15.9%), **City Chic** (CCX +17.1%) and **EQT Holdings** (EQT +13.3%). Key detractors were **Collins Food** (CKF -9.0%), **Austral** (ASB -9.3%) and **Omni Bridgeway** (OBL -5.8%).

Forgive us for taking a minute to reflect on performance over the past year. The fund returned +36.9, 8.4% above the ASX300 Accumulation Index. On a relative basis we are strongest in falling markets so to generate these returns in rapidly rising markets is pleasing.

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
Pinnacle Investments	Financials
City Chic Collective	Consumer Discretionary
EQT Holdings	Financials
Top Detractors (Absolute)	Sector
Collins Food	Consumer Discretionary
Austral	Industrials
Omni Bridgeway Ltd	Financials

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

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