

Prime Value Emerging Opportunities Fund Update – July 2021



- COVID variants emerged as a global concern but markets have remained largely calm and are looking through the short-term noise.
- The fund returned +0.6% in July, in line with the Small Ordinaries Accumulation Index of 0.7% and the benchmark of +0.7% (8% p.a.). Small Industrials were -0.9%, while Small Resources were +7.4%. We don't hold resources so didn't benefit from their strong performance.
- Returns over the last 3 years remain strong at 19.8% p.a. (after fees), 10.6% p.a. above the Small Ordinaries Accumulation.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	16.1%	8.0%	8.1%
5 Years (p.a.)	14.4%	8.0%	6.4%
3 Years (p.a.)	19.8%	8.0%	11.8%
2 Years (p.a.)	26.6%	8.0%	18.6%
1 Year	37.9%	8.0%	29.9%
3 Months	4.3%	1.9%	2.4%
1 Month	0.6%	0.7%	(0.1%)

* 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.

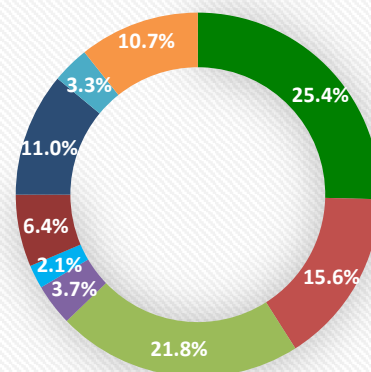
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016					6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	40.0%
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%	3.1%	42.0%	137.6%
FY 2022	0.6%												0.6%	138.9%

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

* The top five holdings make up approximately 20.5% 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

Holdings by Sectors



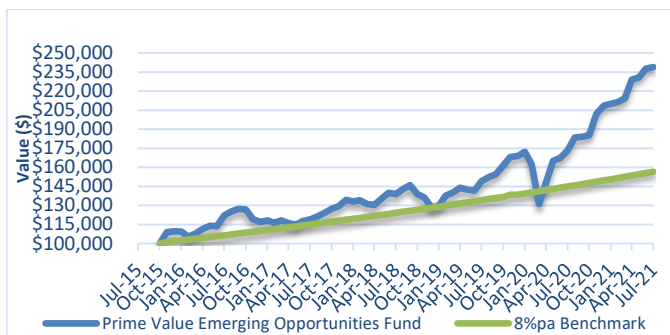
Market review

Global markets had a mixed start to the new financial year as the Delta strain spread globally. This created some uncertainty amongst investors regarding the economic recovery's durability which was reflected in softer commodity prices and lower bond yields. Although investors are keeping a close watch on these developments, it's a fair observation to conclude that markets have not been overly bearish so far with vaccination rollout's continuing at pace. Naturally, the situation warrants attention with slowing economic growth and rising inflation a worst-case scenario.

The MSCI World Developed Markets Index rose (+1.8%) in US Dollar terms in July outperforming the Emerging Markets World Index which declined (-6.7%). The S&P500 Index drove developed market performance, rising 2.4%. Globally, in local currency terms, the best performing sectors were REITS (+4.2%), Health Care (+3.8%), and IT (+3.6%). The main underperformers were Energy (-6.2%), Financials (-0.1%) and Consumer Discretionary (+0.3%).

Brent Oil prices dropped \$2.23/bbl to \$72.89/bbl, as global concerns around the Delta variant spread. Iron ore prices also fell by \$US24.50/Mt to \$US191.00/Mt. Interestingly, Gold prices rose \$480.30/oz to \$1,811.45/oz.

The ASX300 Accumulation Index rose by 1.1% in July, underperforming the DM World Index's return of 1.7% in local currency terms. Resources outperformed Industrials across all size indices with Small Cap Resources (+7.4%) the best performing. Large caps (+1.3%) outperformed Mid (+0.7%) and Small caps (+0.7%) in the month. The Materials (+7.1%), Industrials (+4.2%), and Utilities (+1.6%) sectors outperformed in Australia. The sectors which underperformed the most were the IT sector (-6.9%), and Energy (-2.5%). Interestingly, the cyclical resources sector and IT sectors performed inversely to their global peers with Australian resources and IT companies outperforming and underperforming its global peers respectively.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$238,900 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$156,500 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
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$2.1273
Withdrawal price	\$2.1103
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 0.6% in July, in-line with the benchmark of +0.7.

Key positive contributors for the month were **Mainfreight** (MFT +6.6%), **NIB Health** (NHF +9.7%) and **NRW Holdings** (NWH +16.4%). Key detractors were **Australian Finance Group** (AFG -9.1%), **Omni Bridgeway** (OBL -8.3%) and **Maas Group** (MGH -17.5%).

During July **Mainfreight** gave a trading update at its Annual General Meeting. For the first 17 weeks of the current financial year, revenues were +41% and profit before tax +97%. While partly boosted by a weak previous period due to covid disruptions, this is a still a very strong result. Annualising the period's profit implies strong growth over the last two years across all regions and product segments. This highlights broad-based growth including in large markets where the long term opportunity is vast e.g. United States of America and Europe. In recent weeks the Managing Director (MD) also purchased c. \$3m of shares on-market adding to his c. \$200m holding. He is clearly aligned with shareholders and optimistic on the longer-term outlook. Having led the company for 20 years, Don Braid has been instrumental in its success. In the recently published Annual Report, Mainfreight provided 5 year revenue targets that imply strong growth in the years ahead. This is matched with significant capital investment plans that typically deliver high returns through the offering of additional services, increasing network intensification (efficiencies) and the removal 3rd party providers. The company's historical return on capital is strong at 22% (ROCE).

Amongst the main detractors in July, there was little of concern longer term. **Australian Finance Group** drifted lower on little news. **Omni Bridgeway** is seeing the deferral of revenue and profits due to covid disruptions to court procedures (timing issue). **Maas Group** is a small holding in the fund and announced a capital raising to finance several acquisitions. We didn't participate in the raising and the stock drifted lower as the additional shares on issue are digested. Interestingly many recent capital raisings have traded softer in the after-market and we remain very selective of those in which we participate. In some cases this short term weakness presents an opportunity where the fundamentals are attractive.

August is an important month for the Australian equity market as most listed companies report their financial results for the year to June 30. Profits are a key driver of share prices, so stocks tend to move on these results. We undertake a heavy schedule of meetings with companies during this period and typically find several new ideas for the portfolio. We have a solid cash balance ready to deploy.

Top Contributors (Absolute)	Sector
Mainfreight	Industrials
NIB Health	Financials
NRW Holdings	Industrials
Top Detractors (Absolute)	Sector
Australian Finance Group	Financials
Omni Bridgeway	Financials
Maas Group	Industrials
Platforms	
Netwealth, uXchange, Mason Stevens	

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