

Prime Value Opportunities Fund

Fund Update – August 2021



- August was a solid month for global markets. Dovish commentary from the US Federal Reserve, was supportive for markets, as was corporate earnings.
- The ASX300 Accumulation Index gained 2.6% as outcomes from a good reporting season outweighed a much softer resources sector.
- The Fund returned 3.9% in August with a broad-based lift in most portfolio holdings' share prices largely due to pleasing financial results.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.1%	8.0%	4.1%
7 Years (p.a.)	9.7%	8.0%	1.7%
5 Years (p.a.)	9.5%	8.0%	1.5%
3 Years (p.a.)	9.2%	8.0%	1.2%
2 Years (p.a.)	14.7%	8.0%	6.7%
1 Year	26.8%	8.0%	18.8%
3 Months	8.0%	2.0%	6.0%
1 Month	3.9%	0.7%	3.2%

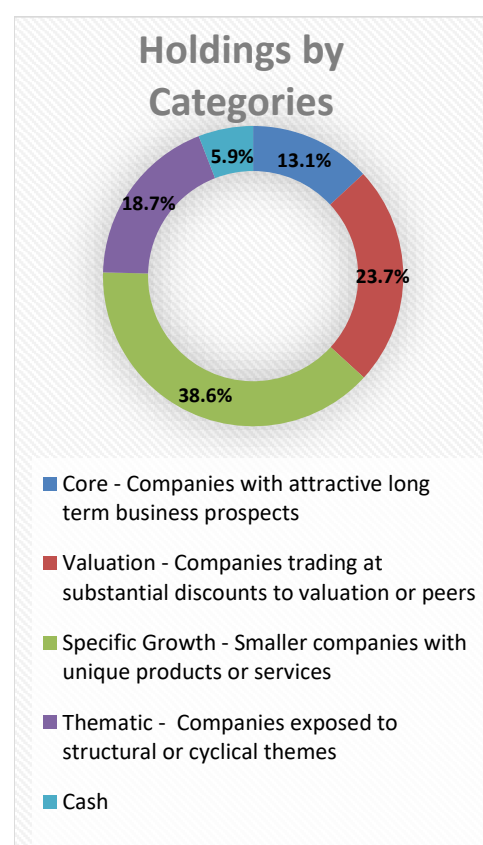
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%	3.0%	27.7%	162.0%
FY 2022	0.9%	3.9%											4.8%	174.6%

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

The top five holdings make up approximately 28.2% 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

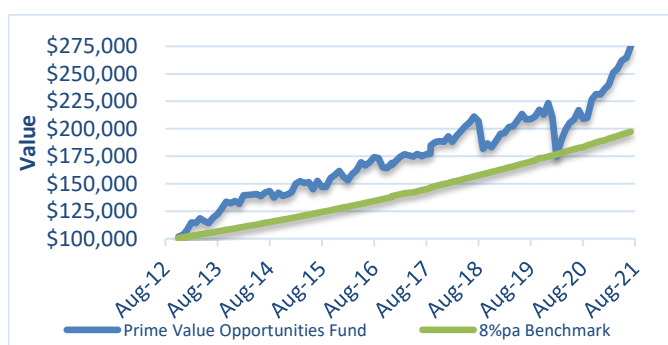
Market review

August saw positive results for global markets, with the S&P 500 and MSCI Developed Market World Indices returning +3.0% and 2.7%, respectively. The US market wrapped up its seventh consecutive month of gains in August, with the Nasdaq Composite Index climbing about 4% for its third winning month in a row while the Dow Jones Industrial Average Index added 1.2%. The FTSE 100 Index was up 1.2% in August for its best monthly performance since April. The S&P 500 Index posted its longest winning streak since a 10-month run ended in December 2017. August was also the benchmark's 9th positive month in the last 10.

Global bond yields retraced in August, with the US 10-year government bond yield falling 21bp to 1.23%. Notably the US Federal Reserve Chairman Jerome Powell provided the market with dovish commentary on 30 August.

Brent Oil prices dropped \$3/bbl to \$73/bbl, as global concerns around the Delta variant spread. Iron ore prices also fell \$US34/Mt to \$US156\$/Mt, of the back of Chinese steel demand weakening. Interestingly, Gold prices dropped to \$1,815 (-US\$11).

Despite a pull-back with Resource stocks, the Australian share market extended its run to 11 months of consecutive month of outperformance. Small/Mid-caps stocks performed better than large caps and with Industrial stocks outpacing Resources across all size bias indices. The ASX300 Accumulation Index rose by 2.6% in August, slightly underperforming against the DM World's return of 2.7% in local currency terms. The Information Technology (+17.0%), Consumer Staples (+6.9%), and Health Care (+6.8%) sectors outperformed in Australia. The sectors which underperformed the most were the Materials sector (-7.3%), Energy (-3.9%) and Utilities (+1.0%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$274,600 (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 \$197,300 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	\$ 1.9000	\$ 1.8625
Withdrawal price	\$ 1.8856	\$ 1.8483
Distribution (30/06/2021)	\$ 0.0639	\$ 0.0631
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 gained 3.9% in August, outperforming the ASX300 Accumulation's 2.6% gain—Fund performance benefitted from a reporting season that was generally solid across most portfolio holdings. With the market flipping between supporting economically sensitive stocks and quality growth stocks throughout this year, strong stock selection has underpinned positive Fund performance in 2021. We remain focussed on investing in well positioned and well-managed companies on a bottom-up basis that are poised to benefit from long term and attractive investment themes. The outcomes are reflected in some of the Fund's top August performance contributors including: Pinnacle Investment (+31.1%), Uniti Group (+24.4%) and James Hardie (+16.0%). The top detractors from performance in August were: BHP (-14.7%), Bapcor (-11.1%) and Alliance Aviation (-7.0%).

Fund investor Pinnacle Investment has continued to signal its clear intention to grow the business well into the future. Most investors would have focussed on the immediate term, which showcased that many of Pinnacle fund affiliates posted strong fund inflows and generated good performance fees. We believe the business has become more resilient with a broadening number of asset classes in the group. Its distribution channels across retail, institutional and offshore clients are growing and maturing, a key plank to driving future growth for Pinnacle's affiliated funds. We invested in Pinnacle for its strong management team and ability to grow the business by adding new products to leverage its distribution strengths—those reasons to invest remain valid today.

The Fund's consumer related exposures were a small drag to fund performance during the month, although insufficient to affect an otherwise positive performance across most portfolio holdings. We reference auto parts supplier Bapcor as one consumer related holding that had a softer monthly performance. In contrast, global small appliances company Breville ended the month flat despite some concerns of unsustainable top line revenue growth as economies re-open. COVID-19 and lockdowns have made it a challenge to forecasts retailers' earnings and draw a line in the sand to when conditions will return to normal. Such an environment creates share price volatility and results in a high probability of erroneous forecasting. For these reasons, we have selectively invested in retailers such as Bapcor and Breville for their business durability, sound management and potential for future growth.

Outlook: It was not a surprise that many domestically focussed companies are citing a soft start to the new financial year as result of lock downs in Australia. In contrast, global Australian companies were more upbeat on prospects, led by re-opening economies. We are likely to have better earnings clarity around the AGM season with most management teams expecting some form of rebound post lockdown. We note that balance sheets remain in good shape with credit availability high and cost of debt low. Rather than taking strong views on re-opening scenarios we continue to spend our time researching strong bottom-up investment ideas, in companies that we believe can deliver in a variety of scenarios. We are optimistic about the long term prospects of the companies in which we are invested and continue to search for new ideas and investment opportunities.

Top contributors (absolute)	Sector
Pinnacle Investment	Financials
Uniti Group	Communications Services
James Hardie	Materials

Top detractors (absolute)	Sector
BHP	Materials
Bapcor	Consumer Discretionary
Alliance Aviation	Industrials

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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