

Prime Value Growth Fund

Fund Update – September 2021



- Share markets were weaker in September due to concerns of slower economic growth and less accommodative central bank policy.
- The Fund returned -1.4% in September, 0.5% above the ASX300 Accumulation Index of -1.9%.
- Despite the small fall in September returns remain strong at +5.1% in the first 3 months of the current financial year. Additionally recent volatility is providing some good buying opportunities. We have cash and have been buying some quality businesses at attractive prices.

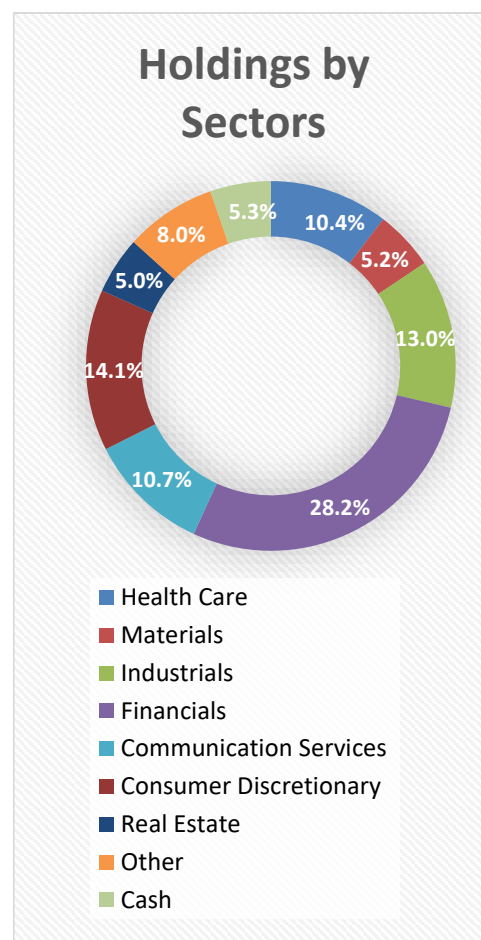
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.3%	8.5%	2.8%
5 Years (p.a.)	8.4%	10.5%	(2.2%)
3 Years (p.a.)	8.5%	9.9%	(1.4%)
2 Years (p.a.)	14.1%	8.6%	5.5%
1 Year	33.6%	30.9%	2.8%
3 Months	5.1%	1.8%	3.3%
1 Month	-1.4%	-1.9%	0.5%

*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
CLS Limited	Health Care
BHP	Materials
Uniti Group	Communications Service
Macquarie Group	Financials

The top five holdings make up approximately 24.3% 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

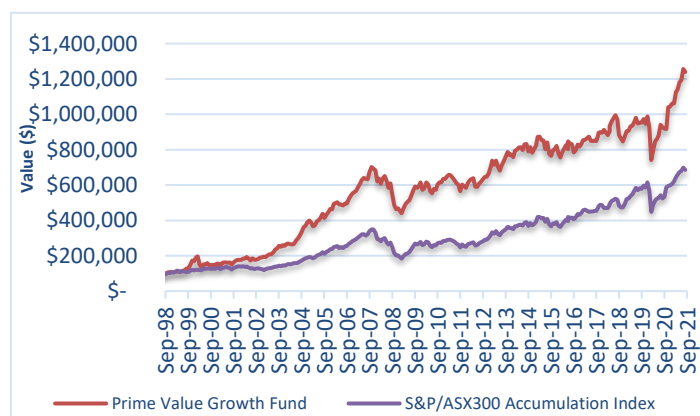
September was a weak month for global equity markets. The combination of slowing growth concerns, central banks looking to withdraw liquidity and renewed inflationary concerns sent markets lower. The Developed World Index declined 3.6% in local currency terms, largely driven by the S&P 500 Index which dropped 4.7%. European markets followed suit with a 3% decline, the UK -0.5% and Asia ex Japan -4%. Japan was an exception with the Nikkei Index +5%.

Global bond yields rose in September, with the US 10-year government bond yield rising 24 basis points to 1.52%. The rise in yields was driven by the US Federal Reserve increasingly signalling an earlier and faster tapering of asset purchases as well as increased fears of persistent inflation and supply chain issues.

Brent Oil prices rose US\$6/bbl to US\$79/bbl. However, iron ore prices collapsed from \$US247/Mt to \$US110\$/Mt, of the back of slowing China crude steel demand. Interestingly, Gold prices saw a material drop, falling by US\$72/oz to US\$1,742/oz.

After 11 consecutive months of positive returns, the ASX300 Accumulation Index bucked the trend with -1.9% in September. Negative returns for the month was in-line with most other region, except Japan. We note that Australian share market returns remain strong, up more than 14% year-to-date, including dividends.

In terms of sector performance during September in Australia, Energy (+16.7%), Utilities (+2.5%), and Financials (+1.6%) outperformed. The sectors which underperformed the most were the Materials (-9.3%), Health Care (-4.9%) and Information Technology (-3.9%).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,238,800 (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 \$684,900 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	\$ 2.00146	\$ 2.0124
Withdrawal price	\$ 1.9994	\$ 1.9972
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 returned -1.4% in September, 0.5% above the ASX300 Accumulation Index of -1.9%.

Key positive contributors for the month were **HelloWorld** (HLO +41.4%), **Macquarie Group** (MQG +9.2%) and **News Corp** (NWS +8.3%). Key detractors were **BHP** (BHP -17.5%), **Uniti Group** (UWL -10.8%) and **CSL** (CSL -5.9%).

3 negative issues have recently grabbed headlines; 1) falling iron ore price, 2) Chinese property market, specifically uncertainty around the developer Evergrande and 3) rising bond yields.

On the first 2 issues, it is important to note that the Growth Fund has a relatively low weight in the mining sector and does not invest in Chinese equities, so we have low direct exposure to these issues. We do have indirect exposure should they cause broader economic impacts to Australia and the global economy. However we are weighted towards less economically sensitive parts of the economy so it's likely the fund would be relatively resilient, if these issues were to deteriorate.

On the 3rd issue of rising bond yields, this tends to impact asset valuations, particularly longer duration assets where a large proportion of the value is far into the future. In an equities context, most at risk are high growth companies that trade on very high near earnings multiples i.e. where most of the value is based on longer term earnings. We have relatively low exposure to this part of the market. We are style agnostic but our bias is growth at a reasonable price (GARP) which means valuation plays an important part in the investment process.

With cash ready to deploy, a period of volatility would present the opportunity to buy high quality businesses at attractive prices. This was illustrated in early 2020 with the covid downturn very beneficial to longer term returns (see chart on left). If an unlucky person had invested in the fund in January 2020, just prior to covid spreading globally, the return would have been +22% to September 2021 (20 months).

In summary, some risks have emerged recently. They don't currently appear significant however if the outlook was to deteriorate, we are well placed to limit downside and benefit longer term. We highlight the risks not because we are particularly concerned about the outlook but to reassure investors that our investment style is well suited to periods of volatility. Risks continually emerge and economies & markets find their way through. We are strong believers in wealth creation achieved by being part owners of high-quality businesses. Companies that are relatively defensive and have structural drivers of earnings growth typically increase in value over time. We remain confident in the long term outlook for the portfolio.

Top Contributors (Absolute)	Sector
Hello World	Consumer Discretionary
Macquarie Group	Financial
News Corporation	Communication Services
Top Detractors (Absolute)	Sector
BHP	Materials
Uniti Group	Communication Services
CSL	Health Care

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

Contact details:

Alyssa Hennessy, Riza Crisostomo,
Julie Abbott, Dora Grieve &
Angela Ly

Client Services Team
Phone: 03 9098 8088

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000

Email: info@primevalue.com.au
Web: www.primevalue.com.au

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