

Prime Value Growth Fund

Fund Update – October 2021



- Global markets recovered strongly in October following a softer September, while Australia was more muted in October.
- The Fund returned -0.8% in October, 0.9% below the ASX300 Accumulation Index of +0.1%.
- Nothing really went wrong in October, but little went right. A few of our larger holdings drifted lower on little news and we underperformed marginally. This enabled us to buy more of these quality stocks. Recent performance remains solid, outperforming over most periods.

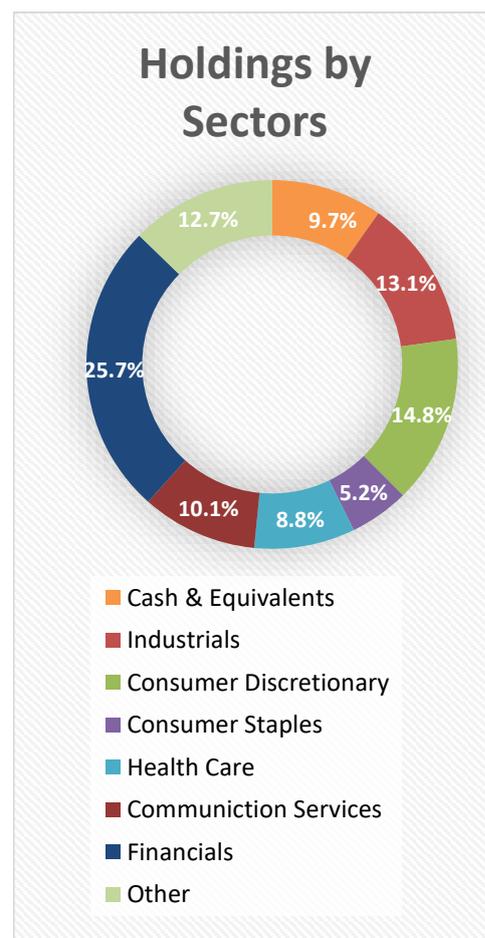
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.2%	8.5%	2.7%
5 Years (p.a.)	9.4%	11.0%	-1.6%
3 Years (p.a.)	11.7%	12.3%	-0.6%
2 Years (p.a.)	13.6%	8.8%	4.8%
1 Year	33.8%	28.6%	5.2%
3 Months	2.9%	0.8%	2.1%
1 Month	-0.8%	0.1%	-0.9%

*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 23.3% 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

Global equity markets rebounded strongly in October, following a weak September, with the MSCI World Index gaining 5.7%. The gains were led by the US share market, with the S&P500 Index rising 7.0%. The US share market posted its strongest month this year and resumed its march to record highs following last month's -5% pull back. US Q3 reporting season proved robust with most companies beating earnings expectations. This was despite weaker than expected GDP growth and soft results from both Amazon and Apple due to ongoing supply chain disruptions and a tighter labour market.

Brent Oil prices rose US\$6/bbl to US\$84/bbl in October and has consistently remained above US\$70/bbl. Gold prices also rose, lifting US\$26 to US\$1,769 despite several headwinds including higher yields, US Dollar strength and persistent net selling from ETFs.

The Australian share market was on track for a gain but rolled over late in the month following a spike in Australian government bond yields as well as upward pressure on the Australian Dollar (up 4% against the US Dollar and Euro, and up 7% vs Japanese Yen). The spike in Australian government bond yields was notable in comparison to offshore equivalents. Over much of October, market expectations around central bank rate hikes increased substantially on the back of several hawkish surprises (Bank of Canada) as well as strong inflation data in Australia and New Zealand. On a sector basis, the IT (+2.1%) was the strongest performer despite higher bond yields, while Health Care (+1.0%), and Financials (+0.8%) also outperformed in Australia. The sectors which underperformed most were the Industrials (-3.2%), Energy (-2.7%) and Consumer Staples (-2.3%).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,229,300 (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 \$685,600 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	\$ 1.9992	\$ 1.9840
Withdrawal price	\$ 1.9973	\$ 1.9821
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 -0.8% in October, 0.9% below the ASX300 Accumulation Index of +0.1%.

Key positive contributors for the month were **Macquarie Group** (MQG +8.7%), **Pinnacle Investments** (PNI +9.2%) and **Uniti Group** (UWL +5.2%). Key detractors were **SG Fleet** (SGF -14.8%), **AUB Group** (AUB -9.7%) and **Alliance Aviation** (AQZ -12.2%).

Macquarie continued its strong run and reported a half yearly result above expectations. **Pinnacle Investment** rebounded after a weaker September and a market update highlighted continued strong growth momentum in asset flows. **Uniti Group** rebounded after a weaker September but was also helped by the announcement of a share buyback.

On the negative side **SG Fleet**, **AUB Group**, **Alliance Aviation** and **News Corp** all declined after being positive in September. These include some larger holdings in the fund which dragged on October's investment returns. At the time of writing all 4 stocks are up in November.

SG Fleet provided an AGM update indicating its recent LeasePlan acquisition was performing strongly but supply constraints on new vehicles is causing lease extensions which delay the sale of older vehicles and the recognition of end-of-lease profits. This appears largely a timing issue.

AUB Group drifted lower on little news. The outlook appears solid over the next couple of years however the premium cycle has been strong for several years and this tailwind is expected to slow. Acquisitions and self-help will become a more important driver of future growth.

Alliance Aviation (AQZ) was impacted by extended border closures and Qantas ordering a fleet of new aircraft which could impact long term demand for the wet lease of AQZ's aircraft. In November Qantas exercised the option to utilise 5 of AQZ's aircraft and we understand demand outside Qantas is strong. While state border closures have delayed the utilisation of its recently acquired E190 fleet, we estimate the earnings run rate in 12 months could be double FY21. The valuation multiple also looks modest.

News Corp had a soft October on little news but reported its quarterly result in November which was particularly strong. All 5 operating segments reported revenue growth and strong profit growth. It is widely accepted the stock is cheap on a sum-of-the-parts and strong operating results help to bridge the gap to fundamental value. This is also supported by management flagging the activation of its share buyback.

Top Contributors (Absolute)	Sector
Macquarie Group	Financials
Pinnacle Investments	Financials
Uniti Group	Communication Services
Top Detractors (Absolute)	Sector
SG Fleet Group	Industrials
AUB Group	Financials
Alliance Aviation Services	Industrials

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

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