

# Prime Value Opportunities Fund

## Fund Update – October 2021



- Share markets recovered strongly in October following a softer September, with the US share market posting convincing gains due to a robust 3Q reporting period.
- The ASX300 Accumulation Index however, lagged its global peers, gaining a small 0.1%.
- The Fund gained 0.3% in October, outperforming the broader market, as we continued to receive positive updates from portfolio companies.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	<b>11.8%</b>	8.0%	3.8%
7 Years (p.a.)	<b>9.7%</b>	8.0%	1.7%
5 Years (p.a.)	<b>10.5%</b>	8.0%	2.5%
3 Years (p.a.)	<b>12.6%</b>	8.0%	4.6%
2 Years (p.a.)	<b>13.4%</b>	8.0%	5.4%
1 Year	<b>29.4%</b>	8.0%	21.4%
3 Months	<b>2.7%</b>	2.0%	0.7%
1 Month	<b>0.3%</b>	0.7%	-0.4%

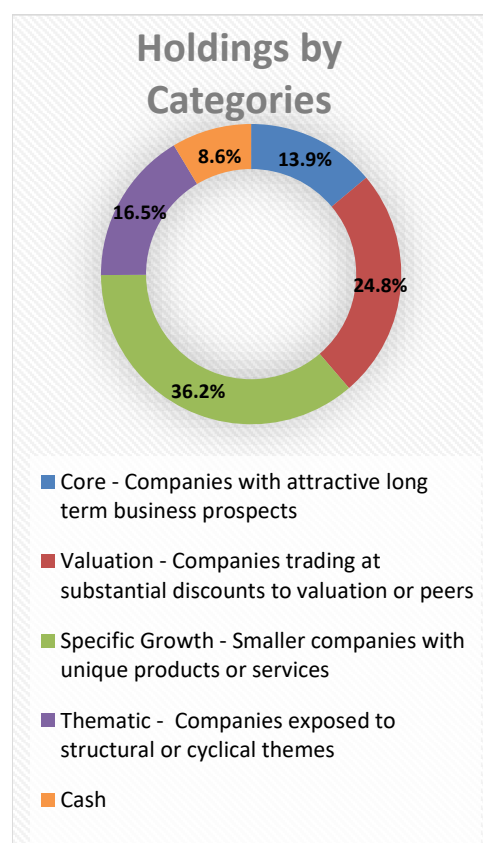
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%)	<b>14.1%</b>	<b>14.1%</b>
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%)	<b>21.4%</b>	<b>38.5%</b>
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%)	<b>4.6%</b>	<b>44.9%</b>
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%)	<b>14.9%</b>	<b>66.5%</b>
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%	<b>6.3%</b>	<b>77.0%</b>
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%	<b>14.3%</b>	<b>102.4%</b>
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%	<b>2.5%</b>	<b>107.5%</b>
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%	<b>(1.1%)</b>	<b>105.2%</b>
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%	<b>27.7%</b>	<b>162.0%</b>
FY 2022	0.9%	3.9%	-1.4%	0.3%									<b>3.7%</b>	<b>171.6%</b>

Top five holdings	Sector
CSL	Health Care
Commonwealth Bank	Financial
National Australia Bank	Financials
Macquarie Bank	Financials
BHP	Materials

The top five holdings make up approximately 27.5% 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



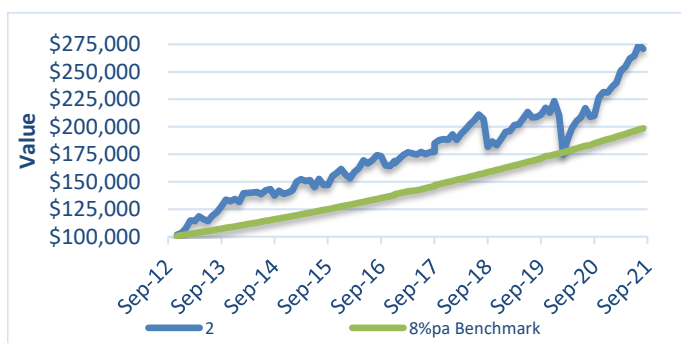
# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

## Market review

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%. We observed the US share market posted its strongest month this year and resumed its march to record highs following last month's -5% pull back. Despite weaker than expected GDP growth and soft results from both Amazon and Apple, given ongoing supply chain disruptions and tightening in the labour market, US Q3 reporting season proved robust with the majority of companies beating earnings expectations.

Brent Oil prices rose US\$6/bbl to US\$84/bbl in October. Brent oil price has continued to sustain at greater than US\$70/bbl. Gold prices also rose, lifting US\$26 to US\$1,769 against the headwinds of US Federal Reserve tightening expectations, higher yields, US Dollar strength, competition from other asset classes 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 (BOC) as well as strong inflation data in Australia and New Zealand. On a sector basis, the IT (+2.1%) sector 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 the 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 \$270,800 (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 \$198,500 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 (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.9738	\$ 1.9292
Withdrawal price	\$ 1.9588	\$ 1.9146
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 0.3% in October, outperforming the ASX300 Accumulation Index's 0.1% gain for the month. The Fund has gained 3.7% for the financial year (from July 2021) and over 16% for the calendar year to date. The Fund's top October performance contributors included: IDP Education (+9.8%), Macquarie Group (+8.7%) and Pinnacle Investment (+9.2%). The top detractors from performance in October were: AUB Group (-9.7%), Alliance Aviation (-12.2%) and News Corp (-7.9%).

Alliance Aviation's share price has been on soft over the past few months with lock downs affecting short term travel activity and appears to be deferring some deployment of wet leased aircraft. News of Qantas weighing up options for smaller aircraft types, that sit within Alliance Aviation's sweet spot, also seemed to dampen sentiment on Alliance's share price. We note that Alliance Aviation announced in early November of increased flying activities in the company's E190 capacity with Qantas. Thus far, Qantas has exercised an additional five options on top of the initial options over three aircraft, taking the total to eight—this is in line with expectations.

We wrote about our long-term investment (of over six years) in Macquarie Group last month. Early this month, Macquarie Group reported a record first half profit of just over \$2bn. We are pleased to see Macquarie experiencing very favourable operating conditions in the immediate term. Capital markets have been buoyant, leading to high levels of M&A activity. Equally as important, and as result of long-term strategic decisions, Macquarie is reaping strong gains from the sale of assets both within their managed funds and from their own balance sheet. We believe Macquarie has a sustainable advantage by investing ahead of trends. For example, in the current debate on climate change, Macquarie is very well placed to benefit from the transition toward cleaner energy. Macquarie has established a position as a global leader in the financing and development of renewable energy assets and other infrastructure related to the energy sector which should yield strong returns in a market that is poised to grow exponentially.

Outlook: In the short-term, share markets may be influenced by the interest rate markets caused by uncertainty over whether current inflationary trends are transitional. We think sector rotations, pull backs and corrections are generally to be expected, healthy and necessary—and they often create attractive opportunities for longer-term focused investors like ourselves. As a base case, we believe that the accelerating rollout of effective COVID vaccines underpins the reopening of economies and a return to global growth. While there are some concerns around supply chain issues and inflationary pressures, the economy is underpinned by historically low interest rates and meaningful fiscal stimulus. As we look to the end of 2021 and into 2022, we continue to believe our portfolio companies are well positioned to benefit from the economic resurgence that we expect to come post COVID. We maintain a pipeline of companies on our watchlists that are monitored for attractive growth prospects and valuations.

Top contributors (absolute)	Sector
Macquarie Group	Financials
Pinnacle Investment	Financials
IDP Education	Consumer Discretionary
Top detractors (absolute)	Sector
AUB Group	Financials
Alliance Aviation	Industrials
News Corp	Communication Services

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

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