

# Prime Value Emerging Opportunities Fund Update – March 2022



- Global equity markets recovered in March despite rising inflation and interest rates overhanging sentiment.
- The fund returned +2.6% in March, 2.7% below than the Small Ordinaries Accumulation Index of 5.3%. Small resources were again strong (+12.7%) benefitting from higher commodity prices. The fund does not invest in mining companies due to their relatively high risk.
- March ended the first negative quarter for the fund in 2 years, the last being the covid downturn in Feb/Mar 2020.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	14.1 %	8.0%	6.1%
5 Years (p.a.)	14.7%	8.0%	6.7%
3 Years (p.a.)	18.8%	8.0%	10.8%
2 Years (p.a.)	33.9%	8.0%	25.9%
1 Year	9.8%	8.0%	1.8%
3 Months	-6.3%	1.9%	-8.2%
1 Month	2.6%	0.7%	1.9%

\* 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.

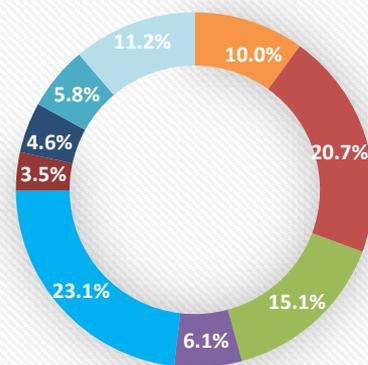
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	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%	5.3%	(0.3%)	(1.4%)	(0.4%)	1.8%	(7.3%)	(1.5%)	2.6%				(1.0%)	135.1%

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
EQT Holdings	Financials
News Corporation	Communication Services
NIB Holdings	Financials
Propel Funeral Partners	Consumer Discretionary

\* The top five holdings make up approximately 19.4% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
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
Research Rating	Zenith – Recommended Lonsec – Investment Grade

## Holdings by Sectors



- Cash & Equivalents
- Financials
- Consumer Discretionary
- Consumer Staples
- Industrials
- Health Care
- Information technology
- Real Estate
- Communication Services

## Market review

March was a strong month for equities with markets rising on news of peace talks between Russia and Ukraine. World share markets steadied somewhat during March despite the continued headwinds of high inflation, rising bond yields and war between Russia and Ukraine. However, performance was mixed with US markets trading higher while European markets ended the month broadly flat. In Asia, China was a notable laggard (-6%), weighed down by demand concerns following fresh lock-down measures to contain COVID, while Japan was up 5% with help from a weaker Yen boosting export competitiveness.

Government bonds continued to sell off (yields moved higher) and currency markets were volatile. On the latter, the Australian dollar enjoyed strong gains versus several currencies over the month, presumably a reflection of strengthening terms of trade from rising commodity prices.

Brent Oil prices continued to move upwards in March, climbing US\$7 to US\$108/bbl. Gold fell towards US\$1,900 at the end of the month, likely on unwinding of near-term safe-haven flows on potential for de-escalation in the Russia/Ukraine conflict.

The ASX300 Accumulation Index was +6.9% in March, marking a strong month for Australian equities. All sectors increased in March, driving broader market gains. Technology was the best performing sector in percentage terms but the largest contributor to index gains were Materials and Banks. Large caps stocks outperformed small / mid cap counterparts, with Resources outperforming Industrials across all size-biased indices. On a sector basis, IT (+13.2%) was the strongest performer, while Energy (+9.8%), and Materials (+8.9%) also outperformed in Australia. The REITs sector underperformed (+1.2%), along with Health Care (+2.5%) and Consumer Discretionary (+4.2%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$235,100 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$164,700 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	\$2.0437
Withdrawal price	\$2.0275
Distribution (31/12/2021)	\$0.0525
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

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

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## Fund review & strategy

The fund's return was +2.6% in March, 2.7% below than the Small Ordinaries Accumulation Index of +5.3%. Small Resources were again strong (+12.7%), boosted by higher commodity prices that increased following Russia's invasion of Ukraine. The fund does not invest in mining companies as their earnings are less predictable and share prices more volatile.

Key positive contributors for the month of March were **Uniti Group** (UWL +43.8%), **Omni Bridgeway** (OBL +16.9%) and **Alliance Aviation** (AQZ +17.1%). Key detractors were **United Malt** (UMG -10.9%), **City Chic** (CCX -13.0%) and **Shine Justice** (SHJ -8.4%).

**Uniti Group** was the highlight in March when it received several takeover offers, the latest at \$5.00 / share. This has been a fantastic investment for the fund, with an average entry price of \$1.57 reflecting a gain of 220% in just under 18 months. The deal is not yet finalised but looks likely to complete in coming months. We reduced our holding in March to lock-in some of these strong gains. Interestingly the offer came after the stock was sold down heavily in February (-21%) highlighting the importance of patience when investing in quality businesses.

**Omni Bridgeway** (OBL) was up strongly in March but has been bouncing around and is down over the last 2 years. Having bought well the fund has generated a modest gain on the stock. Like Uniti Group, we believe patience will be rewarded. OBL is a litigation funder that generates most of its returns when legal cases are settled or completed. It has a large backlog of cases due to complete over the next 3 years which should see material capital returned to the business. Shareholders will share in these returns which are not affected by the economic cycle. It has been a long-term investment in the fund, requiring significant patience which we believe is about to be rewarded.

More broadly, the fund is largely exposed to businesses that are relatively defensive and less influenced by the economic cycle. In addition to Omni Bridgeway, our larger holdings are in industries like insurance broking, health insurance and funeral services. We have little exposure to more cyclical sectors like consumer spending and residential housing which can be impacted by interest rate rises. Markets will have good and bad periods but if the individual investments in the fund can grow their earnings, we are confident that the fund's investment returns will be positive over time.

Lastly, we are pleased to inform you that **Mike Younger** joined the team in February. Mike brings over 20 years' stock-picking experience at Rest Super, Goldman Sachs and Citigroup. He is working with Richard Ivers to manage the Emerging Opportunities Fund. The fund has grown significantly in recent years enabling us to invest in additional resourcing and capabilities to further improve investment returns. It follows Benjamin Mellody joining the team last year as an analyst. We believe the team size is now ideal with the right balance of resourcing and agility.

Top Contributors (Absolute)	Sector
Uniti Group	Communication Services
Omni Bridgeway	Financials
Alliance Aviation	Industrials
Top Detractors (Absolute)	Sector
United Malt Group	Consumer Staples
City Chic Collective	Consumer Discretionary
Shine Justice	Consumer Discretionary
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama	

### Contact details:

Alyssa Hennessy, Riza Crisostomo, Julie Abbott, & Dora Grieve  
Client Services Team  
Phone: 03 9098 8088 Email: info@primevalue.com.au