

# Prime Value Opportunities Fund

## Fund Update – March 2022



- Global equity markets recovered in March despite rising inflation and interest rates overhanging sentiment.
- The Australian share market was a stand-out performer over the March 2022 quarter, led by strong performances of resources companies.
- The Fund rose 5.7% in March which was a solid performance given the strong Australian market was carried by a narrow basket of large capitalisation companies.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	<b>11.0%</b>	8.0%	3.0%
7 Years (p.a.)	<b>8.3%</b>	8.0%	0.3%
5 Years (p.a.)	<b>8.8%</b>	8.0%	0.8%
3 Years (p.a.)	<b>10.7%</b>	8.0%	2.7%
2 Years (p.a.)	<b>23.4%</b>	8.0%	15.4%
1 Year	<b>10.9%</b>	8.0%	2.9%
3 Months	<b>-4.4%</b>	1.9%	-6.3%
1 Month	<b>5.7%</b>	0.7%	5.0%

\* 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.

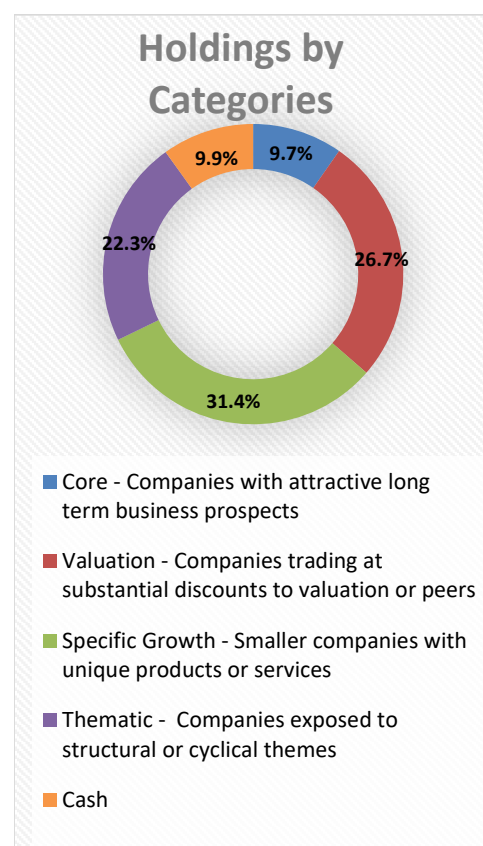
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	<b>14.1%</b>	<b>14.1%</b>
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	<b>21.4%</b>	<b>38.5%</b>
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	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%	0.6%	1.9%	(7.3%)	(2.5%)	5.7%				<b>1.5%</b>	<b>166.1%</b>

Top five holdings	Sector
National Australia Bank	Financials
CSL	Health Care
Macquarie Bank	Financials
Commonwealth Bank	Financials
Unifi Group	Communication Services

The top five holdings make up approximately 50% 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 <sup>#</sup>	0 - 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended

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



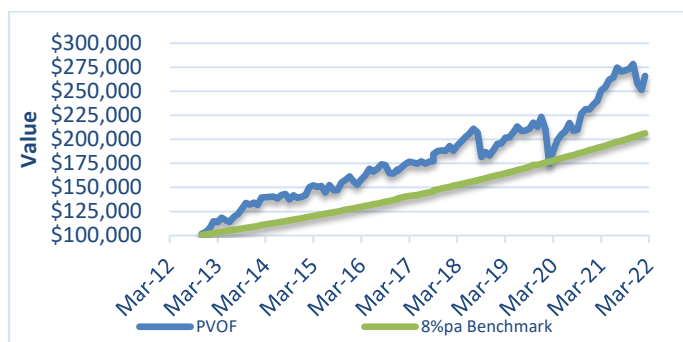
## Market review

March was a strong month for equities as markets rose 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, performances were 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 a number of currencies over the month, presumably a reflection upon strengthening terms of trade via 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 towards the end of the month, likely on unwinding of near-term safe-haven flows on potential for de-escalation in the Russia/Ukraine conflict. Prices have retreated from the highs above US\$2,000 reached in early March, likely because the run-up was largely driven by speculative futures positioning and buying.

The ASX300 Accumulation Index gained (+6.9%) in March, marking a strong month for Australian. All sectors added value in March, driving broader market gains. Technology was the best performing sector, though gains were made through the barbell of Materials and Bank sectors. Large caps stocks outperformed its 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 relatively underperformed (+1.2%), the Health Care (+2.5%) and Consumer Discretionary (+4.2%) sectors also relatively underperformed.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$266,100 (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 \$206,300 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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.8600	\$ 1.8275
Withdrawal price	\$ 1.8529	\$ 1.8137
Distribution (31/12/2021)	\$ 0.0470	\$ 0.0456
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

## Fund review and strategy

The Fund rose 5.7% in March, recovering all of the Fund's decline posted in the prior month (-2.5%). Fund performance in March was solid given the ASX300 Accumulation Index's 6.9% rise was attributed to a narrow group of companies. According to data compiled by UBS only 13 of the top 50 companies did better than the market's 6.9% rise in March—emphasising the fact that the market's rise was carried by a narrow basket of large cap companies. The Prime Value Opportunities continues to be well diversified and has a differentiated strategy to that of the stock market index. For example, the Fund only holds 6 of the 20 largest listed stocks and has a high active share of over 65% (active share being a measure of the difference between a portfolio's holdings and the benchmark index).

The Fund's top March performance contributors included: Uniti Group (+43.8%), NAB (+11.8%) and BHP (+10.9%). The top detractors from performance in March were: City Chic (-13.0%), James Hardie (-21.2%) and United Malt (-10.8%).

Uniti Group received two non-binding indicative takeover proposals over the past few weeks, with the latest proposal from a consortium led by HRL Morrison & Co, at \$5.00 per Uniti share. In recent weeks we have been reducing our holdings whilst awaiting the outcomes of the proposals. Uniti has added substantially to the value of the Fund since we initiated our position in the company in 2020 with an entry price of approximately \$1.50.

City Chic's share price continues to be soft in the near term. The company posted a robust 1H22 result in February, that encompasses COVID lockdowns late last year, and management had maintained its earnings expectations for FY22. However, the market seems to have taken an adverse opinion to the company's decision to a build-up in inventory (and cash decline associated with it) to offset potential supply chain issues and in anticipation of strong demand—it is a sensible strategy in our opinion. The proof to that will be execution. Should City Chic be able to execute its operations well, we expect the conversion from inventory to sales will result in a strong cash flow outcome. The stock is trading on relatively low earnings multiples at its current share price. We will look to increase our holdings at an appropriate time.

Outlook: International events have strengthened Australia's position to weather a slower global economy. Strong commodity prices across both hard and soft commodities will keep Australian exports strong, which in turn allows both companies and the government to keep investing in the domestic economy. This coincides with the re-opening of the Australian economy which will result in an acceleration of services sector activities. From a bottom-up perspective, we have been reducing our holdings in Uniti Group, as discussed above, as well as other stocks which has done very well for the Fund. With concerns on inflation continuing to run higher, we have also been focussing mitigating any potential impacts that our investments may encounter. Naturally, we have been focussing on companies' abilities to pass on higher operating costs, to protect margins—within the portfolio companies such as Amcor, AUB, CSR and GUD are well placed to offset emerging cost pressures through their ability to price higher or pass on higher costs to their customers.

Top contributors (absolute)	Sector
Uniti Group	Communication Services
National Australia Bank	Financials
BHP	Materials

Top detractors (absolute)	Sector
James Hardie	Materials
City Chic Collective	Consumer Discretionary
United Malt Group	Consumer Staples

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

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