

# Prime Value Opportunities Fund

## Fund Update – August 2023



- Soft Chinese economic conditions led to broad based weakness in global shares in August.
- The ASX300 Accumulation Index fell 0.8% in August, rallying from intra month lows again as investors weighed information pertaining to corporate results, soft Chinese economic data and better-than-expected inflation numbers.
- The Fund gained 0.4% in August and 2.9% and 5.8% for the financial year-to-date and calendar year to-date respectively.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.4%	8.0%	1.4%
10 Years (p.a.)	8.0%	8.0%	0.0%
7 Years (p.a.)	6.1%	8.0%	-1.9%
5 Years (p.a.)	4.5%	8.0%	-3.5%
3 Years (p.a.)	6.7%	8.0%	-1.3%
1 Year	4.4%	8.0%	-3.6%
3 Months	4.8%	2.0%	2.8%
1 Month	0.4%	0.6%	-0.2%

\* 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%)	14.1%	14.1%
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%)	21.4%	38.5%
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%)	4.6%	44.9%
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%)	14.9%	66.5%
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%	6.3%	77.0%
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%	14.3%	102.4%
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%	2.5%	107.5%
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%	(1.1%)	105.2%
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%	27.7%	162.0%
FY 2022	0.9%	3.9%	-1.4%	0.3%	0.6%	1.9%	(7.3%)	(2.5%)	5.7%	-0.3%	-4.8%	-7.9%	(11.2)%	132.6%
FY 2023	6.5%	1.8%	-6.5%	4.8%	4.1%	-3.4%	5.5%	(1.3%)	(1.9%)	1.3%	(2.0%)	1.9%	10.0%	155.8%
FY2024	2.5%	0.4%											2.9%	163.2%

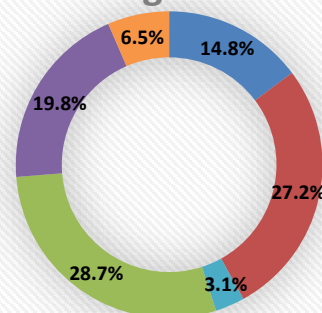
Top five holdings	Sector
CSL Limited	Health Care
Commonwealth Bank	Financials
National Australia Bank	Financials
AUB Group	Financials
Macquarie Group	Financials

The top five holdings make up approximately 29.5% 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

### Holdings by Categories



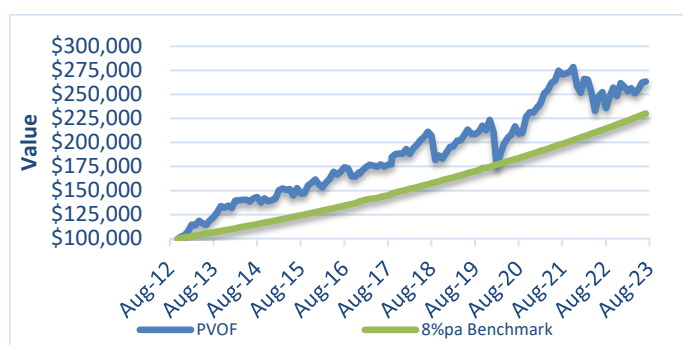
- Core - Companies with attractive long term business prospects
- Valuation - Companies trading at substantial discounts to valuation or peers
- Turnaround - Companies expected to drive returns from turning around business model. Industry structure is vital.
- Specific Growth - Smaller companies with unique products or services
- Thematic - Companies exposed to structural or cyclical themes
- Cash

## Market review

Global shares were broadly lower in August. The MSCI Developed Markets Index fell (-1.7%) over August, while the S&P500 Index also lost momentum (-1.6%) in a weak month for global equities. Emerging market equities were notably weak during the month with the MSCI Asia ex Japan Index declining 4.7%, largely led by broad-based declines in the Chinese stock market. The Chinese economy had weakened more than expected in recent months, raising concerns of structural issues inflicting the economy. The weak Chinese sentiment flowed over to weakness in Australian commodity related stocks and the Australian Dollar.

Australian 10-year yields fell 2 basis points across August to 4.03%, remaining relatively unchanged after the RBA continued the pause in rate hikes at 4.10% in its Aug-23 meeting. US 10-year bond yields also sold off, moving 14 basis points from 3.95% to 4.09%, on the continuation of the US Federal Reserve's hawkish tone. The strengthening US Dollar coupled with escalating long-end yields has put gold in a precarious position, leaving gold's slight recovery in late August at risk of being tested following US Federal Reserve's chairman Powell's speech at Jackson Hole. Oil prices remain near recent highs, supported by the large US crude oil inventory draw and concerns around Gabon's oil production following a military coup, although several producers have reported no impact on production.

The ASX300 Accumulation Index rallied off intra month lows again this month but did close 0.8% lower in August. The spark this month was the July headline CPI data that was surprising dovish and better than expected retail sales data. Discretionary, Real Estate and Energy were the notable sector leaders and contributors for the month, whilst Utilities, Staples and Technology sectors lagged. All Size biased indices closed lower, with small/mid-caps the worst performing. Industrials on average fared better than Resources. A-REITS (up +1.6%) were an outlier versus still elevated bond yields.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$263,200 (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 \$230,100 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	\$ 1.6901	\$ 1.6640
Withdrawal price	\$ 1.6773	\$ 1.6514
Distribution (30/06/2023)	\$ 0.0453	\$ 0.0449
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 a solid 0.4% in August, building on gains posted in the previous 3 months. The Fund is up by 2.9% and 5.8% for this financial year and calendar year respectively. The performance of the Fund holdings in August was pleasing against the backdrop of a very mixed corporate profit season that saw ASX300 Accumulation Index decline by 0.8% during the month. The focus of the reporting season was very much on the difficulties of growing top line revenue growth as demand is being capped by higher interest rates. Costs, and hence, margin pressures, was another key thematic in August. The Fund's ownership of companies with the ability to price better despite a softer economic environment has yielded positive outcomes over the past year—these include real estate classifieds portal REA Group, AUB Group which has toll booth type features and industrial conglomerate Seven Group. The standout performers during August reporting included G.U.D. Holdings (+24.0%) which rallied following a result that exceeded expectations. GUD reported stronger cash flows, lower than expected debt alongside improvements its acquired towbar business. Overall, 9% of portfolio missed profit expectations, 42% in line with expectations and 27% of portfolio had better than expected profits (balance of portfolio did not report earnings in August).

The best contributors to fund performance in August were industrial property owner Goodman Group (+13.7%), News Corporation (+14.9%) and insurance broker AUB Group (+7.5%). Global healthcare company Resmed (-24.2%), litigation funder Omni Bridgeway (-25.5%) and BHP Limited (-2.5%), having gone ex-dividend in the month, were the largest detractors to performance during the month.

We saw an opportunity to invest in Goodman Group in early 2019. The stock has performed strongly since our first investment, more than doubling its share price, despite headwinds from rising bond yields. Goodman is a high-quality business and the clear leader in global industrial properties. Industrial properties' rents are experiencing very positive conditions. Demand for logistics properties remains strong and legacy rents are being rolled over at higher rates. However, it's Goodman's ability to evolve its business overtime, conservative gearing and strong management team are what sets the company apart to most REITs.

Outlook: Whilst we expect Australia's economic and corporate earnings growth to slow in the next 6 months, as the lagged impact of higher interest rates works its way through the economy, the backdrop is one of good population and employment growth. The consumer has proven to be surprisingly resilient whilst the corporate sector is not over extended. Our investment process leads to be highly selective in our portfolio holdings. We lean toward quality companies led by strong management teams that should deliver strong shareholder returns over the medium term.

Top contributors (absolute)	Sector
Goodman Group	Real estate
News Corporation	Financials
AUB Group	Communication Services

Top detractors (absolute)	Sector
Resmed	Healthcare
Omni Bridgeway	Financials
BHP Limited	Materials

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

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