

# Prime Value Emerging Opportunities Fund Update – September 2023

- Higher bond yields, oil prices and sticky headline inflation data cumulatively resulted in market cautiousness through September.
- The fund's return was -1.6% for September, 2.4% better than the Small Ordinaries Accumulation Index (-4.0%) and 3.4% better than the Small Industrials Index. We note that the Small Industrials Index has now underperformed the ASX 100 Index by -11%pa over the past 3 years – a level only seen twice over the past 20 years. Importantly, the fund has significantly outperformed these small cap indices.
- While we don't attempt to predict when this small cap underperformance will reverse, history suggests it will and, when it does, the fund stands to doubly benefit – from small caps outperforming large caps, and from small industrials outperforming small resources.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	<b>11.1%</b>	8.0%	3.1%
7 Years (p.a.)	<b>9.0%</b>	8.0%	1.0%
5 Years (p.a.)	<b>9.8%</b>	8.0%	1.8%
3 Years (p.a.)	<b>8.1%</b>	8.0%	0.1%
1 Year	<b>12.9%</b>	8.0%	4.9%
3 Months	<b>0.0%</b>	2.0%	-2.0%
1 Month	<b>-1.6%</b>	0.7%	-2.3%

\* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

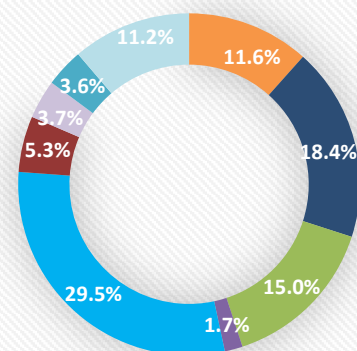
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	<b>13.8%</b>	<b>13.8%</b>
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	<b>3.4%</b>	<b>17.6%</b>
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	<b>19.0%</b>	<b>40.0%</b>
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%)	<b>1.2%</b>	<b>41.7%</b>
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%	<b>18.1%</b>	<b>67.3%</b>
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%	<b>42.0%</b>	<b>137.6%</b>
FY 2022	0.6%	5.3%	(0.3%)	(1.4%)	(0.4%)	1.8%	(7.3%)	(1.5%)	2.6%	(0.7%)	(5.0%)	(7.8)%	<b>(13.9%)</b>	<b>104.6%</b>
FY 2023	8.1%	2.2%	(8.9%)	4.7%	0.2%	(1.7%)	3.2%	0.2%	(0.8%)	3.4%	0.4%	2.9%	<b>13.7%</b>	<b>132.6%</b>
FY 2024	2.9%	(1.2%)	(1.6%)										<b>0.0%</b>	<b>132.5%</b>

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
EQT Holdings	Financials
IPH Limited	Industrials
News Corporation	Communication Services
Seven Group	Industrials

\* The top five holdings make up approximately 23.9% 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 Ratings	Zenith – Recommended Lonsec – Recommended

## Holdings by Sectors



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

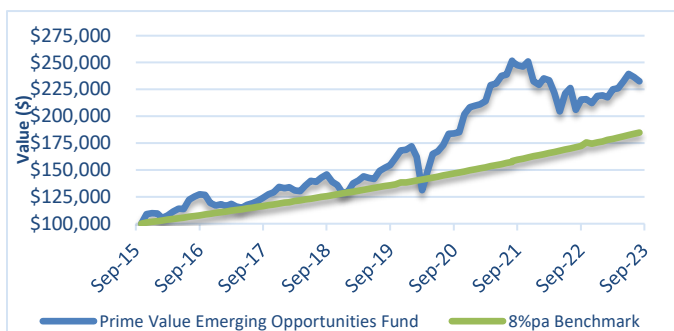


## Market review

The MSCI Developed Markets Index fell (-3.7%) over September, while the S&P500 Index also lost momentum (-4.8%) in a weak month for equities. Declines were driven mainly by the rise in 10-year bond yields due to a mix of higher oil prices, an increase in headline inflation and an expectation that more US Federal Reserve rate hikes might be needed to contain inflation. Australian 10-year yields rose 46 basis points in September to 4.49%, reaching the strongest levels since Oct-2011. US 10-year yields also rose, moving 49bps from 4.09% to 4.57%, on the continuation of the US Federal Reserve's hawkish tone despite holding in the September policy meeting.

Commodity prices were mixed over the month. Brent Oil rose by US \$8.45 to US\$95.31/bbl, on a resilient US economy and bullish demand sentiment around China over Golden Week holidays. Iron ore prices held steady, rising by US\$2.00 to US\$119.50/Mt, however depressed rebar prices and spreads signal softening steel demand by China. Gold prices fell on a stronger US Dollar, falling by US\$71.80 to US\$1,871.

The ASX300 Accumulation Index fell 2.9% in September and posted the first negative quarter since June 2022. Like the S&P500 Index, the ASX has posted two consecutive negative months. Compositionally, the mix was similar, with the energy and insurance sectors outperforming, and growth sectors like technology and healthcare underperforming. Australian banks were among the outperformers, whilst select mining stocks underperformed despite a recovery in iron ore prices. Resources outperformed Industrials, while large caps outperformed mid-and small-cap indices. We observe that the softer market performance follows lower market aggregate earnings emerging from the August results season with the lagged effects of monetary tightening coming into focus as the impact broadens out across key sectors.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$232,500 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$184,800 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	\$1.9168
Withdrawal price	\$1.9016
Distribution (30/06/2023)	\$0.0258
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

T: 03 9098 8088

E: [info@primevalue.com.au](mailto:info@primevalue.com.au)

W: [primevalue.com.au](http://primevalue.com.au)

## Fund review & strategy

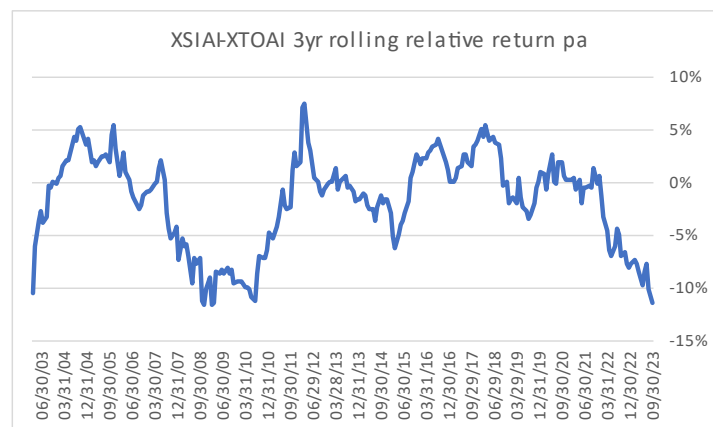
The fund returned -1.6% in September, 2.4% better than the Small Ordinaries Accumulation Index return of -4.0%. This saw the index fall to its lowest level in 12 months, with the Small Industrials Accumulation Index faring worse with a -5.0% decline.

Key fund contributors over the month were **Seven Group** (SVW +12.2%), **Regis Healthcare** (REG +9.2%) and **EQT Holdings** (EQT +4.8%). Key detractors were **Kelsian** (KLS -8.1%), **AUB Group** (AUB -4.0%) and **Helloworld** (HLO -15.0%).

The below table highlights the extent to which small caps have underperformed large caps, and within the small cap market, the extent to which the small industrials (the fund's most comparable index) have underperformed the small resources. Importantly, despite this backdrop, the fund has consistently outperformed both the Small Ordinaries and Small Industrials indices across these timeframes and since inception.

Accumulation Index	1 month	1 year	2 years pa	3 years pa (pre-Covid) pa	Since Jan 20
ASX 100	-2.8%	13.7%	3.4%	11.9%	4.6%
ASX 100 Industrials	-3.5%	11.2%	-0.9%	9.7%	2.5%
Small Ordinaries	-4.0%	6.8%	-9.0%	0.8%	0.0%
Small Resources	-1.2%	2.9%	-0.1%	10.7%	9.3%
<b>Small Industrials</b>	<b>-5.0%</b>	<b>8.4%</b>	<b>-11.3%</b>	<b>0.5%</b>	<b>-2.2%</b>
<b>Emerging Opportunities Fund</b>	<b>-1.6%</b>	<b>12.9%</b>	<b>-3.7%</b>	<b>8.1%</b>	<b>8.6%</b>

The extent of this small cap underperformance is significant, with the below chart highlighting the relative 3-year rolling underperformance of the Small Industrials Index vs the ASX 100 Index at -11%pa, near lows last seen during the Global Financial Crisis, and before that, in June 2003.



As such, while we don't attempt to predict when this small cap underperformance will reverse, history suggests it will, and when it does, the fund stands to benefit from the dual tailwinds of: (i) small caps outperforming large caps; and (ii) small industrials outperforming small resources companies.

Top Contributors (Absolute)	Sector
Seven Group	Industrials
Regis Healthcare	Health Care
EQT Holdings	Financials
Top Detractors (Absolute)	Sector
Kelsian	Industrials
AUB Group	Financials
Helloworld	Consumer Discretionary

### Platforms

Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North

### Contact details:

Andrew Russell - Director, Investor Relations  
[arussell@primevalue.com.au](mailto:arussell@primevalue.com.au)

Daniel Leong - Director, Investor Relations  
[daniel.leong@primevalue.com.au](mailto:daniel.leong@primevalue.com.au)