

# Prime Value Opportunities Fund

## Fund Update – October 2023



- Equity markets, including the ASX, posted broad declines in October, on expectations that US interest rates would stay higher for longer. However, we observed a sharp recovery of global shares in early November as rates and geopolitical concerns eased.
- The Fund fell 4.7% in October but has posted a strong recovery in early November as a number of our investments were clearly oversold during the month.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	8.5%	8.0%	0.5%
10 Years (p.a.)	6.2%	8.0%	-1.8%
7 Years (p.a.)	5.8%	8.0%	-2.2%
5 Years (p.a.)	5.1%	8.0%	-2.9%
3 Years (p.a.)	5.1%	8.0%	-2.9%
1 Year	-1.2%	8.0%	-9.2%
3 Months	-6.9%	2.0%	-8.9%
1 Month	-4.7%	0.6%	-5.3%

\* 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%	(2.8%)	(4.7%)									(4.6)%	144.0%

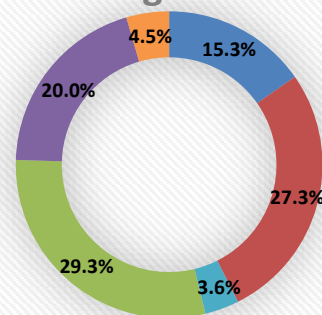
Top five holdings	Sector
BHP Group	Materials
Commonwealth Bank	Financials
CSL Limited	Health Care
National Australia Bank	Financials
AUB Group	Financials

The top five holdings make up approximately 37.4% 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

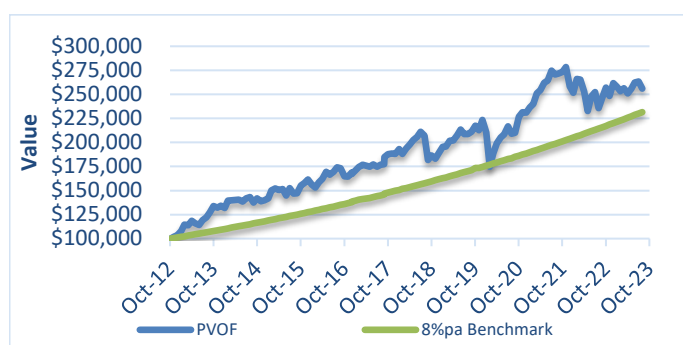
## Market review

Equities struggled in October, triggered by a spike in geopolitical fears and a firming realisation that interest rates are set to remain higher for longer. The MSCI Developed Markets Index fell over the month (-2.6%), while the S&P 500 Index also fell (-2.1%). European stocks fell by a larger amount with the DJ Euro Stoxx 50 Index falling 3.5% although Asian stocks, measured by the MSCI Asia ex Japan Index, fared slightly better, declining by 2.7%.

Commodity prices were mixed over October. Brent Oil fell by US\$7.86 to US\$87.45/bbl, on macro growth concerns offsetting geopolitical news flow in the Middle East. Iron Ore prices held broadly steady, rising by US\$2.50 to US\$122.00/Mt, however depressed rebar prices and spreads signal softening steel demand by China. Short-covering and safe haven demand has continued to drive gold higher, rising by US\$127.10 to US\$1,998.

The ASX300 Accumulation Index fell 3.9% in October. We observed the market traded to 52 week lows in October, following a third consecutive monthly drawdown. Losses were broad based, Financials (-104bps) detracted the most from index performance, whilst the Health Care sector (-64bps) added to losses on a calendar year to date basis. We also observed meaningful pull-backs across the Industrials, Real Estate and Energy sectors. The energy sector reversed its previous month run up, posting a retracement linked to the oil price (down 8.3% month on month).

Losses were broad-based, across size and macro indices and sectors, with Utilities the sole sector to close higher during the month. Large caps fared better than small-and mid-cap indices in October. With the exception of mid-caps, resources stocks performed better over industrial companies.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$244,000 (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 \$233,100 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	\$ 1.5667	\$ 1.5425
Withdrawal price	\$ 1.5549	\$ 1.5309
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 fell 4.7% in October, compared to the ASX300 Accumulation Index's 3.9% decline. We observed that in early November, the ASX300 Index had recovered sharply from the October decline, with the Fund's early month recovery exceeding the index's recovery. Notably, portfolio stocks that had traded down in October had posted strong recoveries in early November.

The best contributors to fund performance in October were conglomerate News Corporation (+3.1%), Propel Funeral (+3.7%) and transport operator Kelsian (+5.1%). The largest detractors in October were CSL (-7.4%), auto parts distributor Bapcor (-21.5%) and insurance broker AUB Group (-7.6%).

News Corp rose after the news that a US activist investor called out the undervalued nature of the assets within the company's conglomerate structure and outlined a push for News Corp to monetise its REA Group stake to unlock value. We observed that the spotlight on News Corp's under valuation has shone ever since the company was listed. Our initial investment into News Corp in 2020 was however, triggered by the company's move to improve the quality of the businesses it owned—away from traditional media based advertising and circulation revenues to more robust and recurring digital revenues that leverages high quality content. The progress has been very positive, with earnings in recent years clearly more robust than most in the market had anticipated.

AUB Group was sold off in October but the company's fundamentals are unchanged. At its recent AGM, AUB's CEO Mike Emmett was able to affirm that recent Australian and overseas industry results show that a strong insurance pricing environment is continuing, and margins are improving.

Propel Funeral and Regis Healthcare are more recent investments for the Fund. Both these companies are impacted by demographic changes—an ageing population. Whilst there is a common secular theme, the investment cases under pinning each company are very different. Propel Funeral is a national provider of funeral services but has less than 10% market share in a fragmented sector. The opportunities that will drive Propel's profitability include growing its market share and leveraging scale. Propel is a reasonably small player in sector. Hence, Propel's potential upside is large. Regis Healthcare offers aged care services in a sector that is similarly fragmented—there are a large number of smaller service providers that lack scale to make consistent profits across a sector that will experience significant demand pressures as the population age. Regis had experienced a significant amount of challenges in recent years, including COVID-19 lock-downs, staffing challenges and rising cost of caring for its residents. The company's profits should improve as some of these issues normalise from COVID-19 conditions.

Top contributors (absolute)	Sector
Kelsian Group	Industrials
Propel Funeral Partners	Consumer Discretionary
News Corporation	Communication Services

Top detractors (absolute)	Sector
CSL	Healthcare
Bapcor	Consumer Discretionary
AUB Group	Financials

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

### 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)

### 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)