Prime Value Opportunities Fund
Fund Update – July 2021

- COVID variants emerged as a global concern but markets have remained largely calm and looking through the short-term noise.
- The ASX300 Accumulation Index gained 1.1% as Resources outperformed Industrial companies across all size indices.
- The Fund returned 0.9% in July with stock specific factors contributing to Fund performance, including IDP Education's significantly accretive acquisition of the British Council's Indian English Language Testing Service.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**11.8%**	8.0%	3.8%
7 Years (p.a.)	**9.3%**	8.0%	1.3%
5 Years (p.a.)	**8.3%**	8.0%	0.3%
3 Years (p.a.)	**8.7%**	8.0%	0.7%
2 Years (p.a.)	**11.3%**	8.0%	3.3%
1 Year	**26.8%**	8.0%	18.8%
3 Months	**5.3%**	2.0%	3.3%
1 Month	**0.9%**	0.7%	0.2%

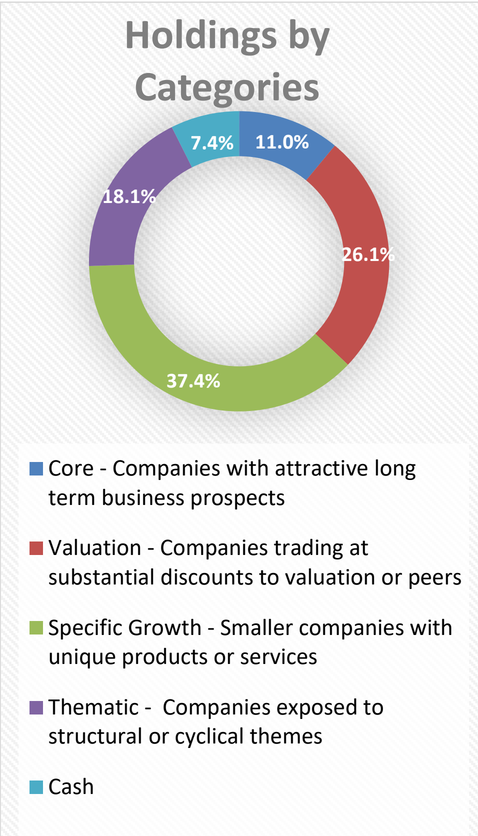
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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%												**0.9%**	**164.4%**

Top five holdings	Sector
BHP	Materials
CBA	Financials
CSL	Health Care
NAB	Financials
Macquarie Group	Financials

The top five holdings make up approximately 29.7% 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

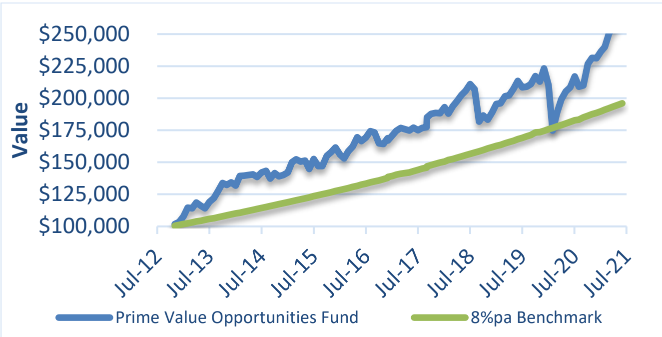
Market review

Global markets had a mixed start to the new financial year as the Delta strain spread globally. This created some uncertainty amongst investors as to the durability of the economic recovery and was reflected in softer commodity prices and retracement in bond yields. Although investors are keeping a close watch on these developments, it's a fair observation to conclude that markets have not been overly bearish so far with vaccination roll outs continuing a pace. Naturally, the situation warrants attention with slowing economic growth and rising inflation a worst-case scenario.

The MSCI World Developed Markets Index rose (+1.8%) in US Dollar terms in July, outperforming the Emerging Markets World Index which declined -6.7%. The S&P500 Index drove developed market performance, rising (+2.4%). Globally, on local currency terms, the REITS (+4.2%), Health Care (+3.8%), and IT (+3.6%) sectors outperformed the most. The Energy (-6.2%), Financials (-0.1%), and Consumer Discretionary (+0.3%) sectors underperformed.

Brent Oil prices dropped $2.23/bbl to $72.89/bbl, as global concerns around the Delta variant spread. Iron ore prices also fell by $US24.50/Mt to $US191.00/Mt. Interestingly, Gold prices rose $480.30/oz to $1,811.45/oz.

The ASX300 Accumulation Index rose by 1.1% in July, underperforming against the DM World Index's return of 1.7% in local currency terms. Resources outperformed Industrials across all size indices with Small Cap Resources (+7.4%) the best performing. Large caps (+1.3%) outperformed Mid (+0.7%) and Small caps (+0.7%) in the month. The Materials (+7.1%), Industrials (+4.2%), and Utilities (+1.6%) sectors outperformed in Australia. The sectors which underperformed the most were the IT sector (-6.9%), and Energy (-2.5%). Interestingly, the cyclical resources sector and IT sectors performed inversely to their global peers with Australian resources and IT companies outperforming and underperforming its global peers respectively.



This graph shows how $100,000 invested at the Fund's Inception has increased to $264,400 (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 $196,000 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	$ 1.9000	$ 1.8625
Withdrawal price	$ 1.8856	$ 1.8483
Distribution (30/06/2021)	$ 0.0639	$ 0.0631
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 had a robust July, gaining 0.9% during the month. Although there wasn't a real strong theme that drove Fund performance during the month, as the macro picture and investor sentiment swung about, there were several clear stock specific drivers that assisted Fund's performance—we discuss several of these below. The top contributors to performance in July were: BHP (+10.1%), IDP Education (+15.0%) and Pinnacle Investments (+9.8%). The top detractors from performance in July were: Australian Finance Group (-9.1%), Qube (-7.9%) and Bapcor (-4.0%).

One of the defining features of the ASX's performance this year has been the high level of M&A activity that had descended on the market. It's clearly one way of adding value to shareholders. A core part of our investment process is to discover companies that are well financed (not necessarily debt-free), helmed by management teams that are able to allocate capital (including via acquisitions) in a disciplined manner for profitable returns. In the past 12 months some of our investee companies have been able use their stronger financial positions, to take advantage of weaker competitors through acquisitions, and emerge in stronger market positions. Alliance Aviation, Macquarie Group and Uniti Group are some of our investments that are already benefitting from acquiring assets that have enhanced their market positions.

IDP Education is another company that has improved its market position. In early July, IDP agreed to acquire the Indian IELTS business from British Council (BC) for £130m. IDP and BC currently compete in 53 countries which represent ~90% of IDP volumes (India is the largest). We are supportive of this acquisition as it makes strategic sense for IDP, with India the largest IELTS market globally (by volume). The company has guided to A$6-8mn synergies, which in our view should be achievable given IDP's knowledge of BC's Indian operations and its position in the market. More importantly, India presents a strong long-term growth opportunity for IDP.

BHP has returned 41% on a 12-month basis to July 2021. The giant resources company may seem a cyclical company whose share price is held captured by swings in commodity prices. This however, is a narrow view of BHP. Whilst we recognise BHP's cyclicality, we assigned significant weight to the significant cash flow generated by the company when we increased our holding in BHP several years ago. Even after several years of strong share price performance, BHP is trading on a high Free Cash Yield of more than 10% for FY22 and FY23, underlining the strength of its cash flows.

Outlook: this may be one of those strange times when the market is at a fork in the road. It's understandable why some are concerned about the outlook both from an economic and market perspective. In my opinion, this is no time to worry. Investors should consider where we are in the economic cycle and consider that while we are once again facing some policy uncertainty due to COVID-19, that doesn't mean the market won't do well. Our conversations with various company management indicate that opportunities for longer term growth remains undiminished and many are investing for the future. This scenario offers us a number of opportunities to capitalise on quality companies that are led by strong management teams and are able to compound growth over the medium term.

Top contributors (absolute)	Sector
BHP Group	Materials
IDP Education	Consumer Discretionary
Pinnacle Investment	Financials

Top detractors (absolute)	Sector
Australian Finance Group	Financials
Qube Holdings	Industrials
Bapcor	Consumer Discretionary

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

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