

Resisting "hot stocks" no barrier to returns for outperforming Prime Value Emerging Opportunities fund

Managing volatility key for Australian equities in 2021

Avoiding 'hot stocks' such as those in the buy now, pay later and mining sectors has not stopped the Prime Value Emerging Opportunities Fund from becoming the second highest performing Australian equities fund in 2020.

The Fund delivered 23.4 per cent (after fees) to investors for the calendar year, outperforming the market by 14.2 per cent (source: Morningstar).

This followed a strong 2019, in which the fund outperformed the market by more than 10 per cent with a 31.8 per cent return for the 2019 calendar year. The Fund topped Mercer's Australian Small Companies (ex-ASX100) survey for the year to 30 June 2020.

Richard Ivers, portfolio manager of the Prime Value Emerging Opportunities Fund, part of boutique investment house Prime Value Asset Management, says managing volatility will be key for Australian equities in 2021. "Small caps experienced some wild fluctuations in 2020 and there is still significant volatility heading into 2021. This provides opportunity.

"The economic recovery from the covid-19 recession is likely to be unpredictable. We saw how small caps reacted, and often over-reacted, to news during 2020.

"This increases the importance of capital preservation."

He said volatility can be reduced in small caps by investing in more stable companies with predictable earnings. "There are many stable, less glamorous small cap companies which are attractively priced and reduce portfolio volatility.

"By investing in these companies instead of the hotter areas in the market we have a small caps portfolio with volatility levels similar to the ASX large caps index, while still delivering market leading returns.

"Avoiding hot stocks means we may leave some short-term returns on the table but the focus needs to be on longer term, risk adjusted returns to produce consistent performance."

The Prime Value Emerging Opportunities Fund is currently open to retail investors.

Boutique manager Prime Value Asset Management was founded in 1998 and is part of an investment group including Shakespeare Property Group, managing more than \$2 billion across equities, income securities, direct property and alternative investments.

Contacts

David Manallack
0407334938
mailto: david@manallack.com.au