Prime Value Growth Fund
Fund Update – February 2022

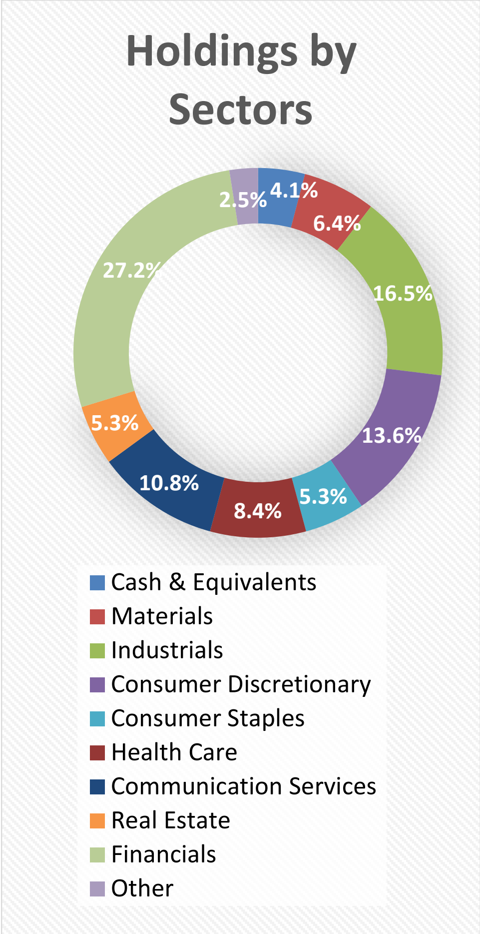
- Global equity markets were broadly softer in February as investors assessed the outcome of rising geopolitical tensions.
- The Fund returned -1.5% in February, 3.6% below the ASX300 Accumulation Index of +2.1%. A relatively strong mining and banking sector contributed to relative performance as we are underweight these sectors.
- February was “reporting season” when most companies report their financial results for the 6 months to 31 December. Importantly most companies in the portfolio reported strong results and have a positive outlook. So the fundamentals of the portfolio remain strong, regardless of short term share price volatility.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.7%**	8.3%	2.4%
5 Years (p.a.)	**6.4%**	8.6%	-2.2%
3 Years (p.a.)	**8.0%**	8.7%	-0.7%
2 Years (p.a.)	**11.2%**	8.7%	2.5%
1 Year	**7.5%**	10.2%	-2.7%
3 Months	**-6.5%**	-2.0%	-4.6%
1 Month	**-1.5%**	2.1%	-3.6%

Top five holdings	Sector
BHP Group	Healthcare
Commonwealth Bank	Financials
CSL	Healthcare
EQT Holdings	Financials
Macquarie Group	Financials

The top five holdings make up approximately 24% of the portfolio

Feature	Fund facts
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Suggested Investment Period	3 + years



*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) standards. 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.

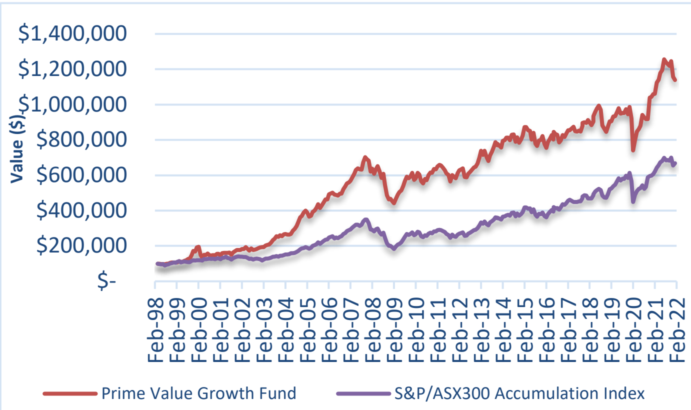
Market review

Global markets struggled in February, as geopolitical tensions saw investors reposition for an uncertain outlook. The DM World Index fell (-2.6%), largely driven by the S&P 500 Index (US) which dropped -3.0%.

The MSCI World Developed Markets Index returned -2.5% in US Dollar terms, outperforming the Emerging Markets Index return of -3.0%. Ongoing geopolitical tensions could prove a headwind for Emerging market equities as investors stay risk-off amid global uncertainty. Globally, stronger sectors in February were Energy (+5.2%), Materials (+2.0%), and Health Care (-0.4%) while weaker were Communication Services (-5.4%), IT (-4.7%) and Consumer Discretionary (-4.4%).

In bond markets, US 10-year yields increased 5bps to 1.84% in February, while Australian bonds rose 25bps to 2.13%, as the market brought forward expectations of RBA rate hikes. Commodity prices saw strong upward moves, particularly in Gold which lifted US$115 to US$1,910/oz as investors repositioned into safe-haven asset classes. Brent Oil also moved higher, up US$10 to US $110/bbl as markets reacted to supply uncertainty and sanctions on Russian oil and gas exports. Conversely, Iron Ore declined US$7 to US$137/Mt as geopolitical tensions drive higher costs and freight rates.

The ASX300 Accumulation Index was +2.1% in February. The index was strong earlier in the month but retraced some of these gains towards the end of February when geopolitical risks rose sharply. Large Caps stocks performed better than Mid and Small Cap stocks. Resources outperformed Industrials, with Energy and Materials sectors performing strongly along with Staples. Technology performed worst in the month. Materials (+125bps) and Banks (+77bps) were the largest positive contributors to index returns in February whilst Discretionary (-36bps) and Technology (-23bps) were the largest negative contributors.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,139,400 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a $100,000 investment would have increased to $668,500 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	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.8094	$ 1.8035
Withdrawal price	$ 1.7958	$ 1.7899
Distribution (31/01/2021)	$ 0.0475	$ 0.0475
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
** Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review and strategy

The fund's return was -1.5% in February, 3.6% below the ASX300 Accumulation Index of +2.1%. The fund's underweight exposure to resources and banks was the key driver of underperformance.

February was "reporting season" when most companies report their financial results for the 6 months to 31 December. Financial results drive share prices so it is an important month. Importantly most companies in the portfolio reported strong results and have a positive outlook. So the fundamentals of the portfolio remain strong, regardless of short term share price volatility. Consequently we made little change to the portfolio during the month. One stock was added (**Iress**), a software business trading on an attractive valuation multiple with a highly predictable subscription revenue model.

A common theme in reporting season was companies with relatively low valuation multiples and low expectations performed well, while those trading on higher valuation multiples and high expectations often fell. We hold a balance of both in the portfolio and broadly speaking this theme was reflected in the main positive and negative contributors to the fund in the month.

Key positive contributors for the month of February were **NRW Holdings** (NWH +36.3%), **Regis Healthcare** (REG +18.5%) and **EQT Holdings** (EQT +5.0%). Key detractors were **Uniti Group** (UWL -21.3%), **City Chic** (CCX -20.4%) and **Alliance Aviation** (AQZ -17.4%).

NRW and **Regis Healthcare** are two relatively unloved stocks that are not widely owned by institutions and trade on low valuation multiples.

NRW is a mining services business with major operations in Western Australia. With borders shut during the period and low labour availability there was concern that high wage costs would impact profit margins. However the company reported a strong result and highlighted upside risk to full year earnings guidance. Trading on a valuation multiple well below peers despite superior operational execution, we believe there is further upside to the share price.

Regis Healthcare is an aged care provider. The sector has struggled in recent years with federal government funding cuts, a royal commission and covid. We first purchased the stock in late 2021 as the outlook finally appeared more positive for the sector. Increased funding and reduced competition should lead to improved economics in coming years. Additionally, an ageing population will drive long term demand growth. Both earnings and valuation multiples are at long-term lows, potentially driving significant upside should our thesis prove correct.

Top Contributors (Absolute)	Sector
NRW Holdings	Industrials
Regis Healthcare	Health Care
EQT Holdings	Financials
Top Detractors (Absolute)	**Sector**
Uniti Group	Communication Services
City Chic Collective	Consumer Discretionary
Alliance Aviation Services	Industrials

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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