Prime Value Growth Fund
Fund Update – May 2022

- Global equity markets were mixed to negative as inflationary pressures weighed on investor sentiment.
- The Fund returned -4.5% in May, below the ASX300 Accumulation Index of -2.8%. Our weighting to smaller industrial stocks is impacting short term performance. Over the long term these stocks tend to perform strongly.
- Given market volatility, cash levels are relatively high at 9%.

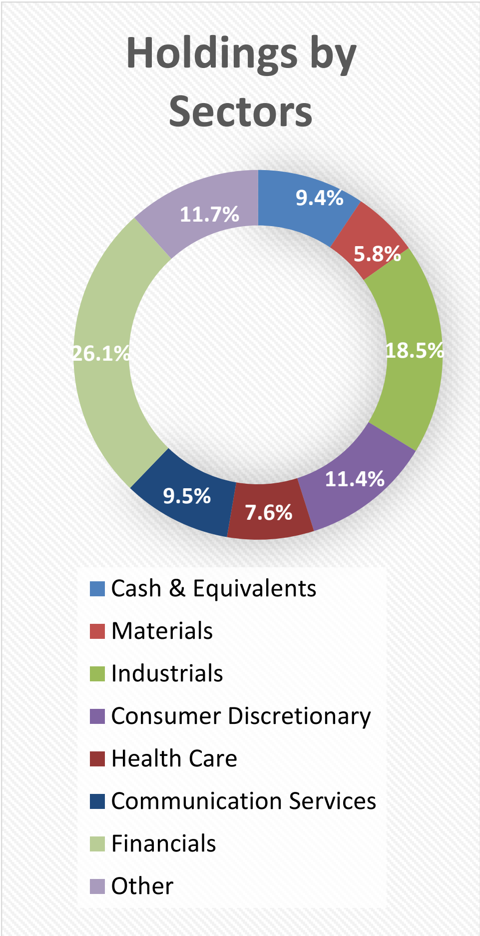
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.5%**	8.3%	2.2%
5 Years (p.a.)	**6.0%**	9.0%	-3.0%
3 Years (p.a.)	**6.4%**	8.0%	-1.6%
2 Years (p.a.)	**15.3%**	16.1%	-0.8%
1 Year	**-1.2%**	4.7%	-5.9%
3 Months	**-1.2%**	3.1%	-4.2%
1 Month	**-4.5%**	-2.8%	-1.7%

*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.

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

The top five holdings make up approximately 23.6% 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



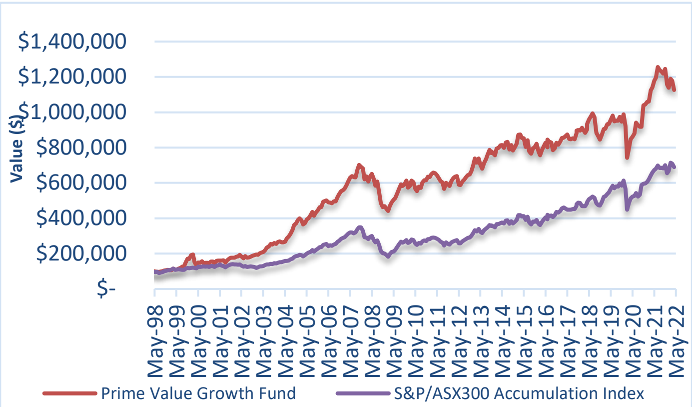
Market review

Global equities had mixed results in May, with investors weighing up the willingness of central banks to tighten monetary policy aggressively. A major concern is that the US Federal Reserve's sharp interest rate hikes could lead to a recession in the US—this is a not a current base case scenario although the risks are rising. The MSCI Developed Markets Index fell slightly (-0.2%), while the S&P500 Index lifted (+0.2%). Other developed market indices such as the FTSE100 and Euro Stoxx 50 also posted positive returns.

Australian 10-year yields sold off 22bps across May to 3.34%, as investors price in tightening monetary policy. In May, the RBA raised the cash rate by 25bps to 0.35%, its first increase since 2010.

Brent oil prices finished May at US$122/bbl, up US$12 for the month. Iron ore demand remains solid with China pig iron production stable in the second half of May; however, we observe steel demand remains weak in China. Gold is holding reasonably well above US$1,800, but the market has so far struggled to move far enough past US$1,850. Policy tightening and rising global rates ultimately create headwinds as the opportunity cost of holding gold increases.

With the exception of Materials, all sectors in the ASX trended lower in May and even then, the Materials sector was up a modest +0.1%. On a sector basis, Utilities (-0.2%) and Industrials (-0.5%) also outperformed in Australia. REITs (-8.7%), IT (-8.7%) and Consumer Staples (-6.6%) sectors underperformed. Size favoured large over mid and small cap indices, with the Small Ords Index -7.0%. At a stock level, BHP had the largest positive impact on performance and Macquarie Group the largest negative contribution partly due to going ex-dividend.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,126,400 (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 $689,100,700 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	$ 1.7887	$ 1.7892
Withdrawal price	$ 1.7851	$ 1.7756
Distribution (31/12/2021)	$ 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

Fund review and strategy

Key positive contributors for the month of May were **BHP** (BHP +4.6%), **Regis Healthcare** (REG +7.6%) and **Propel Funerals** (PFP +7.4%). Key detractors were **AUB Group** (AUB -18.0%), **News Corporation** (NWS -13.8%) and **Macquarie Group** (MQG -10.2%).

One of our small industrial holdings is **Propel Funeral Partners** (PFP). PFP is Australia's second largest funeral operator. A key driver of volumes is the number of deaths in Australia which are expected to accelerate from 1% p.a. to 3% p.a. over the next 10 years due to an ageing population. We expect accelerating volume growth to have a magnified benefit to earnings given the fixed cost nature of the business.

Death is not corelated to inflation, interest rates or the economic cycle.

In a period of higher inflation, pricing power is increasingly important. Funeral operators including PFP have demonstrated the ability to raise prices above inflation given the emotional nature of the product which is typically a large social event including family & friends. Over the last 7 years average revenue per funeral has increased 2.7% p.a. above the inflation rate of c. 1.8%.

In addition to volume and price growth, PFP has a long & successful track record of undertaking bolt-on acquisitions. In October 2021, the company raised equity to re-stock the balance sheet for more acquisitions. It is now well placed to deploy this capital and accelerate earnings growth.

We expect PFP to perform strongly over coming years with the number of deaths structurally growing. Equity markets may go up and down but we have a high level of certainty that PFP's earnings will be higher in 3-5 years and are confident this will be reflected in a higher stock price.

We hold many other defensive companies that we have a high level of confidence will grow their earnings over coming years. It is very difficult to predict what value equity markets will put on those earnings in the short term. But with valuation multiples increasingly attractive, we expect stock prices to be higher in the long term.

Equity markets can be volatile in the short term but are powerful wealth creators over the long term.

Finally, should you have any questions regarding the fund or equity markets, please feel free to contact us. Managing capital for others is a privilege and we are grateful for the trust our clients place in us. We encourage you to reach out if you have any questions

Top Contributors (Absolute)	Sector
BHP	Materials
Regis Healthcare	Health Care
Propel Funeral Partners	Consumer Discretionary

Top Detractors (Absolute)	Sector
AUB Group	Financials
News Corporation	Communication Services
Macquarie Group	Financials

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

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