Prime Value Emerging Opportunities Fund Update – September 2022

- Global equity markets fell in unison in September as US bond yields surged and fears of a global recession increased.
- The fund's return was -8.9% in September, 2.3% better than the Small Ordinaries Accumulation Index of -11.2%.
- The fund remains defensively positioned, while retaining >10% in cash in order to take advantage of opportunities that present. To that end, we have participated in 267 company meetings over the September quarter.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**10.9%**	8.0%	2.9%
5 Years (p.a.)	**10.7%**	8.0%	2.7%
3 Years (p.a.)	**10.1%**	8.0%	2.1%
2 Years (p.a.)	**5.8%**	8.0%	-2.2%
1 Year	**-17.9%**	8.0%	-25.9%
3 Months	**0.7%**	2.0%	-1.3%
1 Month	**-8.9%**	0.6%	-9.6%

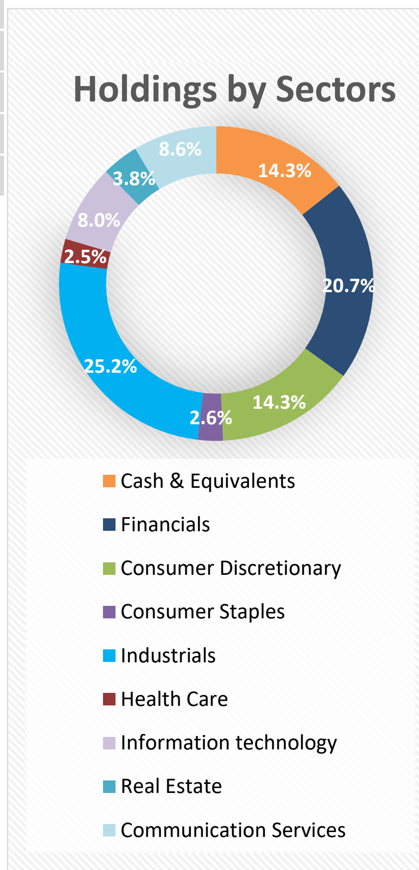
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	**13.8%**	**13.8%**
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	**3.4%**	**17.6%**
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	**19.0%**	**40.0%**
FY 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	**1.2%**	**41.7%**
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%	(5.8%)	(19.1%)	12.7%	11.6%	1.4%	**18.1%**	**67.3%**
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%	3.2%	0.7%	0.6%	1.4%	7.0%	0.6%	3.1%	**42.0%**	**137.6%**
FY 2022	0.6%	5.3%	(0.3%)	(1.4%)	(0.4%)	1.8%	(7.3%)	(1.5%)	2.6%	(0.7%)	(5.0%)	(7.8)%	**-13.9%**	**104.6%**
FY 2023	8.1%	2.2%	-8.9%										**0.6%**	**106.0%**

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
EQT Holdings	Financials
IPH Limited	Industrials
NIB Holdings	Financials
Propel Funeral Partners	Consumer Discretionary

* The top five holdings make up approximately 22.8% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 100%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec – Recommended



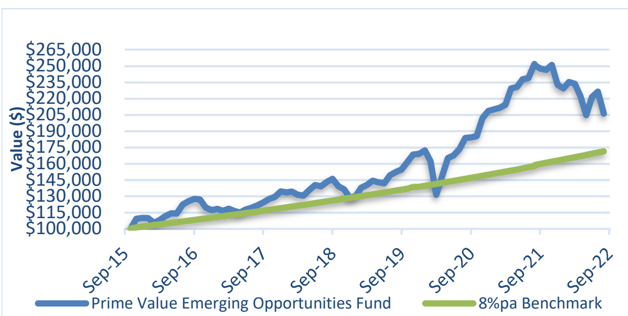
Market review

Equities struggled in September, following a soft end to the preceding month, on the back of global recession fears and an increasingly hawkish US Federal Reserve. The key market driver of the equity sell off had been US bond yields rising by 67bps to 3.80%. Indicators such as the US August PMI were stronger than investors' expectations and laid further groundwork for the expected policy response from the US Federal Reserve. The MSCI Developed Markets Index fell (-8.3%), and the S&P500 Index lost ground, dropping (-9.2%) in local currency terms. European and Japanese markets performed relatively better with the FTSE100 and Nikkei 225 indices falling 5.2% and 6.9% respectively in local currency terms.

The RBA's September meeting saw the cash rate move up by 50bps again, to 2.35%, as almost unanimously expected. This rate hike saw the Australian 10-year bond yields sell-off 29bps across September to 3.89%.

Brent oil stayed below US$100/bbl amid deteriorating demand outlooks, but Brent price was little changed during the month as the market anticipates an OPEC+ decision on production cuts amid deteriorating demand outlooks. It's been a choppy time for gold lately, with prices fluctuating around US$1,700. Key macro factors that typically drive the price of gold are all currently negative – the US dollar is strong, real rates are positive and near the highs, and the US Federal Reserve remains hawkish.

The ASX300 Accumulation Index fell 6.3% in September. All sectors fell in the month. Materials (-2.3%) and Energy (-3.8%) fell least while Utilities (-13.8%) and Real Estate (-13.6%) fell most due to valuation sensitivities to higher bond yields. Large caps were favoured, outperforming both mid and small cap indices. Resources outperformed Industrials across the larger size indices, while Small Resources (-13.5%) underperformed Small Industrials (-10.5%). The rise in real yields also explains much of the variance in sector returns. The 5.4% outperformance of Resources vs All Industrials occurred because a rise in real yields is a greater valuation headwind for Industrials.



This graph shows how $100,000 invested at the Fund's Inception has increased to $206,000 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $171,200 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.

Fund review & strategy

The fund's return was -8.9% in September, 2.3% better than the Small Ordinaries Accumulation Index of -11.2%.

While never pleasing to post a negative monthly return, we note that only 9% of index constituents posted a positive return for the month, with most of these represented by companies the fund tends not to invest in – those in the mining sector and non-profitable tech / biotech businesses.

Key outperformers for the month were **Lindsay Australia** (LAU +3.5%), **NRW** (NWH -2.9%) and **IPH** (IPH -0.7%). Key detractors were **SG Fleet** (SGF -22.4%), **IRESS** (IRE -21.1%) and **Omni Bridgeway** (OBL -17.5%).

Lindsay Australia (LAU) shares bucked the broader market trend as investors continued to absorb its strong FY22 profit result, driven by the transformation of its Transport segment towards the less capital intensive and growing Rail business. The competitive landscape remains rational, following increased ownership by Private Equity firms in recent years.

NRW (NWH) was resilient as miners and mining services companies fared relatively better through the month via a combination of solid underlying commodity prices and a lower A$.

SG Fleet (SGF) fell heavily on the back of no new news. The company's profit result in August was broadly as expected, as the integration of the LeasePlan acquisition tracks to plan.

IRESS (IRE) surprised by downgrading profit expectations on the eve of a change in CEO. While the shares fell 17% on the day, we view the downgrade as largely a timing issue, caused by delays in new business opportunities which are now expected to materialise in 2023. On the positive side, the company announced a sizable new client win that will similarly contribute to 2023 earnings.

Omni Bridgeway (OBL) shares declined on limited new news, noting that the stock has performed strongly since June, returning +7.6% (including dividends) in the September quarter against a broader market decline.

While markets have been volatile in 2022 thus far, the fund continues to be defensively positioned, with its largest weightings in high quality businesses that have less exposure to the economic cycle. This is a function of the attention we place on downside protection (discussed last month), which has seen the fund outperform in 83% of months when the index has fallen, preserving capital through periods of market declines. Importantly, it has also outperformed over time in months when the index rises.

Our focus remains on bottom-up stock-picking, although we continue to keep a close watch on the macroeconomic backdrop which remains in a state of flux. With >10% of the fund invested in cash, we are well placed to be nimble and take advantage of opportunities that present.

To that end, the team participated in 267 company meetings over the September quarter, reflecting a combination of 1-on-1 meetings, group meetings and result conference calls.

	Direct Investment
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.7551
Withdrawal price	$1.7411
Distribution (30/06/2022)	$0.0353
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%** p.a.

* 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 positive performance

Top Contributors (Absolute)	Sector
Lindsay Australia	Industrials
NRW Holdings Limited	Industrials
IPH Limited	Industrials
Top Detractors (Absolute)	**Sector**
SG Fleet	Industrials
IRESS Limited	Information Technology
Omni Bridgeway	Financials

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