Prime Value Growth Fund
Fund Update – January 2023

- Stabilising recessionary expectations and easing rate hike fears saw global equity markets rise strongly in January.
- The fund's return was +4.7% in January, 1.6% below the ASX 300 Accumulation Index of +6.3%.
- The strong market performance was led by stocks in the Retail and Mining sectors. The fund has limited exposure to Retailers given we see conditions as about as good as it gets, while it does not invest in Miners given their low predictability of earnings.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.4%**	8.3%	2.0%
5 Years (p.a.)	**5.2%**	8.5%	-3.3%
3 Years (p.a.)	**5.4%**	6.0%	-0.6%
2 Years (p.a.)	**5.2%**	10.6%	-5.4%
1 Year	**-0.1%**	11.6%	-11.8%
3 Months	**5.3%**	9.5%	-4.2%
1 Month	**4.7%**	6.3%	-1.6%

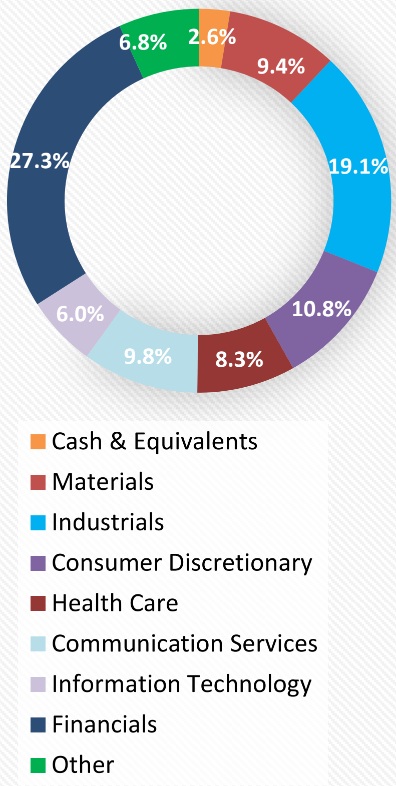
*Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. 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 Limited	Health Care
News Corporation	Communication Services
EQT Holdings	Financials

The top five holdings make up approximately 31.9% 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

Holdings by Sectors



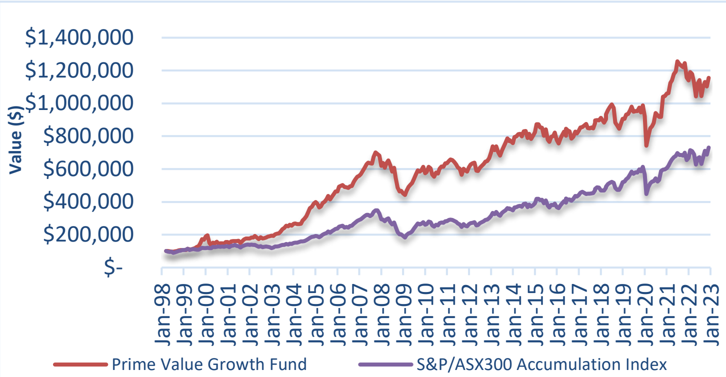
Market review

Equities rallied over January off the back of stabilising recessionary expectations and easing rate hike fears after a soft US GDP data report. The MSCI Developed Markets Index rose +6.5%, and the S&P500 Index also gained ground (+6.2%). European equities closed January up +6.7%, with the strongest start to the year since 2015, outperforming US peers on hopes of easing inflation, declining gas prices amid milder weather, as well as China's reopening.

During the month the Australian 10-year bond yield decreased by 50bps, whilst the Australian Dollar rose +3.9% against the US Dollar.

Commodity prices had mixed results across the board. Brent Oil prices slightly fell US$1.01 to US$84.90/bbl with a strong US Dollar and uncertainty around Chinese demand. Iron Ore prices gained US$11.5 to US$129/Mt, on China's re-opening. Gold prices rose strongly US$110.35 to US$1,924, following a positive reaction to the softer US PPI reading and safe haven flows after renewed geopolitical tensions.

2023 has started strongly for Australian shares with the ASX300 Accumulation Index returning +6.2% in January, the 8th best start to a year (using All Ordinaries data) going back to 1935, and the best start since 1986. Except for the Utilities sector, all sectors had a positive impact on performance in January. Consumer Discretionary (+9.8%) rose the most in the month though due to index weight. Materials (+224bps) and Financials (+159bps) added the most alpha, with Utilities (-4bps) the only detractor. Large, Mid and Small caps all performed inline (rising ~6%) and Resources outperformed Industrials across the majority of size indices.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,155,400 (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 $630,900 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	$ 1.7603	$ 1.7607
Withdrawal price	$ 1.7469	$ 1.7473
Distribution (31/12/2022)	$ 0.0329	$ 0.0347
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 +4.7% in January, 1.6% below than the Small Ordinaries Accumulation Index of +6.3%.

The strong market performance was led by stocks in the Retail and Mining sectors. Retailers benefited from still strong consumer spending (refer to strong updates from the likes of Super Retail and Accent Group), while Miners benefited from strong commodity prices (and is a sector in which the fund tends to be underweight due to a low predictability of earnings).

The fund currently has a limited exposure to **Retailers** given the exhaustion of 'excess' savings that resulted from COVID stimulus payments and the pending fixed rate mortgage cliff. This sector of the economy has experienced conditions that are about as good as it gets, both in terms of sales and margins, which we expect to revert over the medium-term. In particular, the household savings rate has returned to a more normal level of ~7%, having increased to as high as 24% in June 2020 as land-locked households were restricted from spending on services that were in lockdown, instead deflecting this spend into buying more goods than ever. Additionally, a temporary low cost funding facility provided to the banks through COVID saw them offer very low fixed rate mortgages that will largely expire over 2023. This will result in ~10% of Australians move from fixed rates of ~2%pa into higher variable interest rates of ~6%, which will likely further impact consumer spending levels.

Key fund contributors in January were **BHP Group** (BHP +8.2%), **CBA** (CBA +7.3%) and **Macquarie** (MQG +12.2%). Key detractors were **Austal** (ASB -20.2%), **Regis Healthcare** (REG -7.2%) and **Lindsay** (LAU -7.2%).

BHP was strong on higher commodity prices which were buoyed by China's re-opening, with Iron Ore and Copper both +10% in January.

CBA rose on no news flow, as the major banks continuing to gain market share against non-bank lenders due to a cost of funding advantage.

Macquarie (MQG) also rose on limited news flow, with some expectations that its 3Q trading update could highlight benefits from the dislocation in natural gas markets.

Austal (ASB) downgraded its FY23 earnings guidance by ~40% as it raised a provision for an onerous contract with the US Navy. The company has submitted a claim for reimbursement of higher quantities of steel and cost inflation in relation to the T-ATS contract, which may or not succeed. Either way, the outcome should not, in theory, impact future earnings.

Regis Healthcare (REG) was weak following the release of the Department of Health's Aged Care Star Ratings which ranked REG in the bottom quartile of the larger peer group.

Top Contributors (Absolute)	Sector
BHP Group	Materials
Commonwealth Bank	Financials
Macquarie Group	Financials
Top Detractors (Absolute)	**Sector**
Austal	Industrials
Regis Healthcare	Health Care
Lindsay Australia	Industrials

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

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