Prime Value Emerging Opportunities Fund Update – August 2023

- Soft Chinese economic conditions led to broad based weakness in global shares in August.
- The fund's return was -1.2% for the month of August, 0.1% better than the Small Ordinaries Accumulation Index return of -1.3%. Most companies reported their financial results in August. The economy has softened but cyclical company results were not as bad as feared.
- We are honoured the fund was nominated as 1 of 3 finalists in the upcoming 2023 Zenith Fund Awards. We won it last year and recognise it's rare to win consecutively so have modest expectations this year. As Carlton & Essendon supporters we're rapt just to make the finals.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**11.5%**	8.0%	3.5%
7 Years (p.a.)	**9.5%**	8.0%	1.5%
5 Years (p.a.)	**10.6%**	8.0%	2.6%
3 Years (p.a.)	**8.8%**	8.0%	0.8%
1 Year	**4.5%**	8.0%	-3.5%
3 Months	**4.6%**	2.0%	2.6%
1 Month	**-1.2%**	0.7%	-1.9%

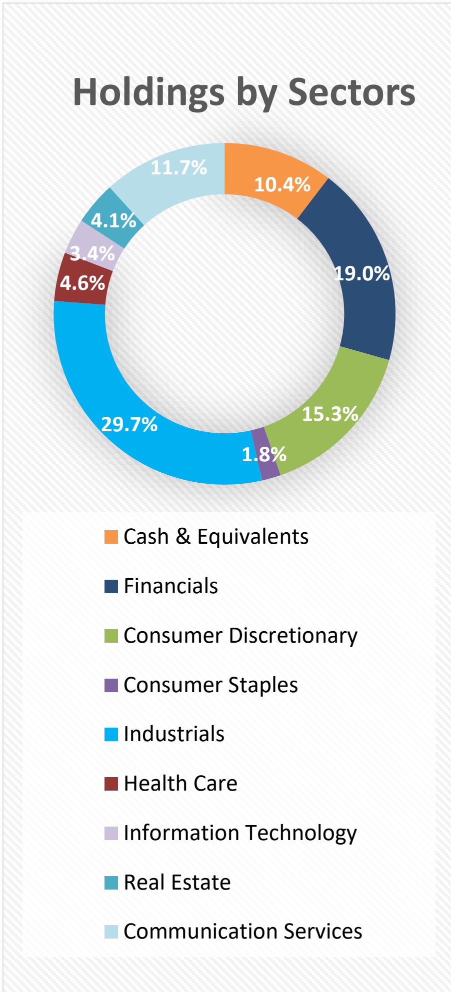
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not necessarily 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%)	4.7%	0.2%	(1.7%)	3.2%	0.2%	(0.8%)	3.4%	0.4%	2.9%	**13.7%**	**132.6%**
FY 2024	2.9%	(1.2%)											**1.6%**	**136.4%**

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
EQT Holdings	Financials
IPH Limited	Industrials
Kelsian Group	Industrials
News Corporation	Communication Services

* The top five holdings make up approximately 23.8% 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 Ratings	Zenith – Recommended Lonsec – Recommended

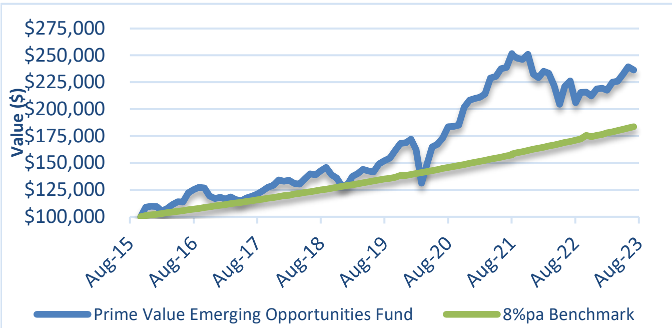


Market review

Global shares were broadly lower in August. The MSCI Developed Markets Index fell in August (-1.7%), while the S&P500 Index also lost momentum (-1.6%) in a weak month for global equities. Emerging market equities were notably weak with the MSCI Asia ex Japan Index -4.7%, largely led by broad-based declines in the Chinese stock market. The Chinese economy has weakened more than expected in recent months, raising concerns of structural issues with the economy. Weak Chinese sentiment flowed over to weakness in Australian commodity related stocks and the Australian Dollar.

Australian 10-year yields fell 2 basis points across August to 4.03%, remaining relatively unchanged after the RBA continued its pause of rate hikes at 4.10%. US 10-year bond yields also sold off, increasing 14 basis points from 3.95% to 4.09%, on the continuation of US Federal Reserve's hawkish tone. The strengthening US Dollar coupled with escalating long-end yields has put gold in a weaker position, leaving gold's slight recovery in late August at risk of being tested. Oil prices remain near recent highs, supported by the large US crude oil inventory draw and concerns around Gabon's oil production following a military coup, although several producers have reported no impact on production.

The ASX300 Accumulation Index rallied off intra month lows but did close 0.8% lower in August. The catalyst was July headline CPI data that was surprisingly dovish and better than expected retail sales data. Discretionary, Real Estate and Energy were the notable sector leaders and contributors for the month, whilst Utilities, Staples and Technology sectors lagged. All size biased indices closed lower, with small/mid-caps the worst performing. Industrials on average fared better than Resources. A-REITS (+1.6%) were an outlier given still elevated bond yields.



This graph shows how $100,000 invested at the Fund's Inception has increased to $236,400 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $183,700 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
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$1.9486
Withdrawal price	$1.9330
Distribution (30/06/2023)	$0.0258
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

Fund review & strategy

The fund returned -1.2% in August, 0.1% better than the Small Ordinaries Accumulation Index return of -1.3%.

August was reporting season when most companies report their financial results for the period to June 30. Broadly speaking, shares prices follow earnings so it is a critical time to assess how a company is performing and how it is likely to perform in future. We met with over 100 companies during this period.

It is clear the economy is softening, which is to be expected after multiple rate rises that started in May 2022. As you would expect. the more cyclical sectors are experiencing the toughest conditions, namely media (advertising), retail and residential housing. Advertising softened from late 2022 while retail took another c. 3-6 months to be impacted (depending on the category).

Residential housing impacts were staggered with house prices softening first in mid 2022, which flowed through to weak listing volumes (houses for sale), followed by weakening household goods demand and more recently softer construction activity. Interestingly these are starting to improve in the same order with house prices starting to rise moderately c. 6 months ago, which has flowed through to higher listing volumes recently. Should this be sustained, it's likely household goods purchases and construction activity will also improve.

Cost pressures were a feature in reported results but are easing. It's easier to find employees and staff turnover is reducing. Shipping rates are typically at or below pre-covid levels after increasing c. 500% previously. Many are reporting manufacturing costs out of China have reduced. These easing pressures are being reflected in softening inflation data globally and locally which is a positive sign in that it reduces upward pressure on interest rates.

The rearview is interesting insofar as it helps assess implications for future performance. Kelsian reported a result below expectations due to challenges sourcing labour, however we view this as a short-term issue and increased our holding after the stock fell. Sourcing drivers of their buses is becoming easier and should result in an earnings uplift in 2024. The business is relatively defensive, its US acquisition was surprisingly strong and valuation is compelling in our view.

EQT's result featured solid organic revenue growth (+8%) but even stronger cost growth (nb wages) that resulted in lower margins, as expected. Looking forward, the company is investing in technology to automate processes that reduce the need for labour as it grows. Additionally, significant synergies from a recent acquisition and the exit from its loss-making UK/Ireland operations means the outlook for future margins is positive. For a high quality, long duration earnings stream with accelerating earnings growth, a valuation multiple below market appears very attractive. We increased our holding in EQT.

We are finding some very attractive investment opportunities in the current market. Businesses with defensive and growing earnings streams are trading at attractive valuation multiples.

Top Contributors (Absolute)	Sector
News Ltd	Communication Services
AUB Group	Financials
Regis Healthcare	Healthcare
Top Detractors (Absolute)	**Sector**
Iress	Information Technology
Omni Bridgeway	Financials
Kelsian	Industrials

Platforms
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North

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