Prime Value Emerging Opportunities Fund Update – December 2022

- A soft end to the year in December, in year where most asset classes, including bonds and shares, fell.
- The fund's return was -1.7% in December, 2.0% better than the Small Ordinaries Accumulation Index of -3.7%.
- It was a tough end to a tough year. Our entire focus is generating a positive investment return however in equity investing there are good years and bad years. The positives from 2022 include; 1) company valuations are now more attractive, and 2) the fund's 2022 return of -15.4% outperformed the Small Ords by 3.0% and the Small Industrials by 6.4%, the fund's 5th consecutive year outperforming both indices.

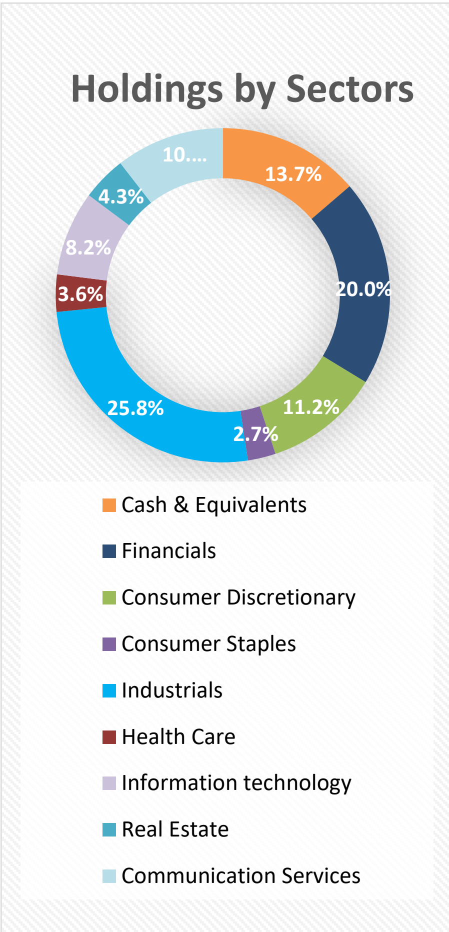
	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.0%	8.0%	3.0%
7 Years (p.a.)	9.9%	8.0%	1.9%
5 Years (p.a.)	9.6%	8.0%	1.6%
3 Years (p.a.)	7.9%	8.0%	-0.1%
2 Years (p.a.)	0.9 %	8.0%	-7.1%
1 Year	-15.4%	8.0%	-23.4%
3 Months	3.0%	2.0 %	1.0%
1 Month	-1.7%	0.7%	-2.4%

* 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%)	4.7%	0.2%	(1.7%)							**3.7%**	**112.2%**

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
EQT Holdings	Financials
IPH Limited	Industrials
Kelsian Group	Industrials
NIB Holdings	Financials

* The top five holdings make up approximately 23.1% of the portfolio



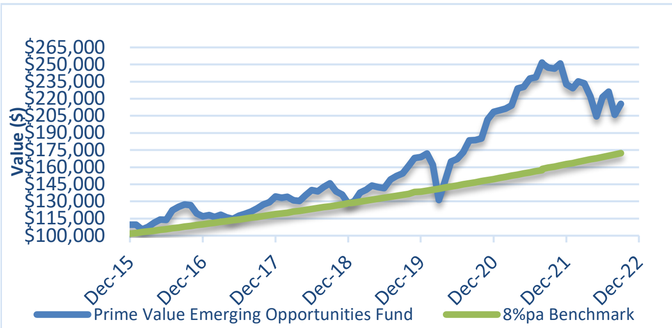
Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 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

As expected, market liquidity in December was thin, with large option-related flows playing a dominant role and pinning the US market (S&P 500 Index) around the 3800 level. But notwithstanding these influences, equities weakened in December. Emerging markets (EMs) outperformed developed markets (DMs), with Chinese re-opening supportive and a subdued US Dollar supporting EM equities and non-oil commodity prices. Evidence of slowing activity growth, especially in the US housing market, weighed on the earnings outlook for DM equities and oil prices.

During the month the Australian 10-year bond yield increased by 52bps, whilst the Australian Dollar appreciated 1.3% against the US Dollar. The RBA lifted the cash rate by 25bps to 3.10% in December.

The ASX300 Index declined 6.0% in 2022. When you add dividends, the decline in the ASX300 Index was a more modest 1.8%. The returns for Australian equities were significantly better than US equities, where the S&P500 price index fell 19.4% or 18.1% including dividends. The small decline in Australian stocks was due to the fall in PE's as real bond yields rose. Aggregate earnings for Australian equities rose over 20% in 2022, but the fall in PE's was larger and also more than offset the 4.3% dividend yield. Over the last 10 years, Australian equities have returned 8.6% with just over half coming from dividends. Australian stocks also outperformed in December, with the ASX300 Index down 3.3%, less than the 5.9% decline in US equities. The relatively good returns for Australian equities were driven by higher exposure to Banks and Resources, plus a lower exposure to Technology relative to the S&P500 Index.



This graph shows how $100,000 invested at the Fund's Inception has increased to $212,200 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $174,600 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	$1.7663
Withdrawal price	$1.7592
Distribution (31/12/2022)	$0.0346
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

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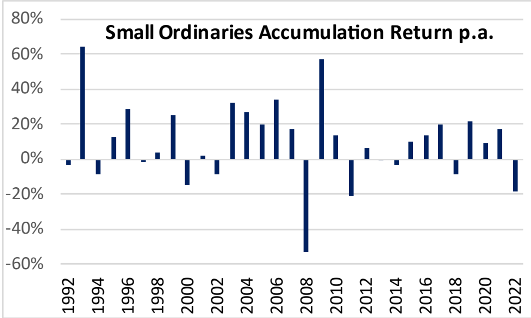
Fund review & strategy

The fund's return was -1.7% in December, 2.0% better than the Small Ordinaries Accumulation Index of -3.7%.

It was good to see the end of a tough year for equities in 2022. Rising inflation resulted in higher interest rates that impacted valuations, particularly small industrial companies (the fund's focus). Equities generate strong long term returns however volatility is part of the trade-off. There are good years and bad years. Thankfully the good years far outnumber the bad years.

Historically markets have rebounded strongly after years like 2022 which was the 3rd worst in the last 20 years (chart below). But forecasting the timing is very uncertain. Global macro factors are a key driver which are notoriously difficult to forecast. Our best estimate is "sometime in 2023".



Two positives we can draw from 2022 are;

1) valuations are more attractive. The portfolio is relatively defensively positioned but we are opportunistically picking up quality cyclicals that have fallen significantly. They will rebound strongly and quickly when the outlook is more positive. With the potential to double or more we are happy to patiently hold these as timing the bottom is almost impossible.

2) the fund outperformed the relevant indices by a reasonable margin (table below). 2022 was the 5th consecutive year of outperformance against both indices (Small Ords & Small Industrials). This reflects a high level of consistency across a very volatile period for markets. The fund's risk (std deviation) is strong at 17% below both indices over the 5 years.

Yr to Dec, % return	2018	2019	2020	2021	2022	5 yr p.a
Em Opp Fund	**-1.3**	**31.8**	**23.4**	**20.3**	**-15.4**	**10.3**
Small Ords Accum	-8.6	21.4	9.2	16.9	-18.4	2.9
Relative	***+7.3***	***+10.4***	***+14.2***	***+3.4***	***+3.0***	***+7.4***
Small Industrials Accum	-5.7	24.5	5.9	13.7	-21.8	2.0
Relative	***+4.4***	***+7.3***	***+17.5***	***+6.6***	***+6.4***	***+8.3***

Note: CY18 is based on May-Dec (at least 1 current portfolio manager). The fund also outperformed both indices over the 12 mths of 2018

While merely beating an index is not our focus, it does provide confidence in long term returns. Small cap equities are fantastic compounders of wealth so generating higher than market returns over long periods should generate very strong investment returns.

Top Contributors (Absolute)	Sector
Lindsay	Industrials
NIB Holdings	Financials
Kelsian Group	Industrials
Top Detractors (Absolute)	**Sector**
Omni Bridgeway	Financials
Austal Limited	Industrials
Shine Justice	Consumer Discretionary

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

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