Prime Value Emerging Opportunities Fund Update – February 2023

- February was a weak month for markets globally as central banks re-asserted a hawkish tone.
- The fund's return was +0.2% in February, 3.9% above the Small Ordinaries Accumulation Index of -3.7%.
- The fund's strong relative performance against the index in February (+3.9%) followed relative underperformance in January (-3.0%). Returns were positive in both months and it feels like the fund is steadily moving upward while the market bounces around it as risk appetite ebbs & flows. This financial year the fund has returned +7.2% and been positive in 6 of 8 months despite fears of inflation and rising interest rates.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.2%	8.0%	3.2%
7 Years (p.a.)	11.1%	8.0%	3.1%
5 Years (p.a.)	10.4%	8.0%	2.4%
3 Years (p.a.)	10.6%	8.0%	2.6%
1 Year	-4.3%	8.0%	-12.3%
3 Months	1.6%	1.9%	-0.3%
1 Month	0.2%	0.6%	-0.4%

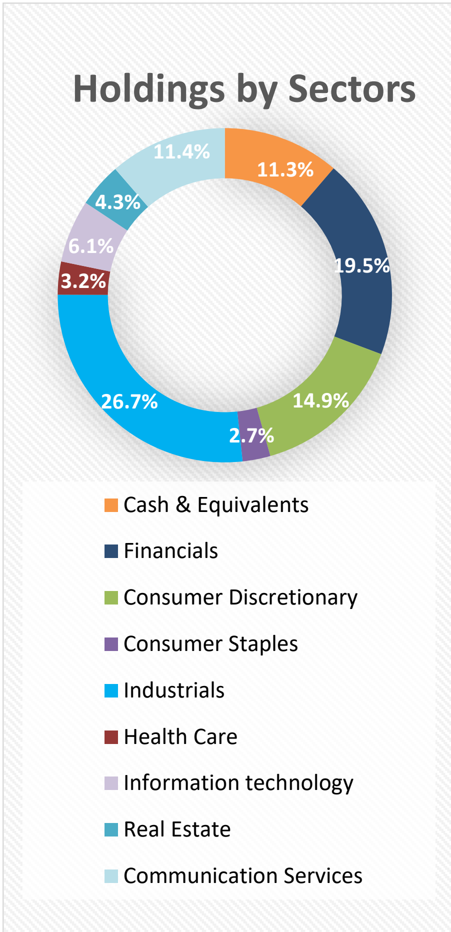
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not necessarily 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%					**7.2%**	**119.4%**

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

* The top five holdings make up approximately 24% 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



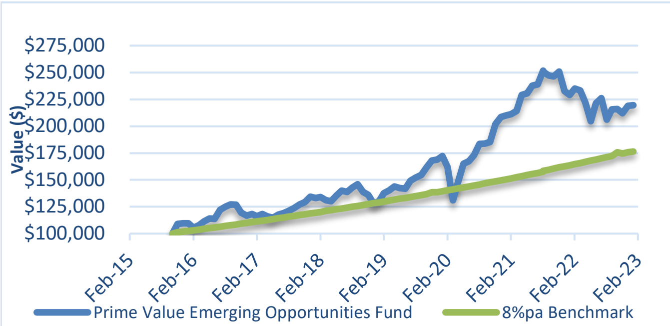
Market review

February was a weak month for equities, as company results illustrated declining earnings momentum. The MSCI Developed Markets Index fell (-1.5%), and the S&P500 Index also lost momentum (-2.4%) in local currency terms. Emerging markets underperformed Developed Markets, falling (-4.3%) across the month.

The RBA began the month with a more hawkish tone outlining their intention to take interest rates further. Australian 10-year bonds fell in reaction to tightening monetary policy, with yields rising 30bps to 3.86%. US 10-year bonds also fell with yields rising 39bps to 3.92%, in reaction to stronger than expected economic data.

Commodity prices generally weakened in February, driven by the strength of the US Dollar amid higher than-expected inflation statistics. Precious metals retraced on higher interest rates, with gold falling -5.2% to US$1,828/oz. Oil prices were fairly steady, with brent down less than 1% to US$83.89/bbl.

Following a positive start to calendar year 2023, the ASX retraced some of January's gains to close lower in February by -2.6%. Materials and Financial stocks dragged index returns lower. Within Financials however, Insurers were a bright spot assisted by strong performances from QBE and Medibank. Large caps were a drag on index performance with BHP the largest single stock detractor followed by the Banks (these were strong performers in 2022). Reporting season was a focus in February when companies reported their financial results for the 6 months ending December 2022. Earnings per share beats were only slightly ahead of misses and guidance statements were on balance negative. Some retailers reported slower sales growth in the new year but in aggregate there was not clear evidence of a sharp and broad-based slowing in consumer spending.



This graph shows how $100,000 invested at the Fund's Inception has increased to $219,400 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $176,400 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	$1.8330
Withdrawal price	$1.8184
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

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street, Melbourne
VIC 3000
Phone: 03 9098 8088

Fund review & strategy

The fund's return was +0.2% in February, 3.9% above the Small Ordinaries Accumulation Index of -3.7%.

The fund's strong relative performance in February (+3.9%) followed relative underperformance (-3.0%) in January. Returns were positive in both months and it feels like the fund is steadily moving upward while the market is bouncing around it as risk appetite ebbs and flows. The fund has delivered a positive return in 6 of the 8 months this financial year (index 4 of 8) despite fears of inflation and rising interest rates.

We continue to hold a portfolio of stocks which individually are high quality, all are profitable and most we consider structurally growing with less dependence on the economic cycle. The equity we own in this group of companies should grow in value over coming years and provide a reasonable dividend stream along the way. Less certain is market sentiment and how this value is reflected in stock prices in the short term. We hold stocks for an average of 4 years which reflects our belief in the power of compounding wealth through the patient ownership of quality assets that grow in value over time.

With February marking the 3 year anniversary of markets first being impacted by covid, it is interesting to look back at asset returns over this time. Most asset prices are higher, benefitting from significant monetary and fiscal stimulus e.g. large cap equities, commodities, residential property and even bitcoin, used cars, wine & watches. With this stimulus being withdrawn over the last 12 months, many assets have been falling in value. One asset class that is already below its pre-covid high is small industrial equities, in which the Emerging Opportunities Fund specialises. It appears reasonable to draw the conclusion that this asset has already deflated and there are attractive opportunities available. This is reflected in valuations with small industrial valuations at 20 year lows relative to large industrials.

In small cap equities there are 2 main sectors; Small Resources (mining companies) and Small Industrials (non-mining companies). Relative to pre-covid (Feb '20), the Small Resources Accumulation index is +40%, while the Small Industrials Accumulation is -8%. As the Emerging Opportunities Fund does not invest in mining, this has been a significant headwind to relative performance over the last 3 years. Despite this the fund has outperformed the index which combines both sectors (Small Ordinaries Accumulation) by 6% p.a. (after fees) over 3 years. When markets turn and small industrials come back into favour, we believe the fund is well positioned to deliver strong returns.

At the stock level there are many opportunities that highlight the value on offer. One of the largest holdings in the fund is EQT Holdings, a trustee business founded in 1888. It is a high quality, resilient business with a diverse, growing customer base that we expect to grow for decades to come. EQT's earnings per share is expected to be 50% higher in FY25 than in FY19 yet the stock price is currently 20% lower than 2019. At some point this value creation will be reflected in a significantly higher stock price and the fund will benefit. Good things come to those who wait…

Top Contributors (Absolute)	Sector
AUB Group	Financials
Kelsian	Industrials
Helloworld	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
Omni Bridgeway	Financials
News Corp	Communication Services
Shine Justice	Consumer Discretionary
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North	

Contact details:

Andrew Russell - Director, Investor Relations
arussell@primevalue.com.au

Daniel Leong – Director, Investor Relations
daniel.leong@primevalue.com.au