Prime Value Emerging Opportunities Fund Update – January 2023

- Stabilising recessionary expectations and easing rate hike fears saw equities rally strongly in January.
- The fund's return was +3.2% in January, 3.4% below the Small Ordinaries Accumulation Index of +6.6%.
- 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*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.3%	8.0%	3.3%
7 Years (p.a.)	10.4%	8.0%	2.4%
5 Years (p.a.)	10.5%	8.0%	2.5%
3 Years (p.a.)	8.4%	8.0%	0.4%
2 Years (p.a.)	2.1%	8.0%	-5.9%
1 Year	-5.8%	8.0%	-13.8%
3 Months	1.6%	2.0%	-0.4%
1 Month	3.2%	0.7%	2.6%

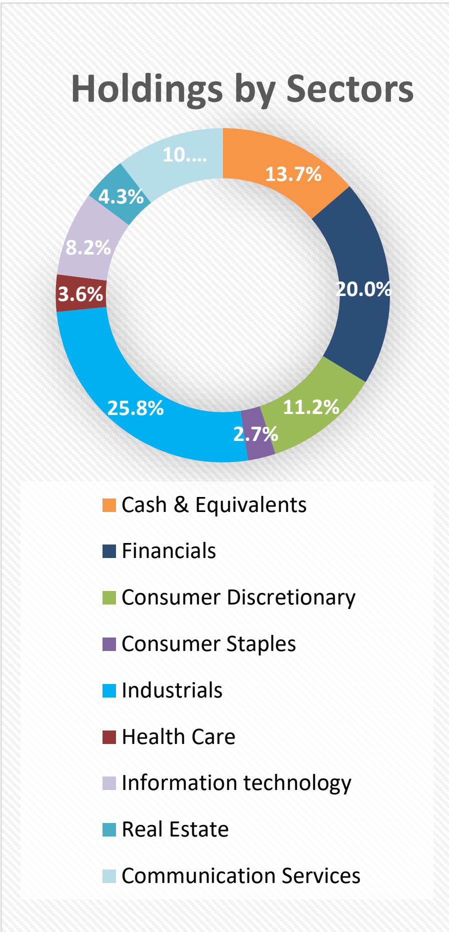
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%)	4.7%	0.2%	(1.7%)	3.2%						**7.0%**	**119.0%**

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

* The top five holdings make up approximately 23.9% 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



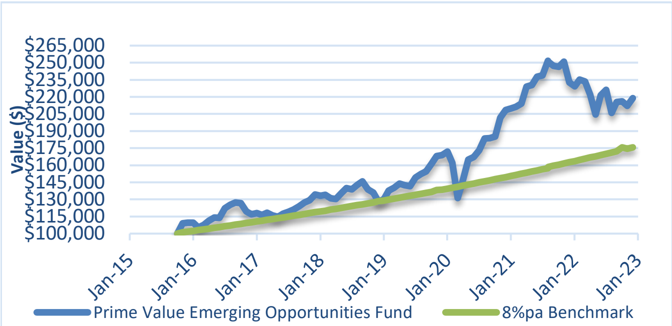
Market review

Equities 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 $219,000 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $175,700 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	$1.8302
Withdrawal price	$1.8156
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 +3.2% in January, 3.4% below the Small Ordinaries Accumulation Index of +6.6%.

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 are a sector in which the fund does not invest 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 **Helloworld** (HLO +33.6%), **Pinnacle** (PNI +19.1%) and **Breville** (BRG +23.2%). Key detractors were **Austal** (ASB -20.2%), **Regis Healthcare** (REG -7.2%) and **Lindsay Australia** (LAU -7.2%).

Helloworld (HLO) shares rebounded following a sharp decline in November that was caused by the sale of Qantas' remaining 12.4% stake in the company. In the meantime, the company announced a trading update suggesting that the travel recovery is well underway.

Pinnacle (PNI) benefited from strong global equity markets as an investment manager with a heavy exposure to equity, with limited news flow other than the flagging of limited performance fees to be earned in the 1H23 period.

Breville (BRG) similarly had no news flow during the month, but was supported by the strong performance of Retail stocks.

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.

We have noted in recent months that the fund is defensively positioned, with plenty of cash on hand to deploy when market opportunities arise. To that end, we added two stocks to the portfolio in January that we believe will provide strong leverage to a rising market should economic conditions prove to track better than expectations.

Top Contributors (Absolute)	Sector
Helloworld Travel	Consumer Discretionary
Pinnacle Investment Management	Financials
Breville Group	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
Austal	Industrials
Regis Healthcare	Health Care
Lindsay Australia	Industrials
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North	

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