Prime Value Opportunities Fund
Fund Update – December 2022

- A soft end to the year in December, in year where most asset classes, including bonds and shares, fell.
- The Australian share market fell 3.3% in December but a modest 1.8% (including dividends) in 2022. Better performing resources and banks stocks, and a high dividend yield, helped offset declines elsewhere in 2022.
- The Fund declined 3.4% in December, posting a better second half of the year compared to the first half.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**9.4%**	8.0%	1.4%
7 Years (p.a.)	**6.3%**	8.0%	-1.7%
5 Years (p.a.)	**5.7%**	8.0%	-2.3%
3 Years (p.a.)	**5.3%**	8.0%	-2.7%
2 Years (p.a.)	**3.6%**	8.0%	-4.4%
1 Year	**-10.8%**	8.0%	-18.8%
3 Months	**5.3%**	2.0%	3.3%
1 Month	**-3.4%**	0.7%	-4.1%

* 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). 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.

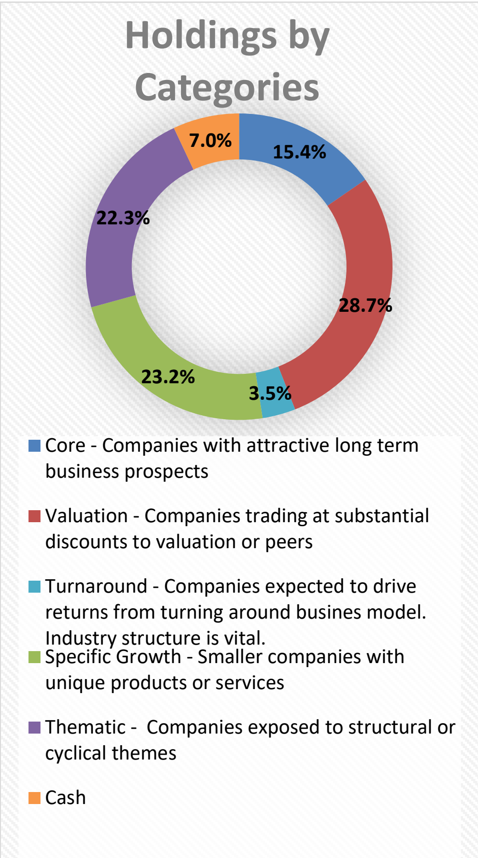
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**4.6%**	**44.9%**
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	**14.9%**	**66.5%**
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%	(1.2%)	1.2%	**6.3%**	**77.0%**
FY 2018	(1.2%)	1.0%	0.4%	4.2%	1.6%	0.4%	(0.2%)	2.5%	(2.5%)	3.0%	2.1%	2.4%	**14.3%**	**102.4%**
FY 2019	1.7%	2.6%	(1.9%)	(8.2%)	(1.9%)	(1.8%)	3.2%	3.4%	0.2%	2.9%	0.3%	2.6%	**2.5%**	**107.5%**
FY 2020	2.9%	(2.3%)	0.2%	1.0%	3.0%	(2.0%)	4.9%	(5.8%)	(16.8%)	8.0%	5.4%	3.0%	**(1.1%)**	**105.2%**
FY 2021	1.6%	4.1%	(3.6%)	0.5%	7.9%	2.1%	(0.1%)	2.3%	1.5%	4.6%	1.3%	3.0%	**27.7%**	**162.0%**
FY 2022	0.9%	3.9%	-1.4%	0.3%	0.6%	1.9%	(7.3%)	(2.5%)	5.7%	-0.3%	-4.8%	-7.9%	**(11.2)%**	**132.6%**
FY 2023	6.5%	1.8%	-6.5%	4.8%	4.1%	-3.4%							**6.7%**	**148.3%**

Top five holdings	Sector
CSL Limited	Health Care
National Australia Bank	Financials
Commonwealth Bank	Financials
Macquarie Bank	Financials
AUB Group	Financials

The top five holdings make up approximately 30.6% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8.0% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure#	0 - 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended

The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

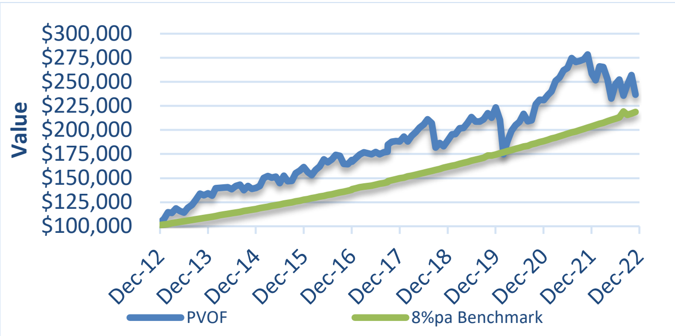


Market review

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 efforts 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%. Including dividends, the S&P500 fell 18.1% in CY22. The small decline in Australian stocks was due to the fall in PEs as real bond yields rose. Aggregate earnings for Australian equities rose over 20% in 2022, but the fall in PEs 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 dividend yields. 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 $236,700 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a $100,000 investment would have increased to $218,700 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.

Fund review and strategy

The Fund fell 3.4% in December (marginally lower than the ASX300 Accumulation Index's 3.3% decline), and -10.8% for the calendar year, in challenging market conditions. Whilst we never like posting negative absolute returns for our investors, the Fund posted a better second half for the year, gaining 6.7% compared to a decline of 16.5% the first half of 2022.

The key differential between Fund and the ASX300 Accumulation Index performance in 2022 was the heavy influence of resources stocks within the ASX300 Index. Commodities as an asset class appreciated over 20% in 2022 with the three major Australian resources companies BHP, Fortescue and Rio Tinto very strong performers over the past 12 months. These three companies rose an average of 28.9% compared to the market which declined by 1.8%. The Fund certainly got the directional call on resources correct through our holdings in BHP, Mineral Resources and Oz Minerals but perhaps did not push far enough. We view resources companies as a source of alpha and a great option for the Fund. We have been investors in resources companies since the Fund's inception, but we are also aware of the downside risks of resources companies should we make a mistake. For this reason, we have always held a smaller proportion of our investments in resources companies compared to the market as we seek to protect the Fund's downside—consequently, the Fund's lower resources weighting is reflected in the Fund's smaller drawdowns and faster recovery.

If 2022 was about interest rates and inflation, the three largest contributors to fund performance in December 2022—pharmaceutical products distributor EBOS (+8.1%), health insurer NIB Holdings (+6.2%) and bus company Kelsian Group (+4.9%)—are reflective of the types of companies we sought to own as we positioned the Fund for a challenging year in 2022. We believe these are well managed companies operating with positive industry structures. This has allowed these companies to exert pricing power when inflation boomed or able to sustain pricing power by their value-add products or services. Consequently, all three companies had posted profit growth in 2022, even as the Australian economy softened, and are well positioned to continue growing for the next consecutive years.

Outlook: In recent weeks, investors were presented with data that pointed to a potential inflation peak. Consequently, sentiment toward risk assets improved. We are not positioned to make a call on inflation, but it seems reasonable to expect the combination of base effects, the quick pace of tightening financial conditions, and slowing economy should lead to decelerate inflationary pressures in 2023. Portfolio turnover has been limited in the past few months but the Fund is positioned across a number of sectors, and to take advantage of changing market conditions through 2023.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.6381	$ 1.6133
Withdrawal price	$ 1.6257	$ 1.6010
Distribution (31/12/2022)	$ 0.0462	$ 0.0445
Indirect Cost Ratio (ICR)*	0.95% p.a.	0.95% p.a.
Performance fee**	15%	15%

* 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 a high water mark

Top contributors (absolute)	Sector
EBOS	Healthcare
NIB Holdings	Financials
Kelsian Group	Industrials

Top detractors (absolute)	Sector
Commonwealth Bank	Financials
National Australia Bank	Financials
CSL Limited	Healthcare

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap