Prime Value Opportunities Fund
Fund Update – September 2023

- Higher bond yields, oil prices and sticky headline inflation data cumulatively resulted in markets cautiousness through September.
- The ASX300 Accumulation Index fell 2.9% in September with the energy sector outperforming against underperformance amongst longer duration stocks.
- The Fund fell by 2.8% in September and is up 0.1% for the quarter.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.0%	8.0%	1.0%
10 Years (p.a.)	7.2%	8.0%	-0.8%
7 Years (p.a.)	5.7%	8.0%	-2.3%
5 Years (p.a.)	4.3%	8.0%	-3.7%
3 Years (p.a.)	7.0%	8.0%	-1.0%
1 Year	8.5%	8.0%	0.5%
3 Months	0.1%	2.0%	-1.9%
1 Month	-2.8%	0.6%	-3.4%

* 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.

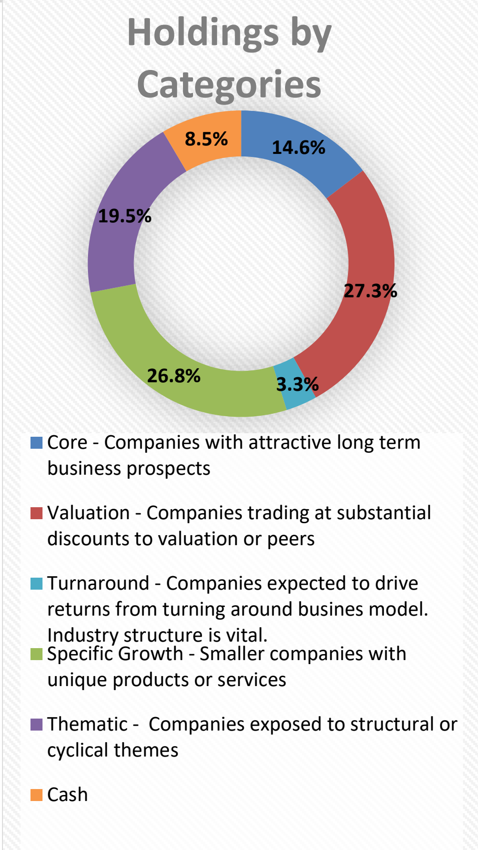
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**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%	5.5%	(1.3%)	(1.9%)	1.3%	(2.0%)	1.9%	**10.0%**	**155.8%**
FY2024	2.5%	0.4%	(2.8%)										**0.1%**	**155.9%**

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

The top five holdings make up approximately 35.6% 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

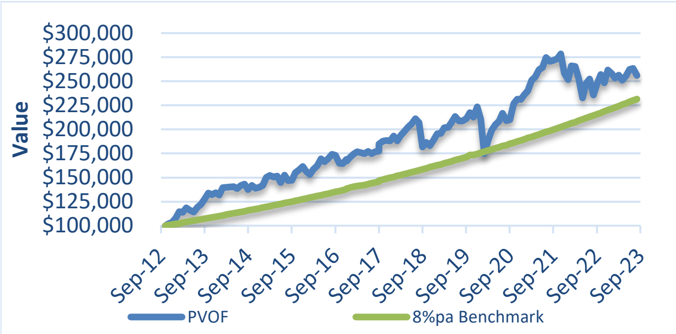


Market review

The MSCI Developed Markets Index fell (-3.7%) over September, while the S&P500 Index also lost momentum (-4.8%) in a weak month for equities. Declines were driven mainly by the rise in 10-year bond yields due to a mix of higher oil prices, an increase in headline inflation and an expectation that more US Federal Reserve rate hikes might be needed to contain inflation. Australian 10-year yields rose 46 basis points in September to 4.49%, reaching the strongest levels since Oct-2011. US 10-year yields also sold off, moving 49bps from 4.09% to 4.57%, on the continuation of the US Federal Reserve's hawkish tone despite holding in the September policy meeting.

Commodity prices were mixed over the month. Brent Oil rose by US $8.45 to US$95.31/bbl, on a resilient US economy and bullish demand sentiment around China over Golden Week holidays. Iron ore prices held steady, rising by US$2.00 to US$119.50/Mt, however depressed rebar prices and spreads signal softening steel demand by China. Gold prices fell on a stronger US Dollar, falling by US$71.80 to US$1,871.

The ASX300 Accumulation Index fell 2.9% in September and posted the first negative quarter since June 2022. Like the S&P500 Index, the ASX has posted two consecutive negative months. Compositionally, the mix was similar, with energy and insurance sectors outperforming, and growth sectors like technology and healthcare underperforming. Interestingly, Australian banks were among the outperformers whilst select mining stocks underperformed despite a recovery in iron ore prices on Chinese stimulus optimism. Resources on average outperformed Industrials, while large caps outperformed mid-and small-cap indices. We observe that the softer market performance follows lower market aggregate earnings emerging from the August results season with the lagged effects of monetary tightening coming into focus as the impact broadens out across key sectors.



This graph shows how $100,000 invested at the Fund's Inception has increased to $255,900 (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 $231,500 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 (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.6432	$ 1.6178
Withdrawal price	$ 1.6308	$ 1.6056
Distribution (30/06/2023)	$ 0.0453	$ 0.0449
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

Fund review and strategy

The Fund fell 2.8% in September, compared to the ASX300 Accumulation index's 2.9% decline. The Fund ended the September quarter up 0.1% compared to the ASX300 Accumulation's 0.9% decline. The Fund's robust September quarter performance was underpinned by a strong August reporting season for many of our key portfolio holdings; and was despite short term headwinds due to investors' concerns of higher bond yields late in the quarter. The best contributors to fund performance in September were conglomerate Seven Group (+11.4%), oil and gas company Santos (+3.0%) and insurer QBE (4.9%). The largest detractors in September were CSL (-8.3%), leading industrial property owner Goodman Group (-8.2%) and health insurer NIB Holdings (-10.7%).

Seven Group has largely remained under the radar for a long period of time, partly due to the relatively low liquidity of the stock. Despite Seven's large market capitalisation, the company was seen as a small cap company until more recently. It's the quirk of indices that companies such as Seven are deemed as a small cap company mainly because of its low free float despite its large market capitalisation. For us, being benchmark agnostic, it meant an opportunity to invest in an undervalued company that has been significantly re-rated up since our initial investment. Seven consists of Caterpillar supplier WesTrac and equipment hire business Coates. Recent results point to both businesses doing well – margins are improving which indicates a strong ability to price well into markets where demand is high. The conglomerate also owns stakes in listed companies Boral (70%), Beach Energy (30%) and Seven West Media (40%), as well as unlisted energy, media and property holdings. Of these investments, it is the recently acquired 70% stake in Boral that is the most material in terms of value creation for Seven. We estimate Seven is trading on a PE multiple of 13.5x FY24 earnings, which is at a substantial discount to the ASX300 Index—suggesting that Seven remains undervalued.

Goodman and NIB Holdings fell -8.2% and -10.7% (ex-dividends) respectively in the absence of stock specific news, despite pleasing results during their August reporting seasons.

Outlook: We have not changed our view that Australia's economic and corporate earnings growth to slow in the next 6 months, as the lagged impact of higher interest rates works its way through the economy. Offsetting these is the backdrop of good population and employment growth. The consumer has proven to be surprisingly resilient whilst the corporate sector is not over extended. Our investment process leads to be highly selective in our portfolio holdings but gives us flexibility to look across cycles to focus on opportunities such as Seven Group. We believe we will be rewarded for been opportunistic in the current market environment when most investors are focussed on the macro outlook.

Top contributors (absolute)	Sector
Seven Group	Industrials
Santos	Energy
QBE Group	Financials

Top detractors (absolute)	Sector
CSL	Healthcare
Goodman Group	Real Estate
NIB Holdings	Financials

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

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