Prime Value Emerging Opportunities Fund Update – September 2021

- Share markets were weaker in September due to concerns of slower economic growth and less accommodative central bank policy.
- The fund returned -0.3% in September, 1.8% above the Small Ordinaries Accumulation Index of -2.1% and 1.0% below the benchmark of +0.6% (8% p.a.). It was the fund's first negative return in 18 months but continued our 2¾ year run of outperforming in down markets.
- Despite the small fall in September returns remain strong at +5.6% in the first 3 months of the current financial year. Additionally recent volatility is providing some good buying opportunities. We have cash and have been buying some quality businesses at attractive prices.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	**16.6%**	8.0%	8.6%
5 Years (p.a.)	**14.5%**	8.0%	6.5%
3 Years (p.a.)	**19.8%**	8.0%	11.8%
2 Years (p.a.)	**27.4%**	8.0%	19.4%
1 Year	**36.4%**	8.0%	28.4%
3 Months	**5.6%**	2.0%	3.6%
1 Month	**-0.3%**	0.6%	-1.0%

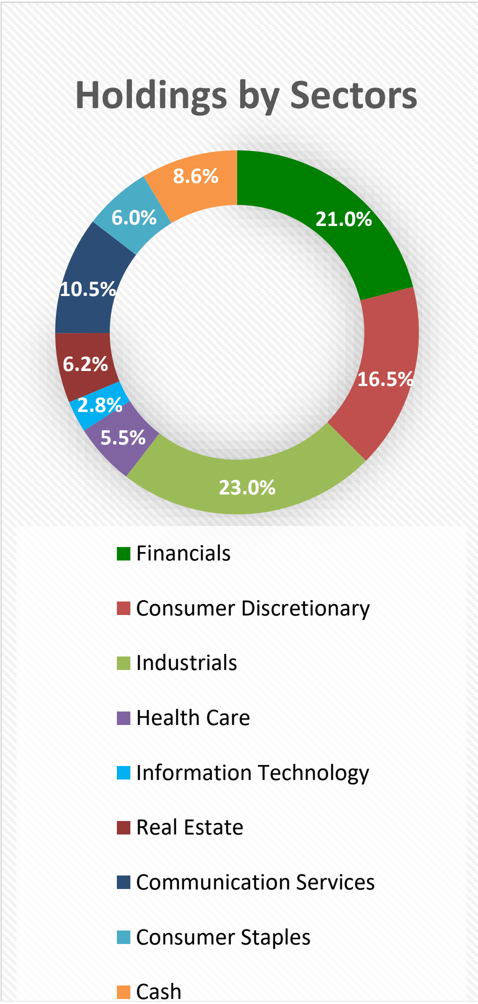
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns exclude the benefits of imputation credits. Past performance is 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%										**5.6%**	**150.8%**

Top five holdings (alphabetical order)	Sector
City Chic Collective	Consumer Discretionary
EQT Holdings	Financials
Mainfreight	Industrials
News Corporation	Communication Services
Uniti Group	Communication Services

* The top five holdings make up approximately 20.1% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers
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



Market review

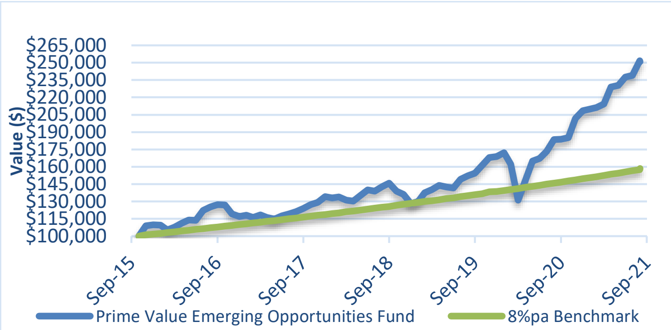
September was a weak month for global equity markets. The combination of slowing growth concerns, central banks looking to withdraw liquidity and renewed inflationary concerns sent markets lower. The Developed World Index declined 3.6% in local currency terms, largely driven by the S&P 500 Index which dropped 4.7%. European markets followed suit with a 3% decline, the UK -0.5% and Asia ex Japan -4%. Japan was an exception with the Nikkei Index +5%.

Global bond yields rose in September, with the US 10-year government bond yield rising 24 basis points to 1.52%. The rise in yields was driven by the US Federal Reserve increasingly signalling an earlier and faster tapering of asset purchases as well as increased fears of persistent inflation and supply chain issues.

Brent Oil prices rose US$6/bbl to US$79/bbl. However, iron ore prices collapsed from $US247/Mt to $US110$/Mt, of the back of slowing China crude steel demand. Interestingly, Gold prices saw a material drop, falling by US$72/oz to US$1,742/oz.

After 11 consecutive months of positive returns, the ASX300 Accumulation Index bucked the trend with -1.9% in September. Negative returns for the month was in-line with most other region, except Japan. We note that Australian share market returns remain strong, up more than 14% year-to-date, including dividends.

In terms of sector performance during September in Australia, Energy (+16.7%), Utilities (+2.5%), and Financials (+1.6%) outperformed. The sectors which underperformed the most were the Materials (-9.3%), Health Care (-4.9%) and Information Technology (-3.9%).



This graph shows how $100,000 invested at the Fund's Inception has increased to $250,800 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $158,500 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
APIR Code	PVA0013AU
Minimum Investment	$20,000
Issue price	$2.2333
Withdrawal price	$2.2155
Distribution (30/06/2021)	$0.0450
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

Fund review & strategy

The fund's return was -0.3% in September, above the Small Ordinaries Accumulation Index of -2.1% and below the benchmark of +0.6%.

Key positive contributors for the month were **Helloworld** (HLO +41.4%), **News Corp** (NWS +8.3%) and **City Chic** (CCX +5.9%). Key detractors were **Uniti Group** (UWL -10.8%), **Omni Bridgeway** (OBL -14.9%) and **United Malt** (UMG -9.1%).

3 negative issues have recently grabbed headlines; 1) falling iron ore price, 2) Chinese property market, specifically uncertainty around the developer Evergrande and 3) rising bond yields.

On the first 2 issues, it is important to note that the Emerging Opportunities Fund does not invest in mining companies nor in Chinese equities, so we are not directly exposed to these issues. We do have indirect exposure should they cause broader economic impacts to Australia and the global economy. However we are weighted towards less economically sensitive parts of the economy so it's likely the fund would be less impacted than the index, if these issues were to deteriorate.

On the 3rd issue of rising bond yields, this tends to impact asset valuations, particularly longer duration assets where a large proportion of the value is far into the future. In an equities context, most at risk are high growth companies that trade on very high near earnings multiples i.e. where most of the value is based on longer term earnings. We have relatively low exposure to this part of the market. For example, the technology sector is the poster child of "growth" and the portfolio's current weighting to the sector is 3% (index 9%). We are style agnostic but our bias is growth at a reasonable price (GARP) which means valuation plays an important part in the investment process.

The fund has outperformed the index every month of negative index returns since December 2018 (2¾ years), demonstrating a strong track record of downside protection. With cash ready to deploy, a period of volatility would present the opportunity to buy high quality businesses at attractive prices. This was illustrated in early 2020 with the covid downturn very beneficial to longer term returns (see chart on left). If an unlucky person had invested in the fund in January 2020, just prior to covid spreading globally, the return would have been +45% to September 2021 (20 months).

In summary, some risks have emerged recently. They don't currently appear significant however if the outlook was to deteriorate, we are well placed to limit downside and benefit longer term. We highlight the risks not because we are particularly concerned about the outlook but to reassure investors that our investment style is well suited to periods of volatility. Risks continually emerge and economies & markets find their way through. We are strong believers in wealth creation achieved by being part owners of high-quality businesses. Companies that are relatively defensive and have structural drivers of earnings growth typically increase in value over time. We remain confident in the long term outlook for the portfolio.

Top Contributors (Absolute)	Sector
Hello World	Consumer Discretionary
News Corporation	Communication Services
City Chic Collective	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
Uniti Group	Communication Services
Omni Bridgeway	Industrials
United Malt Group	Consumer Staples

Platforms
Netwealth, uXchange, Mason Stevens, Hub24

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