

Prime Value Emerging Opportunities Fund Update – December 2021



- Markets rallied in December, with most major global indices rising strongly, leading to 3 consecutive years of strong gains.
- The fund returned +1.8% in December, 0.4% above the Small Ordinaries Accumulation Index of +1.4%.
- 2021 was a solid year for the fund, returning +20.3% (after fees), 3.4% above the index return of +16.9%. This brings 3 year returns to 25.1% p.a., 9.4% above the index return of 15.7% p.a. A half year distribution of 5.25c per unit was paid in January (2.4% yield on price of \$2.16).

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	15.9%	8.0%	7.9%
5 Years (p.a.)	16.5%	8.0%	8.5%
3 Years (p.a.)	25.1%	8.0%	17.1%
2 Years (p.a.)	21.9%	8.0%	13.9%
1 Year	20.3%	8.0%	12.3%
3 Months	0.0%	2.0%	-2.0%
1 Month	1.8%	0.7%	1.1%

* 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.

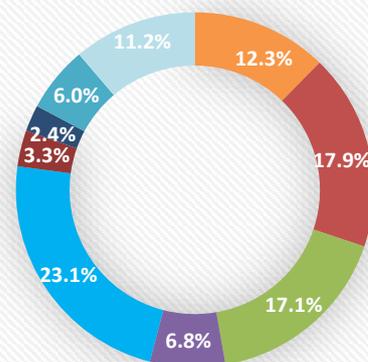
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	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%							5.6%	150.9%

Top five holdings (alphabetical order)	Sector
EQT Holdings	Financials
Mainfreight	Industrials
News Corp	Communication Services
NIB Holdings	Financials
Uniti Group	Communication Services

* The top five holdings make up approximately 18.5% 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
Research Rating	Zenith – Rated Lonsec - Rated

Holdings by Sectors



- Cash & Equivalents
- Financials
- Consumer Discretionary
- Consumer Staples
- Industrials
- Health Care
- Information technology
- Real Estate
- Communication Services

Market review

Global equity markets closed 2021 strongly. The MSCI World Index rose over 4% in December, leading to a third consecutive year of double-digit gains. The MSCI World Index returned 21% for the 2021 calendar year. US indices were buoyant through December with the S&P500 Index and the Dow Jones Index both rising 5% although the tech heavy NASDAQ Index posted a lacklustre +0.7% as investors rotated out of riskier names as the spectre of rising interest rates loomed large for investors. European stocks were equally positive with Europe's Stoxx 50 index returning +5.8% as investors looked through the short-term imposition of some lockdowns in a few countries.

Gold rose +3.08% in December but posted its first annual loss since 2019 at -3.64%. In a strong rebound from the omicron-induced plunge in November, oil surged +13.64% in December to reflect the market's recognition that economic activity remains strong despite the worsening COVID situation. Crude oil posted its biggest annual advance in over a decade in 2021, extending its longest streak of gains since February, starting December at US\$65/bbl and ending the month at just over US\$75/bbl.

The ASX300 Accumulation Index closed the year 17.5% higher with the barbell of Financials (+715bp) and Materials (+285bp) doing the heavy lifting. All sectors were positive, with the exception of Info Tech (-15bp). At a stock level, the banks were the top contributors to index returns with CBA (+221bp), NAB (+136bp), MQG (+133bp) and ANZ (+101bp) the top 4 stocks in the year.

After three consecutive months of negative returns, the market closed higher in the month of December, rising 2.65%. Sector level returns were volatile with strong positive and negative movements across sectors. Utilities was the best-performing sector (+7.9%) followed by Materials (+6.5%) while Info Tech (-5.3%) and Consumer Staples (-2.3%) fell the most. Mid-caps were preferred over small and large caps, and Resources outperformed Industrials across all size bias indices.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$250,900 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$161,600 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	\$2.1807
Withdrawal price	\$2.1633
Distribution (31/12/2021)	\$0.0525
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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Emerging Opportunities Fund must obtain and read the PDS dated January 2019 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Emerging Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review & strategy

The fund's return was +1.8% in December, 0.4% above the Small Ordinaries Accumulation Index of +1.4%. In 2021 the fund had a solid year returning +20.3%, 3.4% above the index (+16.9%). A strong mining sector provided a headwind to relative performance. Relative to the Small Industrials index, the fund outperformed by 6.6% (20.3% v's 13.7%).

Key positive contributors for the month of December were **AUB Group** (AUB +12.5%), **Omni Bridgeway** (OBL +13.2%) and **Hotel Property Investment** (HPI +8.4%). Key detractors were **City Chic** (CCX -8.5%), **Pinnacle** (PNI -5.5%) and **Redbubble** (RBL -7.4%).

Future market returns are exceptionally challenging to forecast and our record is no better than others. It is likely 2022 will see higher volatility as central banks are moving to a tightening phase. However we are excited by the investments in the portfolio. We are stock pickers and each holding in the fund must be attractive on its own merit. If attractive opportunities are not present, we hold cash.

The portfolio has a good balance across sectors and styles with holdings a mix of both growth and value. We continue to be in a changing environment making diversification and balance important. Our focus is generating solid returns across most markets conditions.

Markets have been slightly softer in recent months and short term focused. We have been using this as an opportunity to invest in companies that have structural growth drivers for the financial year 2023 year and beyond. Many of these have been softer on the expectation of weaker results in the current reporting period. By lifting our focus to the longer term we have been able to buy some very attractively priced stocks. Over the coming 6 - 12 months these structural drivers will come into focus and should be reflected in high share prices. Like planting seeds, in time we expect these investments to flower.

With a successful Ashes cricket series just completed, it's worth noting that Don Bradman only hit 6 "sixes" in his first class career. His batting average of 99.9 was achieved by hitting lots of singles and two's. We are no "Don" but our style is similar – we don't try to hit it out of the park either. Risk management and consistency is what we strive for. A large proportion of our personal wealth is invested in the fund, alongside our investors. We plan to manage this fund for many years and compound our capital over time. Naturally there will be ups and downs along the way but we are passionate about investing and committed to delivering the best returns we possibly can.

Lastly, we would like to wish you all a Happy New Year and thank you for your support over 2021. Trusting us to manage your capital is an honour and we are grateful. We love our job and feel privileged by the role we have as stewards of a meaningful pool of capital.

Top Contributors (Absolute)	Sector
AUB Group	Financials
Omni Bridgeway	Industrials
Hotel Property Investments	Real Estate
Top Detractors (Absolute)	Sector
City Chic Collective	Consumer Discretionary
Pinnacle Investment	Financials
Redbubble	Consumer Discretionary
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama	

Contact details:

Alyssa Hennessy, Riza Crisostomo, Julie Abbott, & Dora Grieve
Client Services Team
Phone: 03 9098 8088 Email: info@primevalue.com.au