

Prime Value Growth Fund

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 +2.2% in December, 0.5% below the ASX300 Accumulation Index of +2.7%.
- 2021 was a solid year for the fund, returning +19.9%, 2.4% above the ASX300 Accumulation return of +17.5%. This brings 2 year returns to +14.8%, 5.4% above the index and returns since inception of 11.2%, 2.7% above the index.
- A half year distribution of 4.75 cents per unit was paid in January, a yield of 2.4% on the month end closing price (\$1.96).

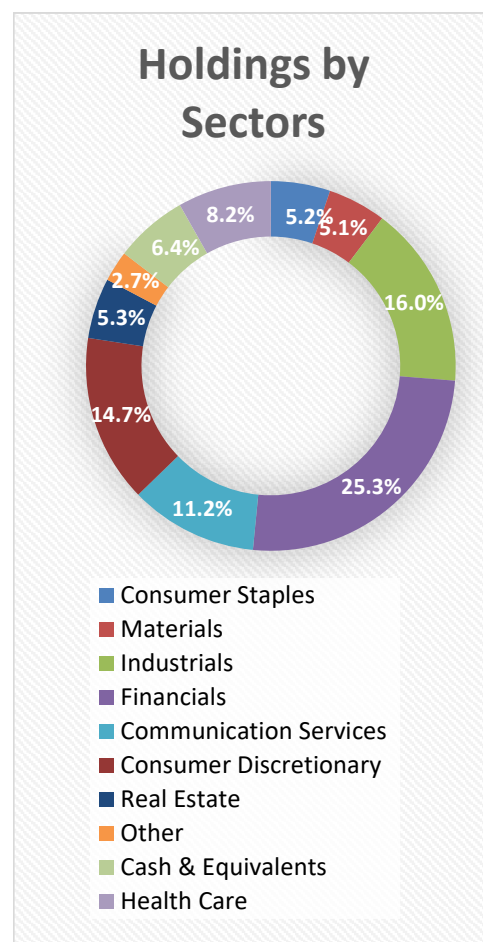
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	11.2%	8.5%	2.7%
5 Years (p.a.)	8.5%	9.9%	-1.4%
3 Years (p.a.)	13.8%	14.0%	-0.2%
2 Years (p.a.)	14.8%	9.4%	5.4%
1 Year	19.9%	17.5%	2.4%
3 Months	0.6%	2.2%	-1.6%
1 Month	2.2%	2.7%	-0.5%

*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) standards. 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.

Top five holdings	Sector
BHP Group	Healthcare
CSL Limited	Health Care
Commonwealth Bank	Financials
Uniti Group	Communications Service
Macquarie Group	Financials

The top five holdings make up approximately 23% of the portfolio

Feature	Fund facts
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Suggested Investment Period	3 + years



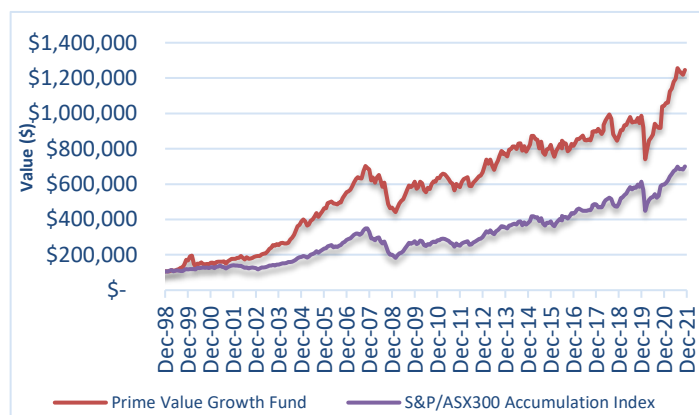
Market review

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 \$1,245,400 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$700,000 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	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.9795	\$ 1.9783
Withdrawal price	\$ 1.9645	\$ 1.9633
Distribution (31/12/2021)	\$ 0.0475	\$ 0.0475
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
 ** Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review and strategy

The Fund returned +2.2% in December, 0.5% below the ASX300 Accumulation Index of +2.7%.

Key positive contributors for the month were **Commonwealth Bank** (CBA +8.4%), **AUB Group** (AUB +12.5%) and **Omni Bridgeway** (OBL +13.2%). Key detractors were **CSL** (CSL -5.2%), **City Chic** (CCX -8.5%) and **Pinnacle** (PNI -5.5%).

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. We plan to manage this fund for many years and compound 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
Commonwealth Bank	Financials
AUB Group	Financials
Omni Bridgeway	Industrials
Top Detractors (Absolute)	Sector
CSL Limited	Health Care
City Chic Collective	Consumer Discretionary
Pinnacle Investment	Financials

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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