

Prime Value Opportunities 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 ASX300 Accumulation Index closed 2021 up 17.5% (+2.65% in December), led by Telco, Financial and Resources stocks.
- The Fund gained 20.3% in 2021, to close off a successful 2021. Notably, strong fund performance was achieved without exposures to the sectors that led the market up in 2021. Firm focus on good stock selection contributed significantly to superior fund performance.

| | Total Return* | Benchmark (8% pa) | Value Add |
|------------------------|---------------|-------------------|-----------|
| Since inception (p.a.) | 11.8% | 8.0% | 3.8% |
| 7 Years (p.a.) | 10.3% | 8.0% | 2.3% |
| 5 Years (p.a.) | 10.5% | 8.0% | 2.5% |
| 3 Years (p.a.) | 15.0% | 8.0% | 7.0% |
| 2 Years (p.a.) | 14.4% | 8.0% | 6.4% |
| 1 Year | 20.3% | 8.0% | 12.3% |
| 3 Months | 2.8% | 4.0% | -1.2% |
| 1 Month | 1.9% | 0.7% | 1.2% |

* 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.

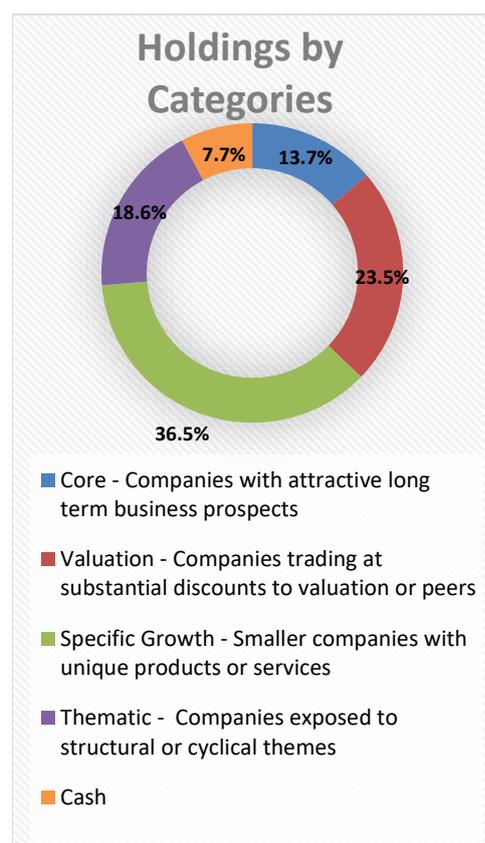
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------------|---------------|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | (0.6%) | 4.0% | (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% | | | | | | | 6.3% | 178.4% |

| Top five holdings | Sector |
|-------------------------|-------------|
| CSL | Health Care |
| National Australia Bank | Financial |
| Macquarie Bank | Financials |
| BHP | Materials |
| Commonwealth Bank | Financials |

The top five holdings make up approximately 25.7% 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



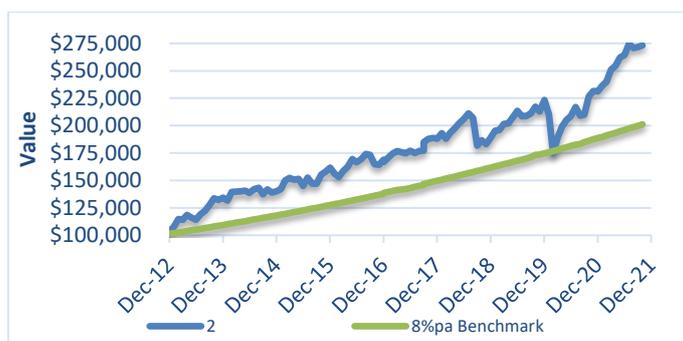
Market review

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% (TR). 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%), whilst Info Tech (-5.3%) and Consumer Staples (-2.3%) fell the most. Mid-caps were preferred over small and large caps, while Resources outperformed Industrials across all size bias indices.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$278,400 (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 \$202,400 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 | \$ 1.9538 | \$ 1.9390 |
| Withdrawal price | \$ 1.9390 | \$ 1.8978 |
| Distribution (31/12/2021) | \$ 0.0470 | \$ 0.0456 |
| 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 gained 1.9% in December, closing 2021 20.3% higher. The 2021 Fund return was a solid performance when compared to the ASX300 Accumulation's 17.5% gain for year.

The Fund's top December performance contributors included: insurance broking group AUB Group (+12.5%), Commonwealth Bank (+8.4%) and National Australia Bank (+5.6%). The top detractors from performance in December were: CSL (-5.2%), City Chic (-8.4%) and Pinnacle Investment (-5.4%). Notably investment manager Pinnacle Investment, telco company Uniti Group, retailer City Chic and AUB Group were the strongest contributor to fund performance in 2021—in contrast to ASX300 major contributors which included the major commercial banks and Telstra. We are particularly pleased that the strong 2021 Fund outcome reinforces our consistent approach of firmly focussing on well managed quality companies with growing outlooks regardless of size or index positions. At Prime Value, our history has been in small and medium-sized companies. The Fund, while invested in a number of large cap companies, has the flexibility to invest in companies across the range of market caps. For example, the four mid-sized growth companies we cite above as key contributors to fund performance in 2021 have been significant opportunities.

Outlook: While the market is trying to predict the macro cycle, we're excited about the long-term growth prospects for our portfolio. We think end market conditions are improving for a number of our investments, most notably for those that didn't benefit from a COVID-driven tailwind last year. The businesses that we own tend to take market share during downturns. That's because they continue to invest, take good care of their customers, and can finance their businesses over that cycle. As a result, our businesses tend to grow faster coming out of difficult periods, which puts upward pressure on earnings estimates and is always good for stocks.

We also think several of our businesses are poised to improve their growth with accretive M&A. We recently invested in auto parts distributor GUD via a capital raise as part of the company's acquisition of APG. APG will expand and form a core part of GUD's 4WD product line-up. With 4WDs a fast-growing part of the auto market, APG will complement GUD with strong brands, solid long-standing customer relationships and in-house manufacturing skills and capability. Overall, we are optimistic about the outlook for our businesses over the next three-year period.

As we peer into 2022, we remain generally positive on the equity market outlook. A key tenet to our thinking is for global monetary support, especially via central banks, to outweigh the global interest rate tightening cycle. We expect ongoing economic recovery, underpinned by relatively low interest rates and continuing stimulus measures despite the recent COVID disruptions. Within Australia, the end of the COVID lockdowns and reopening of borders should lead the way for activity to pick up and economy to recover strongly—this is underpinned by the fact that both corporates and consumers are in good shape. Challenges will arise, as in any year, including supply chain issues and inflationary pressures. However, strong management teams will navigate these challenges well, which is a key reason why we believe the quality management teams matter when making an investment decision to back a company.

| Top contributors (absolute) | Sector |
|-----------------------------|------------|
| AUB Group | Financials |
| Commonwealth Bank | Financials |
| National Australia Bank | Financials |

| Top detractors (absolute) | Sector |
|---------------------------|------------------------|
| CSL | Healthcare |
| City Chic | Consumer Discretionary |
| Pinnacle Investment | Financials |

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

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