Prime Value Growth Fund
Fund Update – January 2022

- Global equity markets endured a challenging start to the year as investors reacted to the prospect of higher US interest rates.
- The Fund returned -7.2% in January, 0.7% below the ASX300 Accumulation Index of -6.5%.
- During the market weakness in January a new holding was added to the fund and some existing holdings were topped-up. February has started strongly and recouped over half of January's decline (at the time of writing).
- Performance over 1 year and 2 years remains above the index.

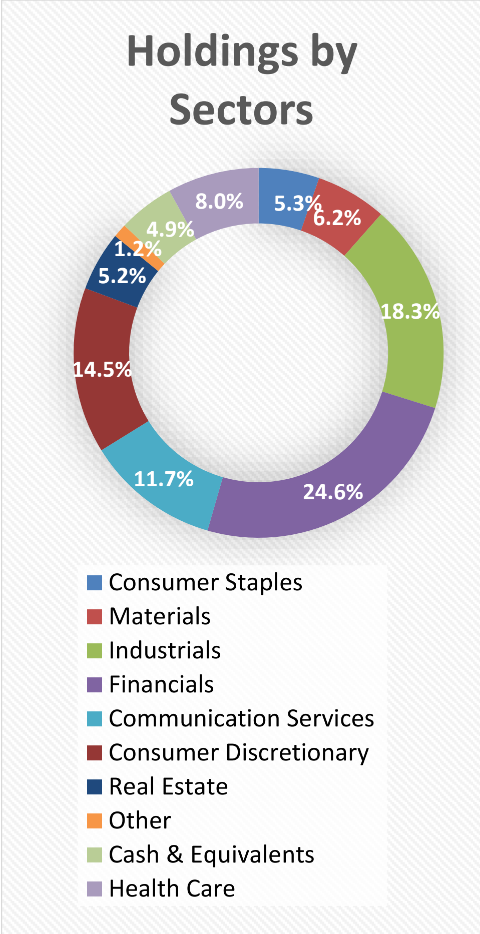
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.8%**	8.2%	2.6%
5 Years (p.a.)	**7.2%**	8.6%	-1.4%
3 Years (p.a.)	**9.8%**	10.1%	-0.3%
2 Years (p.a.)	**8.2%**	3.3%	4.9%
1 Year	**10.9%**	9.6%	1.3%
3 Months	**-5.9%**	-4.5%	-1.4%
1 Month	**-7.2%**	-6.5%	-0.7%

*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

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

The top five holdings make up approximately 24.1% 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



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.

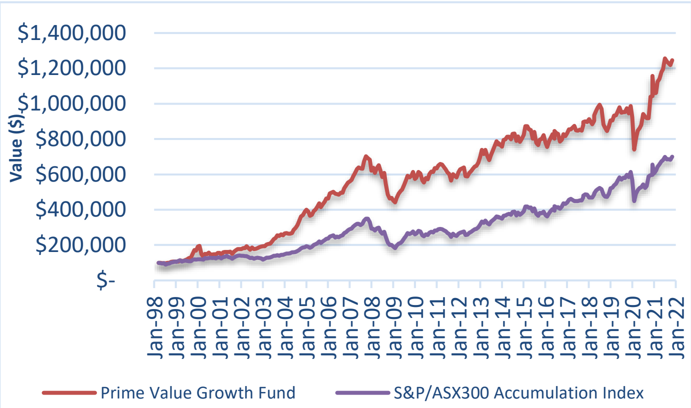
Market review

After starting the year on the front foot, global equities fell sharply through January as investors braced themselves for tighter monetary policy from central banks. The global equity sell-off was driven by rising real yields as the US Federal Reserve signalled an earlier start to quantitative tightening.

The MSCI World Emerging Markets Index declined -1.8% in US Dollar terms, outperforming the Developed Markets Index which fell -5.3%. Interest rate sensitivity proved to be a headwind for developed markets while emerging markets benefited from rising commodity prices. Globally, the outperforming sectors in January were Energy (+15.5%), Financials (+0.6%), and Consumer Staples (-3.0%). The largest underperforming sectors were IT (-8.5%), Consumer Discretionary (-8.4%), and Real Estate (-8.2%).

Bond yields jumped as investors increased rate hike expectations with US 10-year yields climbing 27bps to 1.78% and the Australian 10-year yield following suit with a 22bp rise to 1.89%. Commodity prices surged with Oil climbing $13 to $91/bbl driven by global supply concerns and Iron Ore increased US$28 to US$144/Mt supported by a restock ahead of Chinese New Year. Counter to the broad increase in commodity prices, Gold prices dropped US$11 to US$1,795/oz due to prospective interest rate increases.

The AS300 Accumulation Index lost ground over January, falling a significant -6.4%. The ASX also underperformed against the S&P500 Index which dropped -5.2% in January. On a sector basis, Energy (+7.9%) was the strongest performer, while Utilities (+2.6%), and Materials (+0.8%) also outperformed in Australia. The IT sector underperformed the most (-18.4%), Health Care (-12.1%) and Consumer Staples (-9.6%) also underperformed.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,157,000 (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 $654,900 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	$ 1.8374	$ 1.8365
Withdrawal price	$ 1.8234	$ 1.8225
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's return was -7.2% in January, 0.7% below the ASX300 Accumulation Index of -6.5%. Negative returns are always disappointing, but it is a normal part of investing in equities. Equities generates strong returns over the long term however they do experience short term volatility.

Forecasting the short term direction of markets from here is very difficult and our track record is no better than others. February has started strongly and recouped almost half of January's decline (at the time of writing).

Key positive contributors for the month of January were **BHP** (BHP +11.7%), **Kelsian Group** (KLS -4.7%), and **Austal** (ASB +3.1%). Key detractors were **Pinnacle Investments** (PNI -27.7%), **CSL** (CSL -10.5%) and **Macquarie Group** (MQG -10.6%).

Despite **Kelsian's** negative return in January, it was a positive contributor to the fund as we purchased the stock during the month near its lows. It is a new entrant to the portfolio. We have watched the business for many years but never invested. January's market sell-off provided the opportunity to establish a position at a very attractive price. The silver lining to sell-off's is that they provide the opportunity to buy quality businesses at discounted prices. Kelsian is relatively defensive through the provision of bus services to governments while also having exposure to the re-opening of borders through its Marine & Tourism division (nb ferries). We hope to own Kelsian for many years.

BHP rallied during the month with rising commodity prices and a structural change to its listing whereby its UK listing was ended and consolidated in Australia. The increased number of Australian shares increased its weight in the major indices which created buying by many index focused funds.

Pinnacle and **Macquarie Bank** declined as their revenues are somewhat tied to financial markets.

At the end of December, the fund held 6.4% cash and by the end of January, cash was down to 4.9%. We deployed capital into the falling market adding 1 new stock (Kelsian) and topping-up several existing holdings which have since rallied. Previous market down-turns have also provided good buying opportunities. In-line with our established process, we are sticking to the quality end of business models to ensure long term investment returns.

Top Contributors (Absolute)	Sector
BHP	Materials
Kelsian Group	Industrials
Austal Limited	Industrials
Top Detractors (Absolute)	**Sector**
Pinnacle Investment	Financials
CSL	Health Care
Macquarie Group	Financials

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

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