

Prime Value Opportunities Fund

Fund Update – February 2022



- Global equity markets struggled in February as investors assessed the outcomes of rising geopolitical tensions.
- The Australian share market performed well against a backdrop of uncertainty, as resources and energy stocks benefitted from higher commodity prices.
- The Fund fell 2.5% in February as the Fund's lower exposure to resources stocks detracted from performance

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	10.4%	8.0%	2.4%
7 Years (p.a.)	7.7%	8.0%	-0.3%
5 Years (p.a.)	8.0%	8.0%	0.0%
3 Years (p.a.)	8.8%	8.0%	0.8%
2 Years (p.a.)	9.4%	8.0%	1.4%
1 Year	6.5%	8.0%	-1.5%
3 Months	-7.8%	1.9%	-9.7%
1 Month	-2.5%	0.6%	-3.1%

* 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.

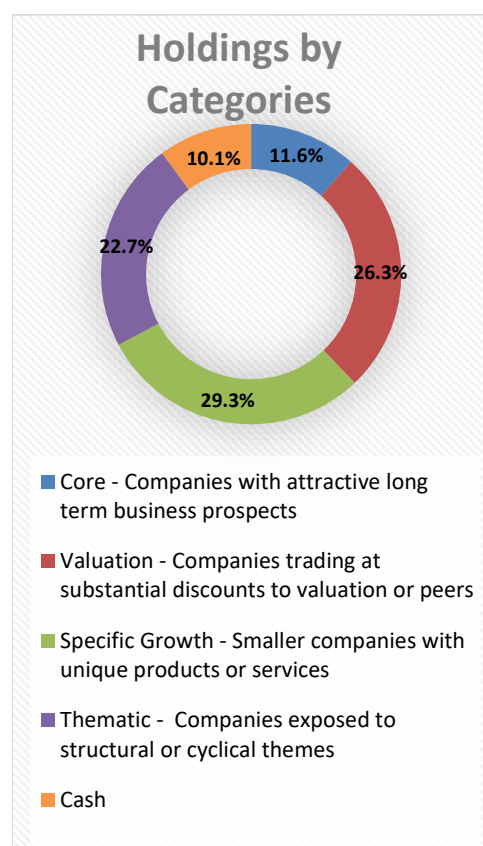
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	(7.3%)	(2.5%)					-3.9%	151.8%

Top five holdings	Sector
National Australia Bank	Financials
CSL	Health Care
Macquarie Bank	Financials
Commonwealth Bank	Financials
Goodman Group	Real Estate

The top five holdings make up approximately 25.5% 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



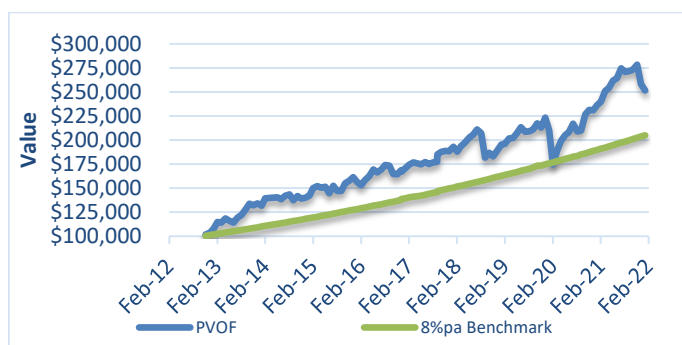
Market review

Global markets struggled in February, as geopolitical tensions saw investors reposition for an uncertain outlook. The DM World Index fell (-2.6%), largely driven by the S&P 500 Index which dropped -3.0%.

The MSCI World Developed Markets Index declined (-2.5%) in US Dollar terms, outperforming relative to the Emerging Markets Index which fell (-3.0%). Persisting geopolitical tensions could prove a headwind for Emerging market equities as investors become risk-off among global uncertainty. Globally, the Energy (+5.2%), Materials (+2.0%), and Health Care (-0.4%) sectors relatively outperformed in US Dollar terms. The Communication Services (-5.4%), IT (-4.7%), and Consumer Discretionary (-4.4%) sectors underperformed the most in February.

In bond markets, US 10-year yields increased 5bps to 1.84% in February, while Australian bonds rose 25bps over the month to 2.13%, as the market brought forward expectations of RBA rate hikes. Commodity prices saw strong upward moves, particularly in Gold which lifted US\$115 to US\$1,910/oz as investors repositioned into safe-haven asset classes. Brent Oil also edged higher by US\$10 to US \$110/bbl as markets reacted to the impacts of sanctions on Russian oil and gas exports. Contrasting these price rises, Iron Ore declined US\$7 to US\$137/Mt as persisting geopolitical tensions could see a steeper cost curve and higher freight rates.

The ASX300 Accumulation Index rose +2.1% in February. The benchmark closed lower into the latter part of the month following the rapid rise in geopolitical risks, which triggered a sharp retracement. Large Caps stocks performed better relative to Mid and Small Cap stocks which closed lower. Resources stocks outperformed Industrial stocks, with Energy and Materials sectors performing strongly along with Staples. Technology finished worst for the month. Materials (+125bps) and Banks (+77bps) were the largest contributors to benchmark returns in February, whilst value was lost through Discretionary (-36bps) and Technology (-23bps) sectors.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$251,800 (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 \$204,940 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	\$ 1.7668	\$ 1.7294
Withdrawal price	\$ 1.77534	\$ 1.7164
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 fell 2.5% in February, which had underperformed the ASX300 Accumulation Index's 2.1% increase. The Fund is extremely different from the Index, which is comprised of large resources companies and banks. The Fund is more balanced. We own a good percentage of holdings in small and mid-cap companies, approximately a third of the portfolio. We seek to invest in these companies for their growth potential. We get to know key management; their goals and we assess whether they will be successful in achieving them. For a number of our smaller companies, we look to invest in them early, own them for the long term as we believe we can generate good long term returns.

The Fund's top February performance contributors included: National Australia Bank (+6.7%), Computershare (+11.1%) and Eclix (+10.5%). The top detractors from performance in February were: City Chic (-20.4%), Unifi Group (-21.2%) and Alliance Aviation (-17.4%). National Australia bank, our largest bank holding, has continued to record good operating momentum. Following evidence of emerging green shots over a year ago, NAB disclosed the bank has continued to gain market share in both retail and business banking markets in a recent quarterly update.

Specific Growth company, broad band and telecommunications group Unifi reported a first half FY22 profit that was broadly expected. However, the company advised that labour shortages is expected to have some impact on residential construction related activities that would lead to softer telecommunications network construction revenues for the company. We value Unifi's construction related revenues as a lower quality part of the business. We have owned Unifi for approximately 18 months, during which the company has added significant value to the Fund. We believe Unifi gives the Fund exposure to a secular growth theme of accelerating data consumption and digital assets infrastructure. The company's earnings growth is underpinned by high levels of contracted future growth and has the rare benefit of low customer churn. Unifi's share price has been quite soft recently on the back of its first half result, rising bond yields and investors seeking liquidity but we have maintained our holding in Unifi as we look through the short term volatility to focus on the company's attractive fundamentals. We note that Unifi has received a takeover proposal from Morrison & Co. in March.

Outlook: As we assess the outlook in the light of the global events taking place—which are dominated by 3 key themes: inflation, higher interest rates and the Russian-Ukraine conflict—on balance, we view the outlook as positive. Broadly, economies are recovering strongly as COVID-19 recedes. The Australian economy is performing particularly strongly and will continue to be a key beneficiary of the strength in commodity markets. Although cost input pressures were a common theme through the February reporting season, companies emerged from the last six months better positioned than expected. In recent months, we observed that well financed companies are building inventories to manage supply chain disruptions and managing price rises to offset margin pressures.

In the short term, the level of uncertainty is likely to remain high; and has two significant investment conclusions for the Fund. First, we remain focussed on quality companies led by strong management teams—these companies are best positioned to grow their earnings independent of underlying macroeconomic volatility. Second, we observe that investors have rushed for liquidity in the past three months, ignoring a number of companies with positive fundamental

Top contributors (absolute)	Sector
BHP	Financials
GUD Holdings	Consumer Discretionary
Worley Limited	Energy

Top detractors (absolute)	Sector
Pinnacle Investment	Financials
CSL	Health Care
Macquarie Group	Financials

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

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