Prime Value Opportunities 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 Australian share market also declined, but a 24% rise in iron ore prices, a 17% jump in oil prices and a significant upward reweighting of BHP during the month supported resources stocks.
- The Fund fell 7.3% in January as the Fund's lower exposure to resources stocks detracted from performance.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**10.8%**	8.0%	2.8%
7 Years (p.a.)	**8.9%**	8.0%	0.9%
5 Years (p.a.)	**9.1%**	8.0%	1.1%
3 Years (p.a.)	**10.9%**	8.0%	1.9%
2 Years (p.a.)	**7.5%**	8.0%	-0.5%
1 Year	**11.7%**	8.0%	3.7%
3 Months	**-4.9%**	2.0%	-6.9%
1 Month	**-7.3%**	0.7%	-7.9%

* 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.

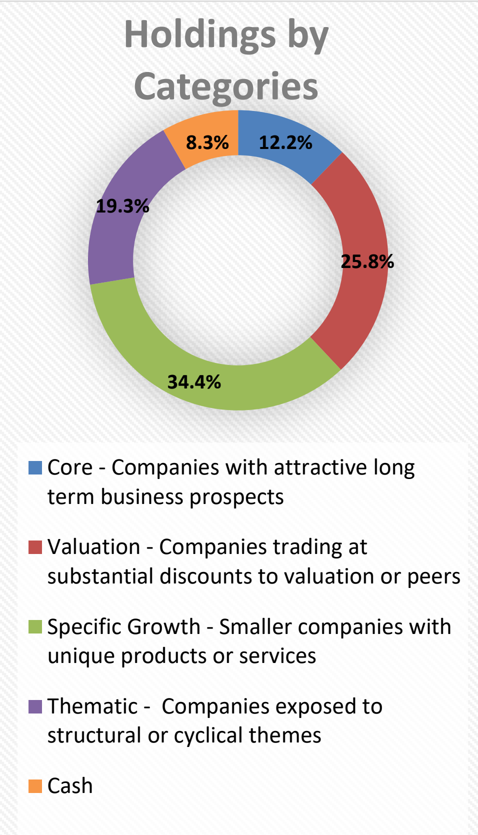
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**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%						**(1.5)%**	**158.2%**

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

The top five holdings make up approximately 29% 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



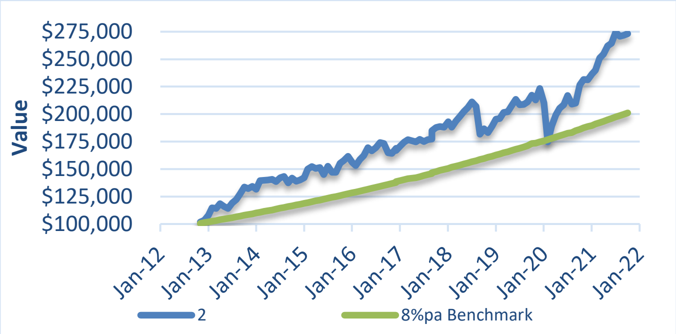
Market review

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 relative to 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 Energy (+15.5%), Financials (+0.6%), and Consumer Staples (-3.0%) relatively outperformed. The IT sector (-8.5%), along with Consumer Discretionary (-8.4%), and Real Estate (-8.2%) underperformed the most in January.

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 lifting 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 as rates look to increase.

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% across 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 relatively underperformed.



This graph shows how $100,000 invested at the Fund's Inception has increased to $288,200 (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 $227,800 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	$ 1.8119	$ 1.7711
Withdrawal price	$ 1.7981	$ 1.7577
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 7.3% in January, which had underperformed the ASX300 Accumulation Index's 6.4% fall. The resources sector posted a strong monthly performance due to higher commodity prices and a significant upward reweighting of BHP to approximately 11% of the main index.

The Fund's top January performance contributors included: BHP (+11.7%), G.U.D Holdings (+8.4%) and Worley (+8.6%). The top detractors from performance in January were: CSL (-10.4%), Macquarie Group (-10.6%) and Pinnacle Investment (-27.7%). With the resources sector a stand-out performer in the Australian market for January, it's worthwhile highlighting the Fund's approach to investing in the sector. The resources sector accounts for approximately 23% of the ASX300 Index—a meaningful proportion of the market accounted for by large global miners such as BHP, Rio Tinto; gold miners and oil & gas companies such as Woodside. The Prime Value Opportunities Fund has always owned a lower percentage of resources companies exposure relative to the ASX300 Index. Due to the nature of commodities and the potential for more cyclical earnings, resources companies have not formed a core component of the portfolio. Whist we manage our exposures for downside capital protection, owning a lower exposure to resources stocks compared the stock market index does introduce shorter term unintended market risk—as we experienced in January, a strong resources sector performance was the key reason for the Fund "underperforming" the stock market index.

Our approach to investing in resources stocks is consistent with how we assess any other opportunity or company—the companies we invest in share similar qualities of being led by management teams with strong operational capabilities that have a record of deploying capital well. The assets that these companies own are typically highly valuable, underpinning a capability to generate good cash flows independent of a need for commodity prices to move higher. Finally, the valuations of these opportunities must be justified without the expectation of higher long term commodity price assumptions.

Resources stocks currently owned by the Fund include Mineral Resources and Santos. Mineral Resources is an entrepreneurially driven company that has generated substantial shareholder value by expanding from its core mining services business into developing and the subsequent production of iron ore and lithium mines. The strong cash flows afforded by the mining services operations has allowed Mineral Resources to allocate long term capital to developing iron ore and lithium assets, whilst maintaining a healthy dividend return to shareholders. Energy company Santos has recently merged with Oil Search. We believe the Santos and Oil Search merger places the combined company in a stronger position given higher production growth and possibilities of better synergies. In 2022, we look forward to divestment of assets, which in turn would increase cash flows to the business.

Outlook: Inflation, COVID-19 and geopolitics has certainly placed pressure on markets in the immediate term. Not surprisingly, these events were too much for markets to bear, as imaginations ran wild about how markets would react over 2022. It's easy to assume that it's the riskiest or more speculative companies have been sold off aggressively under such a scenario. The reality is fundamentally strong and growing companies have also been sold down—offering us opportunities to invest in quality companies at more attractive valuations.

Top contributors (absolute)	Sector
BHP	Materials
G.U.D Holdings	Consumer Discretionary
Worley	Energy

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

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

Contact details:

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

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000
Web: www.primevalue.com.au