

Prime Value Opportunities Fund

Fund Update – July 2022



- A positive US reporting season and paring back of interest rate hike expectations supported a rebound in share markets globally.
- The Australian share market rose by 5.9%, alongside its global peers. IT and REIT sectors, being highly interest rate sensitive, rose the most.
- The Fund rose 6.5% in July, benefitting from banks and other financial services holdings.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.8%	8.0%	1.8%
7 Years (p.a.)	7.2%	8.0%	-0.8%
5 Years (p.a.)	7.2%	8.0%	-0.8%
3 Years (p.a.)	5.1%	8.0%	-2.9%
2 Years (p.a.)	9.0%	8.0%	1.0%
1 Year	-6.3%	8.0%	-14.3%
3 Months	-6.6%	2.0%	-8.6%
1 Month	6.5%	0.7%	5.8%

* 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.

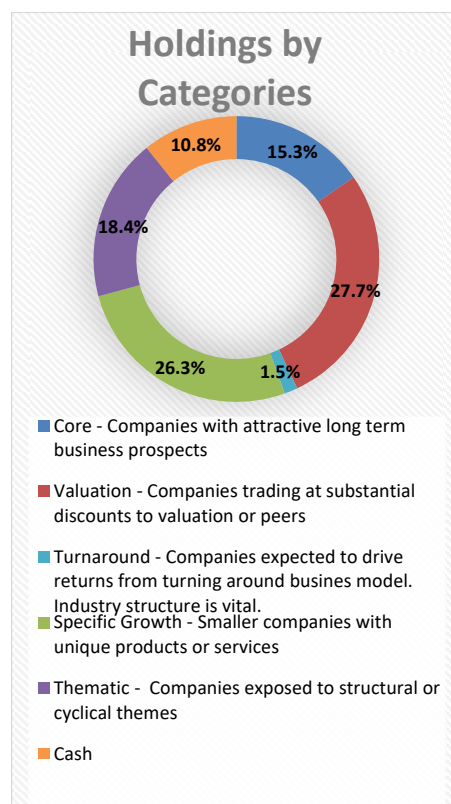
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)	5.7%	-0.3%	-4.8%	-7.9%	-11.2%	132.6%
FY 2023	6.5%												6.5%	147.7%

Top five holdings	Sector
National Australia Bank	Financials
BHP Group	Materials
Commonwealth Bank	Financials
Macquarie Bank	Financials
AUB Group	Financials

The top five holdings make up approximately 27.2% 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

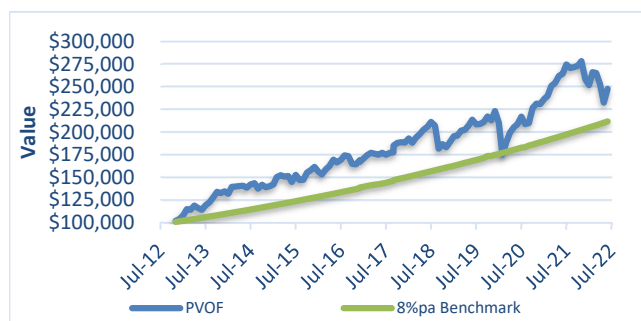


Market review

Global equities rebounded in July, driven by a positive US reporting season and US GDP contraction which softened investor expectations of the steepness of future interest rate hikes. The MSCI Developed Markets Index rose (+8.0%), driven by a strong month for the S&P 500 Index which gained +9.2%. European markets saw gains ranging from mid to high single digits, while the UK was up +4% and is the only share market with positive returns calendar year to date. Asian markets were mixed with Japan and South Korea up +5% each but Hong Kong and China fell -8% and -4% during the month. The RBA raised the cash rate by 50bps to 1.35% at its July meeting, as widely expected. Australian 10-year bond yields moved down 60bps across July to 3.06% off the back of moderating inflation expectations after soft economic releases in the US. US 10-year bond yields also dropped 33bps to 2.64%, as the second quarter GDP decline moderated inflationary fears.

Commodity prices broadly fell in July. Brent Oil prices declined US\$5 to US\$110/bbl as bans on Russian shipments are delayed. Iron Ore prices also dropped US\$5 down to US\$118/Mt as Brazilian shipments hit record highs and demand remains soft. Gold saw large falls as prices fell by US\$60 to US\$1,753, as moderating inflation expectations improve investor risk sentiment.

Australian stocks rose in July as part of a global equities rally. The ASX300 Accumulation Index was up 5.9%, recouping just over 80% of the decline in June. The rise in equities was supported by a decline in bond yields as slowing growth led interest rate markets to pare back expectations for interest rate hikes. All sectors bar Materials (-0.7%) were positive in the month with Info Tech (+15.2%) and Real Estate (+12.1%) increasing the most. Size favoured small, over large and mid cap indices, with the Small Ords Index posting a 11.4% rebound in the month. Industrials outperformed Resources, with the spread greatest within the large cap stocks.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$247,700 (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 \$211,700 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	\$ 1.6808	\$ 1.6542
Withdrawal price	\$ 1.6680	\$ 1.6416
Distribution (30/06/2022)	\$ 0.0537	\$ 0.0440
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 posted a 6.5% gain in July, against the broader market's 5.9% gain. The Fund's top July performance contributors included: National Australia Bank (+11.7%), Pinnacle (+42.4%) and Commonwealth Bank (+11.5%). The top detractors from performance in July were: BHP Group (-6.2%), Alliance Aviation (-9.8%) and NIB Holdings (-1.9%). Fund performance in July benefitted from developments in offshore markets. In particular, investors reacted positively to US corporate earnings that were announced, on the hope that the worst has passed. Consequently, a number of companies that had been sold down aggressively in the prior 6 months posted large gains in July. On the flip side, companies that were seen to be 'defensive', such as health insurer NIB Holdings, were sold off.

Pinnacle Investments, an investment the Fund made four years ago for the company's growth potential, was one of those companies whose share price surged in July. Pinnacle is quite a different company today compared to the one we invested in four years ago. Starting off as an equity market focused company, Pinnacle now has investments in a broad suite of affiliate fund managers investing across numerous asset classes. This provides diversification and opportunities to grow across different pools of capital. In early July Pinnacle announced the company earned performance fees totalling \$16.4m for the second half of the financial year compared to \$10.0m in the first half – which underpins the benefits of diversification.

Alliance Aviation has been a disappointing holding for the Fund. Qantas tabled a takeover offer for Alliance Aviation in May, offering a \$4.75 per share vs the then share price of \$3.51. We were less confident of the takeover proceeding, selling a portion of our holding in Alliance in June. More recently, the company has advised that CEO Lee Schofield has decided to exit the company, and the business has continued to feel some impact from covid-related disruptions. Cumulatively, the poor news flow has affected the company's share price and is trading below the price prior to Qantas' takeover offer. We will be meeting Alliance's management in August to obtain updates from management to assist us in deciding if our investment rationale for investing in Alliance is still valid.

Outlook: We observe that the market positivity from July has flowed over into early August. Investors continue to be short term focussed, which we expect to lead to short term volatility. Over the short term, macro considerations such as inflation, the price of oil, and investor confidence will likely determine how our investments will trade. Over the longer term, it will be our investments' revenues, earnings and cash flows that will determine their returns. We have no edge whatsoever over the short term or external factors, but we believe we have a significant edge in focussing on factors we can control—which is investing in a diversified portfolio of quality companies led by strong management. A high cash position offers us the optionality of increasing our holdings in good quality, well-established companies when we believe their valuations look compelling.

Top contributors (absolute)	Sector
National Australia Bank	Financials
Pinnacle Investment Management	Financials
Commonwealth Bank	Financials

Top detractors (absolute)	Sector
BHP	Materials
Alliance Aviation Services	Industrials
NIB Holdings	Financials

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

Andrew Russell - Director, Investor Relations
arussell@primevalue.com.au

Daniel Leong - Director, Investor Relations
daniel.leong@primevalue.com.au

Phone: 03 9098 8088

Email: info@primevalue.com.au

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

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