Prime Value Growth Fund
Fund Update – August 2022

- Global markets started the month on a positive note, but sentiment abated through the month on hawkish US Federal Reserve statements.
- The fund returned +2.2% in August, 1.0% above the ASX300 Accumulation Index of +1.2%.
- Most companies reported their earnings results in August. Our larger holdings delivered solid results well which contributed to the month's strong performance.

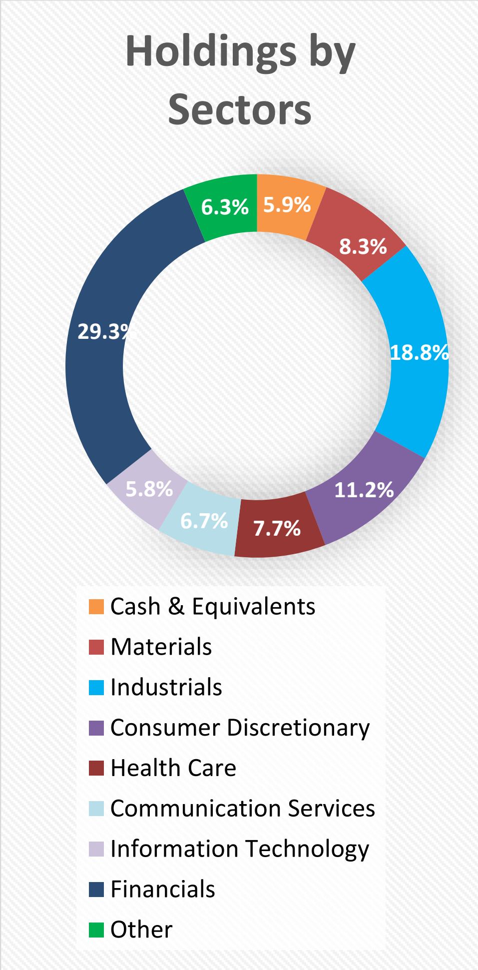
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.5%**	8.1%	2.4%
5 Years (p.a.)	**6.0%**	8.2%	-2.2%
3 Years (p.a.)	**6.4%**	5.6%	0.8%
2 Years (p.a.)	**10.2%**	11.3%	-1.1%
1 Year	**-9.1%**	-3.7%	-5.4%
3 Months	**1.4%**	-2.4%	3.4%
1 Month	**2.2%**	1.2%	1.0%

*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) 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.

Top five holdings	Sector
BHP Group	Materials
Commonwealth Bank	Financials
CSL Limited	Health Care
AUB Group Limited	Financials
NIB Holdings	Financials

The top five holdings make up approximately 28.3% 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



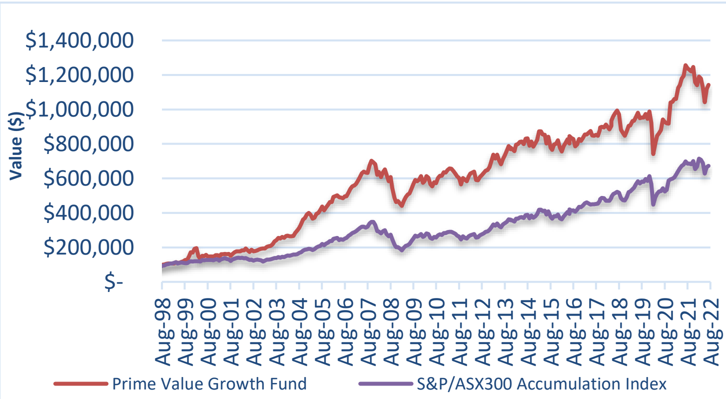
Market review

Global equities struggled in August following a positive July as hawkish commentary from the US Federal Reserve's annual Jackson Hole symposium softened investor sentiment. The MSCI Developed Markets Index fell (-3.4%) along with the S&P 500 Index (-4.1%). The FTSE 100 Index was softer, down 1.1% for the month but the Nikkei and Australian share markets posted positive returns in August.

The RBA's August meeting saw the central bank raise the cash rate by 50bps again, to 1.85%, as widely expected. This rate hike saw the Australian 10-year bond yields increased 54bps in August to 3.60%. US yields also increased materially, +52bps to 3.13%, following hawkish commentary from Federal Reserve Chair Jerome Powell at the Fed's annual symposium in Jackson Hole. Brent Oil fell below US$100/bbl at the end of August, following the de-escalation in Iraq. Gold has been facing pressure from a stronger US dollar, higher real rates and the market anticipating further policy tightening.

The ASX300 Accumulation Index rose 1.2% in August. Despite downbeat headlines and volatile markets, Australian companies reported strong profits in FY22. The median company beat consensus at the half-yearly NPAT line by +0.7%. Although the number companies giving forward earnings guidance had declined relative to previous years, the ratio was still reasonably high. Where earnings guidance was offered, it led to more downgrades than upgrades by analysts—although we observe such revisions tend to reference sell-side analysts 'catching up' to more realistic corporate conditions.

Mid-caps were favoured during the month, outperforming both large and small cap indices. On a sector basis, Energy (+7.8%) was the strongest performer while Materials (+4.4%) and Communication Services (+2.5%) also outperformed in Australia. The worst sectors were REITs (-3.5%), Consumer Staples (-1.8%) and IT (-1.6%).



This graph shows how $100,000 invested at the Fund's inception has increased to $1,142,400 (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 $672,500 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	$ 1.7746	$ 1.7753
Withdrawal price	$ 1.7612	$ 1.7619
Distribution (30/06/2022)	$ 0.0359	$ 0.0366
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 +2.2% in August, 1.0% above the ASX300 Accumulation Index of +1.2%.

Key positive contributors for the fund in August were **AUB Group** (AUB +14.7%), **nib Holdings** (NHF +13.0%) and **NRW** (NWH +26.0%). Key detractors were **Hansen** (HSN -14.0%), **Commonwealth Bank** (CBA -3.2%) and **City Chic** (CCX -29.1%).

August is reporting season when most listed companies report their financial results for the period ending June. Consequently most of the major contributors / detractors were caused by results that were either above or below expectations.

AUB Group (AUB) reported a strong profit result with underlying net profit after tax +22% for the year and provided guidance for the upcoming year of c. +12%. Insurance brokers were one of the few sectors to provide earnings guidance as their business is relatively defensive and less reliant on the economic cycle. Inflation can be a positive as it causes higher claims costs and therefore higher insurance premiums. Higher premiums are a positive tailwind for insurance brokers which generate a commission on the premiums its client's purchase. This visibility is particularly valuable in the current environment where rising interest rates make the economic outlook less predictable. In addition to the strong earnings growth, AUB is rebounding after some indigestion of its recent equity raise for the purchase of Tysers in the UK. AUB remains one of our larger holdings in the fund.

Hansen (HSN) fell despite a solid earnings result with underlying net profit after tax +6% for the year. It flagged higher wages costs crimping earnings growth in the year ahead. The investment case for HSN is not driven by strong earnings growth. It operates in mature but highly stable & defensive industries (utilities & telecommunications) and generates strong cashflow which it then re-invests in highly accretive acquisitions. With a strong balance sheet, it is well placed to undertake further acquisitions which are value accretive. We continue to hold the stock.

Top Contributors (Absolute)	Sector
AUB	Financials
nib Holdings	Financials
NRW Holdings	Industrials
Top Detractors (Absolute)	**Sector**
Hansen Technology	Information Technology
Commonwealth Bank	Financials
City Chic Collective	Consumer Discretionary

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

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