Prime Value Opportunities Fund
Fund Update – August 2022

- Global share markets started the month on a positive note, but sentiment abated through the month on hawkish US Federal Reserve statements.
- The Australian share market rose by 1.2% boosted by a better-than-expected August reporting season highlighting profit margins had remained robust and balance sheets healthy.
- Fund performance was strong in August, led by favourable reporting results from several key investment holdings.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	**9.9%**	8.0%	1.9%
7 Years (p.a.)	**8.0%**	8.0%	0.0%
5 Years (p.a.)	**7.4%**	8.0%	-0.6%
3 Years (p.a.)	**6.5%**	8.0%	-1.5%
2 Years (p.a.)	**7.8%**	8.0%	-0.2%
1 Year	**-8.2%**	8.0%	-16.2%
3 Months	**-0.1%**	2.0%	-2.1%
1 Month	**1.8%**	0.7%	1.1%

* 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.

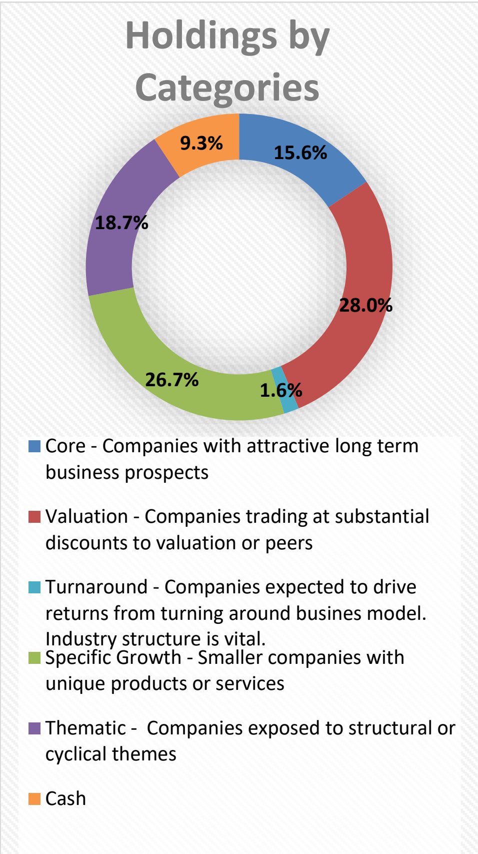
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	**14.1%**	**14.1%**
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	**21.4%**	**38.5%**
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	**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%)	5.7%	-0.3%	-4.8%	-7.9%	**-11.2%**	**132.6%**
FY 2023	6.5%	1.8%											**8.4%**	**152.2%**

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 28.2% 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

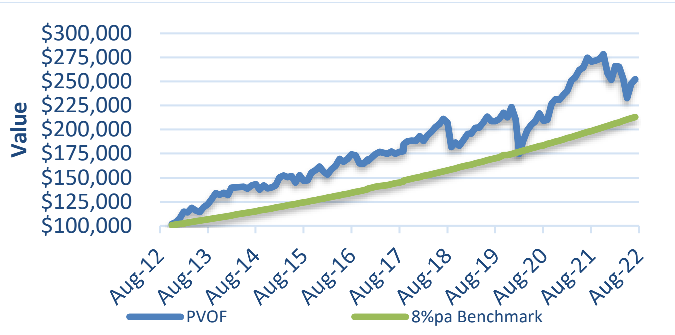
Global equities struggled in August, following a positive July, commentary from the US Federal Reserve's annual Jackson Hole symposium softened investor sentiment. The MSCI Developed Markets Index fell (-3.4%), with the S&P 500 Index also losing ground, dropping (-4.1%). The FTSE 100 Index was softer, by 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 yields sold-off 54bps across August to 3.60%. US yields also sold-off materially by 52bps to 3.13%, off the back of 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 REITs (-3.5%), Consumer Staples (-1.8%) and IT (-1.6%) sectors were the worst performers.



This graph shows how $100,000 invested at the Fund's Inception has increased to $252,200 (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 $213,000 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	$ 1.7115	$ 1.6844
Withdrawal price	$ 1.6985	$ 1.6716
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 rose 1.8% in August, outperforming the ASX300 Accumulation Index's 1.2% increase. Fund performance benefited from a number of investment companies reporting better-than-expected FY22 profits, at the recent August reporting period. More importantly the companies' outlooks into FY23 had also remained positive.

The Fund's top August performance contributors included: insurance broker AUB Group (+11.7%), Oz Minerals (+42.4%) and health insurer NIB Holdings (+11.5%). The top detractors from performance in August were: City Chic (-29.1%), Commonwealth Bank (-3.2%) and Goodman Group (-1.9%).

Oz Minerals received a takeover offer from BHP, at $25.00 per Oz Minerals share. Despite a softer and more challenging economic outlook, corporate activity was elevated with Maca Ltd, Nearmap, Pendal and Tassal all receiving takeover offers in August. We observed that Oz Minerals was trading at $25.72 at the end of August (a premium to BHP's offer price)—clearly investors expect BHP to offer a higher price for Oz Minerals, or at least believe Oz Minerals is worth more to BHP that the $25.00 offer price. We believe Oz Minerals offers BHP several strategic options including sizable exposure to copper and nickel, both critical for batteries needed for electric vehicles, and opportunities to create significant efficiencies in its Australian copper resources base. We expect further updates on BHP's position over the coming months. Oz Minerals and Mineral Resources (share price appreciated 19.0% in August) form two key resources company exposures for the Fund. Investors will be aware that the Fund does not invest in a 'top-down' fashion, for example forecasting commodity prices and tilting the portfolio towards favourable sections of the commodities complex. Rather we seek to invest in companies that are led by strong management teams that are well equipped to allocate capital to build up long life, low cost quality assets. Both Oz Minerals and Mineral Resources have demonstrated those qualities over a long period of time; and continues to own undervalued assets within their portfolios.

Outlook: In the immediate term, investors generally will focus on interest rates and inflation—these were the common theme throughout recent reporting season. Companies have been struggling with labour shortages and staff absenteeism that have been driving costs higher, in some cases resulting in missed revenue opportunities. It's perhaps not a surprise that portfolio companies that performed well through the recent reporting period were companies with relatively lower reliance on the availability of labour or are in services related industries. These include insurance broker AUB, IP legal firm IPH Limited, health insurer NIB Holdings and litigation funder Omni Bridgeway. Our assessment of these companies' outlook remains positive. Their typically strong balance sheets will assist in navigating a challenging environment better than most and position them in improved market positions.

Top contributors (absolute)	Sector
AUB Group	Financials
Oz Minerals	Materials
NIB Holdings	Financials

Top detractors (absolute)	Sector
City Chic	Consumer Discretionary
Commonwealth Bank	Financials
Goodman Group	Real Estate

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

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