Prime Value Growth Fund
Fund Update – September 2022

- Global equity markets fell in unison in September as US bond yields surged and fears of a global recession increased.
- The fund returned -8.5% in September, -2.2% below the ASX300 Accumulation Index of -6.3%. We note that the majority of positive returning companies for the month were in sectors that we are typically underweight (ie Miners) or do no invest in (ie loss-makers).
- With the macroeconomic background in flux, our focus on taking advantage of opportunities that present saw the team participate in 267 company meetings over the September quarter.

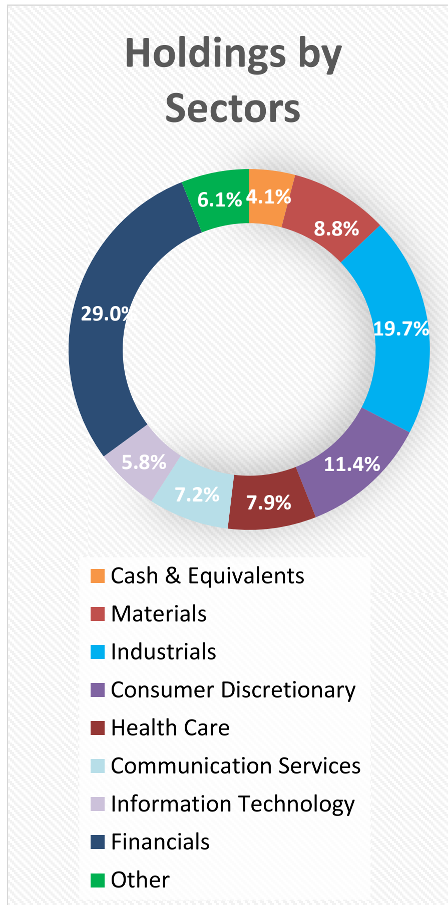
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.1%**	7.8%	2.3%
5 Years (p.a.)	**4.3%**	6.8%	-2.5%
3 Years (p.a.)	**3.2%**	2.7%	0.4%
2 Years (p.a.)	**6.2%**	9.7%	-3.5%
1 Year	**-15.6%**	-8.0%	-7.6%
3 Months	**0.3%**	0.5%	-0.2%
1 Month	**-8.5%**	-6.3%	-2.2%

*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
EQT Holdings	Financials
IPH Holdings	Industrials

The top five holdings make up approximately 30.8% 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



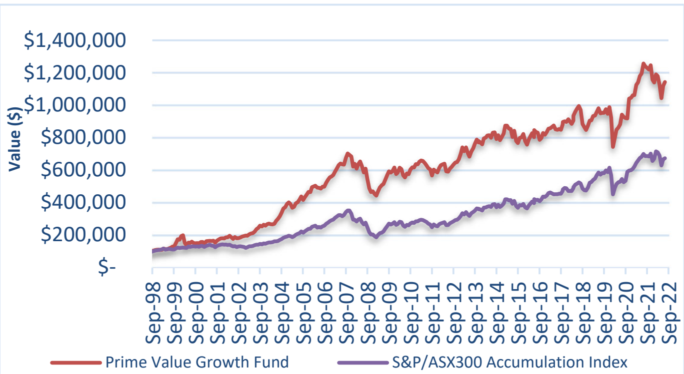
Market review

Equities struggled in September, following a soft end to the preceding month, on the back of global recession fears and an increasingly hawkish US Federal Reserve. The key market driver of the equity sell off had been US bond yields rising by 67bps to 3.80%. Indicators such as the US August PMI were stronger than investors' expectations and laid further groundwork for the expected policy response from the US Federal Reserve. The MSCI Developed Markets Index fell (-8.3%), and the S&P500 Index lost ground, dropping (-9.2%). European and Japanese markets performed relatively better with the FTSE100 and Nikkei 225 indices falling 5.2% and 6.9% respectively in local currency terms.

The RBA's September meeting saw the cash rate move up by 50bps again, to 2.35%, as almost unanimously expected. This rate hike saw the Australian 10-year bond yields sell-off 29bps across September to 3.89%.

Brent oil stayed below US$100/bbl amid deteriorating demand outlooks, but Brent price was little changed during the month as the market anticipates an OPEC+ decision on production cuts amid deteriorating demand outlooks. It's been a choppy time for gold lately, with prices fluctuating around US$1,700. Key macro factors that typically drive the price of gold are all currently negative – the US dollar is strong, real rates are positive and near the highs, and the US Federal Reserve remains hawkish.

The ASX300 Accumulation Index fell 6.3% in September. All sectors fell in the month. Materials (-2.3%) and Energy (-3.8%) fell least while Utilities (-13.8%) and Real Estate (-13.6%) fell most due to valuation sensitivities to higher bond yields. Large caps were favoured, outperforming both mid and small cap indices. Resources outperformed Industrials across the larger size indices, while Small Resources (-13.5%) underperformed Small Industrials (-10.5%). The rise in real yields also explains much of the variance in sector returns. The 5.4% outperformance of Resources vs All Industrials occurred because a rise in real yields is a greater valuation headwind for Industrials.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,045,300 (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 $630,200 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	$ 1.6238	$ 1.6249
Withdrawal price	$ 1.6116	$ 1.6125
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 -8.5% in September, -2.2% below the ASX300 Accumulation Index of -6.3%. This underperformance was partly due to significant underweight exposures to the Miners and Banks.

We note that only 9% of index constituents posted a positive return for the month, with most of these represented by companies the fund tends either have an underweight exposure to (ie Mining), or does not typically invest in (ie non-profitable tech / biotech businesses).

Key positive contributors for the fund in September were **Lindsay Australia** (LAU +3.5%), **IPH** (IPH -0.7%) and **NRW** (NWH -2.9%). Key detractors were **AUB Group** (AUB -14.6%), **Omni Bridgeway** (OBL -17.5%) and **Commonwealth Bank** (CBA -3.2%).

Lindsay Australia (LAU) shares bucked the broader market trend as investors continued to absorb its strong FY22 profit result, driven by the transformation of its Transport segment towards the less capital intensive and growing Rail business. The competitive landscape remains rational, following increased Private Equity ownership in recent years.

AUB Group (AUB) shares fell on limited new news, albeit we note that the company was the strongest contributor to the fund's performance in August. Positively, the company completed the material Tysers acquisition at the end of the month, which was earlier than anticipated.

Omni Bridgeway (OBL) also declined on limited new news, noting that the stock has performed strongly since June, returning +7.6% (including dividends) in the September quarter against a flat broader market.

While markets have been volatile in 2022 thus far, the fund continues to be defensively positioned, with its largest weightings in high quality businesses that have less exposure to the economic cycle.

Our focus remains on bottom-up stock-picking, although we continue to keep a close watch on the macroeconomic backdrop which remains in a state of flux. In keeping an eye out for opportunities that present, the team participated in 267 company meetings over the September quarter.

Top Contributors (Absolute)	Sector
Lindsay Australia	Industrials
IPH Limited	Industrials
NRW Holdings	Industrials
Top Detractors (Absolute)	**Sector**
AUB Group	Financials
Omni Bridgeway	Financials
Commonwealth Bank	Financials

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

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