

Prime Value Opportunities Fund

Fund Update – September 2022



- Equity markets fell broadly with the steep rise in US bond yields being the key catalyst.
- The Australian share market fell by 6.2% during the month. However, the ASX posted a large rebound in early October as the RBA raised interest rates by a lower-than-expected 25 basis points.
- The Fund fell by 6.5%, marginally more than the ASX300 Accumulation Index's 6.3% for the month. The Fund is up by 1.4% for the first 3 months.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.0%	8.0%	1.0%
7 Years (p.a.)	7.0%	8.0%	-1.0%
5 Years (p.a.)	5.9%	8.0%	-2.1%
3 Years (p.a.)	4.1%	8.0%	-3.9%
2 Years (p.a.)	6.2%	8.0%	-1.8%
1 Year	-12.9%	8.0%	-20.9%
3 Months	1.4%	2.0%	-0.6%
1 Month	-6.5%	0.6%	-7.1%

* 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%	-6.5										1.4%	135.8%

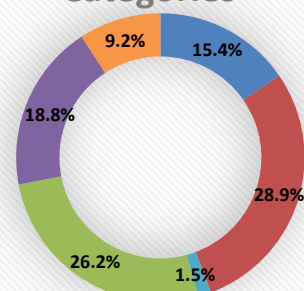
Top five holdings	Sector
National Australia Bank	Financials
BHP Group	Materials
Commonwealth Bank	Financials
Macquarie Bank	Financials
AUB Group	Financials

The top five holdings make up approximately 27.6% 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

Holdings by Categories



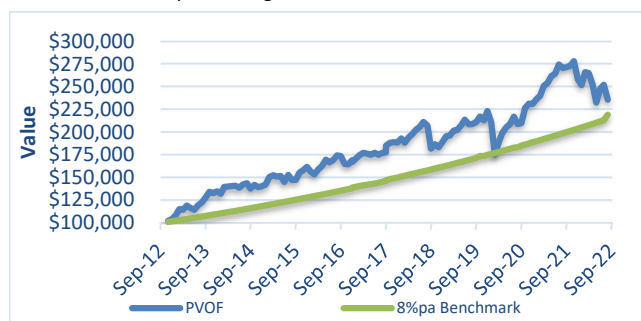
- Core - Companies with attractive long term business prospects
- Valuation - Companies trading at substantial discounts to valuation or peers
- Turnaround - Companies expected to drive returns from turning around business model. Industry structure is vital.
- Specific Growth - Smaller companies with unique products or services
- Thematic - Companies exposed to structural or cyclical themes
- Cash

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%) in local currency terms. 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 Index (-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 \$235,800 (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 \$219,200 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	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.6003	\$ 1.3581
Withdrawal price	\$ 1.5881	\$ 1.3403
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 fell 6.5% in September, marginally more than the ASX300 Accumulation Index's 6.3% decline. For the first three months of FY23 (July to September 2022), the Fund posted a return of 1.4% compared to the ASX300 Accumulation Index's 0.5% increase.

The Fund's top performance contributors in September included: medical device company ResMed (+5.3%), Mineral Resources (+2.8%) and global registry company Computershare (+0.2%). The top detractors from performance in August were: insurance broker AUB Holdings (-14.6%), Macquarie Group (-13.8%) and Goodman Group (-19.8%).

Mineral Resources' price appreciated 2.8% in September and added an outstanding 38.3% over the quarter. Following our comments on Mineral Resources last month that the company has demonstrated a long track record of building shareholder value and continues to own undervalued assets within its portfolio, the Australian Financial Review carried an article suggesting that Mineral Resources was considering a spin-off of its lithium assets. For context, Mineral Resources owns 40% of the Wodgina Mine, 50% of the Mt Marion Mine and 40% of the Kemerton lithium hydroxide converter in WA. The significance of a lithium assets spin-off is two-fold: First, should a spin-off lead to a listing in the US stock market, Mineral Resources should benefit from a better look through valuation of its assets. We observe that valuation multiples of US listed lithium companies such as Ablemarle are more than double Mineral Resources' current multiple. Second, cash raised from a sale of assets is likely to be directed towards other opportunities including the expansion of planned iron ore mines. There was no specific news to emerge that drove the short-term trading of AUB Holdings, Macquarie Group or Goodman Group. The rise in bond yields clearly affected share prices of REITs in general, with Goodman Group similarly affected by valuation concerns for the sector. AUB Group and Macquarie Group appears to have been sold off together with the broader market weakness.

Outlook: The September quarter started off on a positive note, with a continuation of the stock market rebound that began in mid-June. However, that rally ended by mid-August. What followed was a sharp sell-off for equities. And it wasn't limited to stocks — bonds and equities fell globally in the quarter as central banks tightened aggressively and investors priced in higher policy rates, higher discount rates, and lower near-term growth. This environment is weighing down sentiment quite heavily, but it shouldn't detract from the fact that the ASX was resilient through the quarter, up by 0.5% and the Fund up by 1.4% for the quarter. As we enter the fourth quarter, companies' earnings are expected to be an additional driver of stock market performance. The ongoing strength in the domestic employment market, weaker Australian Dollar and commodity markets is likely to be supportive of earnings.

Top contributors (absolute)	Sector
ResMed	Healthcare
Mineral Resources	Materials
Computershare	Information Technology

Top detractors (absolute)	Sector
Macquarie Group	Financials
Goodman Group	Real Estate
AUB Group	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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Opportunities Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.