Prime Value Growth Fund
Fund Update – October 2022

- Strong gains in the US markets led to improved sentiment in October, on expectations the pace of interest rate hikes may slow.
- The fund returned +5.0% in September, 1.0% below the ASX300 Accumulation Index of 6.0%.
- With recent market movements we are finding an increased number of investment ideas including recycling capital from winners to attractive new opportunities.

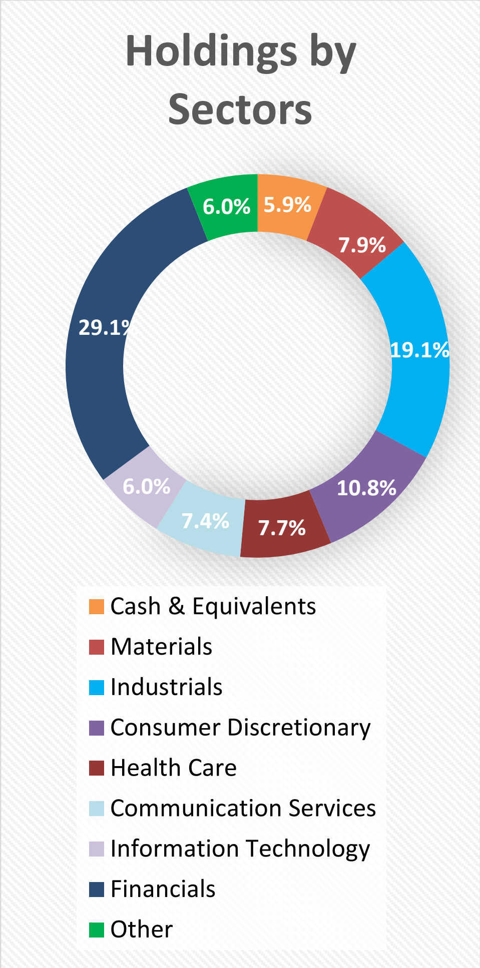
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.2%**	8.0%	2.2%
5 Years (p.a.)	**4.5%**	7.2%	-2.7%
3 Years (p.a.)	**4.8%**	4.9%	-0.0%
2 Years (p.a.)	**9.3%**	11.9%	-2.6%
1 Year	**-10.7%**	-2.6%	-8.1%
3 Months	**-1.8%**	-5.8%	-2.3%
1 Month	**5.0%**	6.0%	-1.0%

*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
EQT Holdings	Financials
IPH Holdings	Industrials

The top five holdings make up approximately 29.5% 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 equity markets rallied in October led by strong gains in the US, which drove developed markets outperformance relative to emerging markets. Broadly, markets reacted to speculation central banks are nearing the peak of interest rate policy tightening which lifted sentiment in share markets. The MSCI Developed Markets Index rose (+7.5%), and the S&P500 Index gained (+8.1%). Despite underperforming the US in October, Australia continues to lead the pack in terms of year-to-date performance in 2022.

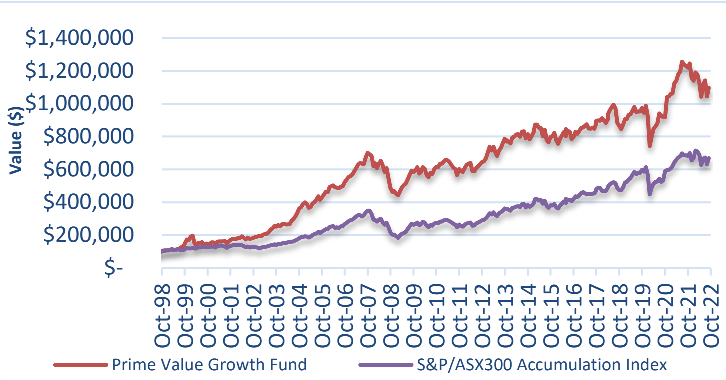
Some soft patches in recent economic data contributed to market participants contemplating once again the potential for the US Federal Reserve to be closer to the end of tightening. This triggered a move higher in gold, which spilled over to the rest of the precious metals complex. The overall uncertainty around US Federal Reserve policy and growing risks to economic growth are likely also helping gold currently hold onto much of its recent gains.

The RBA's October meeting hiked the cash rate by 25bps, to 2.60%, below market expectations of ~40bps, and a consensus of ~3/4 of economists for 50bps. Australian 10-year yields fell 13bps across October to 3.76%.

The ASX300 Accumulation Index rose +6.0% in October, mostly reversing the significant market drawdown in September. The Banks did the heavy index lifting with CBA (+124bps), WBC (+63bps), NAB (+60bps) and ANZ (+43bps) adding the most, with support from Woodside (+42bps)

Financials (+12.2%), Energy (+9.5%) and Real Estate (+9.3%) rose the most in the month, whilst Consumer Staples (-0.2%) recorded the largest sector decline. Mid-caps were favoured, outperforming large and small cap counterparts. Industrials outperformed Resources across all size indices, performing best in mid-caps.

In terms of outlook, there has been a skew to analyst earnings downgrades over upgrades in AGM season. Downgrades were more likely for stocks that benefited from 2021 COVID lockdowns and had exposure to high energy and gas costs.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,097,300 (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 $667,700 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	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.7046	$ 1.7059
Withdrawal price	$ 1.6916	$ 1.6929
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 +5.0% in September, 1.0% below the ASX300 Accumulation Index of +6.0%.

Key positive contributors for the fund in September were **Commonwealth Bank** (CBA +15.4%), **Omni Bridgeway** (OBL +19.6%) and **Regis Healthcare** (REG +19.3%). Key detractors were **NIB Group** (NHF -10.2%), **BHP** (BHP -3.0%) and **National Tyre & Wheel** (NTD -13.2%).

2022 has been a tough year for equities, particularly Small Industrials (where we are biased) at -22%. Yet economic growth remains strong and recent AGM updates by listed companies indicates they are broadly performing very strongly. This apparent detachment is due to equities looking ahead and reacting to; 1) higher interest rates (lower valuations), and 2) expectation of weaker economic growth ahead (cyclicals have been hit hardest).

Our underlying assumption is that 2023 will be a tough year for global growth with Australia also softening but one of the better performing regions. Consequently, we prefer domestic exposure over international and defensive growth over cyclicals. There are some exceptions to these themes where stocks have fallen so far that the risk/reward is heavily favourable and a strong balance sheet ensures durability of the business.

Stock picking remains key. In almost any circumstance, some part of the economy is doing well and small caps offer a large number of businesses & industries from which to choose. It is a large pool from which to fish.

Over the long term, stock prices follow corporate earnings so we continue to focus on companies that will have higher earnings over coming years. Markets are currently being driven by macro factors (nb inflation, interest rates) but in time this will subside and company fundamentals will return to focus and be reflected in share prices.

Current market volatility is throwing up investment opportunities. We are finding more companies that offer attractive buying, along with some existing holdings that have risen significantly and we are reducing.

The short term direction of markets is unclear and we retain a relatively high cash balance. However we are finding more opportunities and the portfolio activity we are undertaking should set us up for strong returns over coming years.

Just as equity markets have fallen significantly this year, before many other asset classes, we expect equities will be early to rebound. This is likely to occur quickly as economic data provides a glimpse of better times ahead (or even less worse times).

The portfolio was defensively biased early in this sell-off which has enabled the fund to outperform the index this year. We are now more focused on taking advantage of the opportunities this sell-off has provided by reducing the cash level and setting the fund up for strong returns over coming years.

Top Contributors (Absolute)	Sector
Commonwealth Bank	Financial
Omni Bridgeway	Financials
Regis	Healthcare
Top Detractors (Absolute)	**Sector**
NIB Holdings	Financials
BHP	Materials
National Tyre and Wheel	Consumer Discretionary

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

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