Prime Value Growth Fund
Fund Update – December 2022

- A soft end to the year in December, in year where most asset classes, including bonds and shares, fell.
- The fund's return was -2.3% in December, 1.0% better than the ASX 300 Accumulation Index of -3.3%. A half yearly distribution of 3.29c/unit was paid in January, representing a yield of circa 2% for the 6 months or 4% annualised.
- December brought an end to a tough year for equities particularly small caps in which the fund has exposure. Historically markets have rebounded after such declines with smaller companies rebounding particulary strongly.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.2%**	8.1%	2.1%
5 Years (p.a.)	**4.2%**	7.1%	-2.9%
3 Years (p.a.)	**5.3%**	5.5%	-0.2%
2 Years (p.a.)	**3.0%**	7.4%	-4.4%
1 Year	**-11.5%**	-1.8%	-9.7%
3 Months	**5.6%**	9.1%	-3.6%
1 Month	**-2.3%**	-3.3%	1.0%

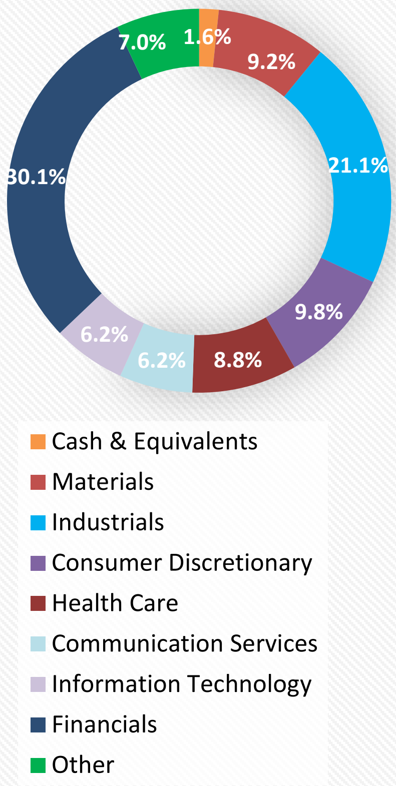
*Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. 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
AUB Holdings	Industrials

The top five holdings make up approximately 31.3% 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

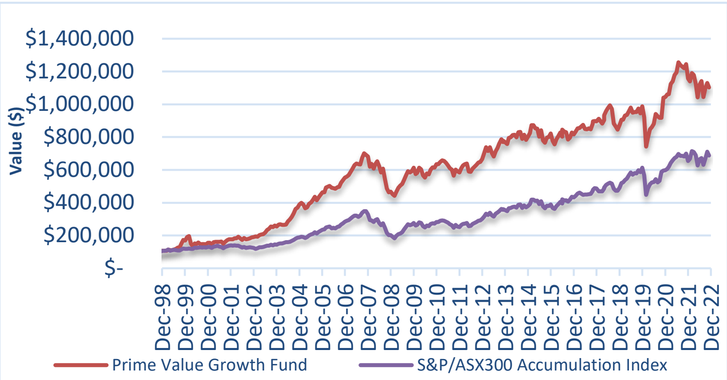
Holdings by Sectors



Market review

As expected, market liquidity in December was thin, with large option-related flows playing a dominant role and pinning the US market (S&P 500 Index) around the 3800 level. But notwithstanding these influences, equities weakened in December. Emerging markets (EMs) outperformed developed markets (DMs), with Chinese re-opening supportive and a subdued US Dollar supporting EM equities and non-oil commodity prices. Evidence of slowing activity growth, especially in the US housing market, weighed on the earnings outlook for DM equities and oil prices. During the month the Australian 10-year bond yield increased by 52bps, whilst the Australian Dollar appreciated 1.3% against the US Dollar. The RBA lifted the cash rate by 25bps to 3.10% in December.

The ASX300 Index declined 6.0% in 2022. When you add dividends, the decline in the ASX300 Index was a more modest 1.8%. The returns for Australian equities were significantly better than US equities, where the S&P500 price index fell 19.4% or 18.1% including dividends. The small decline in Australian stocks was due to the fall in PE's as real bond yields rose. Aggregate earnings for Australian equities rose over 20% in 2022, but the fall in PE's was larger and also more than offset the 4.3% dividend yield. Over the last 10 years, Australian equities have returned 8.6% with just over half coming from dividends. Australian stocks also outperformed in December, with the ASX300 Index down 3.3%, less than the 5.9% decline in US equities. The relatively good returns for Australian equities were driven by higher exposure to Banks and Resources, plus a lower exposure to Technology relative to the S&P500 Index.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,103,400 (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 $687,700 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	$ 1.6810	$ 1.6811
Withdrawal price	$ 1.6683	$ 1.6683
Distribution (31/12/2022)	$ 0.0329	$ 0.0347
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

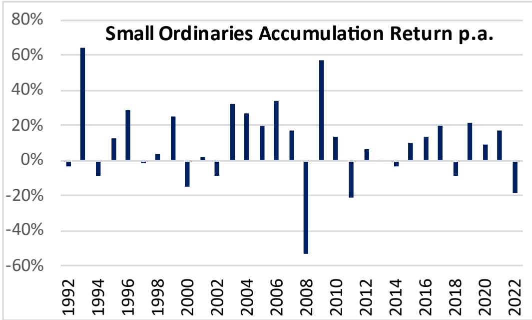
Fund review and strategy

The fund's return was -2.3% in November, 1.0% better than the ASX300 Accumulation Index of -3.3%.

Key positive contributors in December were **Lindsay** (LAU +19.5%), **NIB Health** (NHF +6.2%) and **Hotel Property Investments** (HPI +6.3%). Key detractors were **Commonwealth Bank** (CBA -4.9%), **Omni Bridgeway** (OBL -15.8%) and **Austal** (ASB -14.8%).

It was good to see the end of a tough year for equities in 2022. Rising inflation resulted in higher interest rates that impacted valuations, particularly for small cap companies (-18% in 2022) in which the fund has exposure. Equities generate strong long term returns however volatility is part of the trade-off. There are good years and bad years. Thankfully the good years far outnumber the bad years.

Historically small cap stocks rebound strongly after years like 2022 which was the 3rd worst in the last 20 years (chart below). But forecasting the timing is very uncertain. Global macro factors are a key driver which are notoriously difficult to forecast. Our best estimate is "sometime in 2023". Historically when equities rebound, smaller companies rebound the most. We expect it will be similar this time with the steeper falls experienced by smaller companies in 2022 during the downturn reversed in the upturn.



A positive we can draw from 2022 is that valuations are more attractive. The portfolio is relatively defensively positioned but we are opportunistically picking up quality cyclicals that have fallen significantly. They will rebound strongly and quickly when the outlook is more positive. With the potential to double or more we are happy to patiently hold these as timing the bottom is almost impossible.

Top Contributors (Absolute)	Sector
Lindsay	Industrials
NIB Holdings	Financials
Hotel property Investments	Financials
Top Detractors (Absolute)	**Sector**
Commonwealth Bank	Industrials
Omni Bridgeway	Financials
Austal	Industrials

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

Contact details:
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

Mail:
Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000
Web: www.primevalue.com.au