

Prime Value Opportunities Fund

Fund Update – January 2023



- A strong start to equity markets in 2023 as fears of interest rate hikes recede and optimism generated by China's re-opening.
- The ASX300 Accumulation Index rose 6.2% in January on broad based increases across most sectors.
- The Fund also had a strong start in January, up 5.5% and is higher by 12.5% for FY23 year-to-date (7 months). Larger companies in the Fund performed well whilst defensive companies were detractors to Fund performance.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.8%	8.0%	1.8%
7 Years (p.a.)	7.7%	8.0%	-0.3%
5 Years (p.a.)	6.8%	8.0%	-1.2%
3 Years (p.a.)	5.4%	8.0%	-2.6%
2 Years (p.a.)	6.4%	8.0%	-1.6%
1 Year	1.3%	8.0%	-6.7%
3 Months	5.9%	2.0%	3.9%
1 Month	5.5%	0.7%	4.8%

* 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.

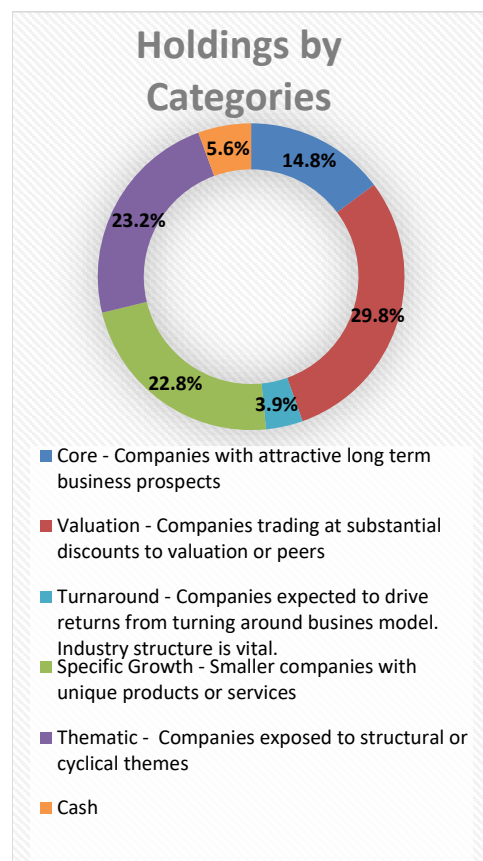
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	4.8%	4.1%	-3.4%	5.5%						12.5%	161.6%

Top five holdings	Sector
CSL Limited	Health Care
Commonwealth Bank	Financials
National Australia Bank	Financials
Macquarie Group	Financials
AUB Group	Financials

The top five holdings make up approximately 31.3% 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



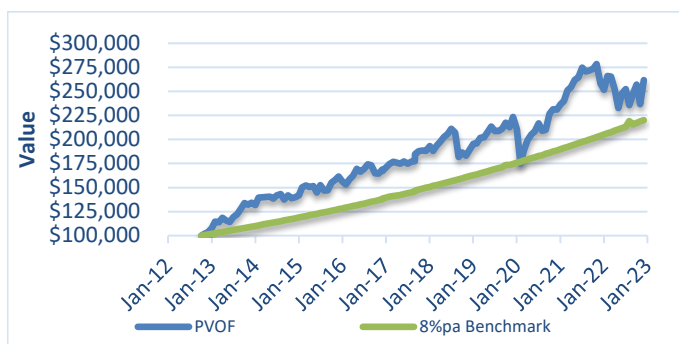
Market review

Equities rallied over January off the back of stabilising recessionary expectations and easing rate hike fears after a soft US GDP data report. The MSCI Developed Markets Index rose +6.5%, and the S&P500 Index also gained ground (+6.2%). European equities closed January up +6.7%, with the strongest start to the year since 2015, outperforming US peers on hopes of easing inflation, declining gas prices amid milder weather, as well as China's reopening.

During the month the Australian 10-year bond yield decreased by 50bps, whilst the Australian Dollar rose +3.9% against the US Dollar.

Commodity prices had mixed results across the board. Brent Oil prices slightly fell US\$1.01 to US\$84.90/bbl with a strong US Dollar and uncertainty around Chinese demand. Iron Ore prices gained US\$11.5 to US\$129/Mt, on China's re-opening. Gold prices rose strongly US\$110.35 to US\$1,924, following a positive reaction to the softer US PPI reading and safe haven flows after renewed geopolitical tensions.

2023 has started strongly for Australian shares with the ASX300 Accumulation Index returning +6.2% in January, the 8th best start to a year (using All Ordinaries data) going back to 1935, and the best start since 1986. Except for the Utilities sector, all sectors had a positive impact on performance in January. Consumer Discretionary (+9.8%) rose the most in the month though due to index weight. Materials (+224bps) and Financials (+159bps) added the most alpha, with Utilities (-4bps) the only detractor. Large, Mid and Small caps all performed inline (rising ~6%) and Resources outperformed Industrials across the majority of size indices.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$261,600 (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 \$220,000 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	\$ 1.7261	\$ 1.7000
Withdrawal price	\$ 1.7131	\$ 1.6872
Distribution (31/12/2022)	\$ 0.0462	\$ 0.0445
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

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Fund review and strategy

The Fund rose a strong 5.5% in January (marginally lower than the ASX300 Accumulation Index's 6.2% gain) and has gained 12.5% for the first seven months of 2023 financial year. The Fund continues to make up ground from the drawdowns experienced in the first six months of 2022, with contributions from investments across a diversified range of companies.

The best contributors to fund performance in January were larger companies BHP (+8.2%), Macquarie Group (+12.2%) and Commonwealth Bank (+7.3%). Companies which were seen as more defensive such as Amcor (-5.1%), Computershare (-9.4%) and IPH Limited (-2.6%) were the largest detractors to performance. Broadly, large cap companies were the largest contributors to January's performance while companies with stable earnings were the largest detractors.

An interesting observation we made over the past few weeks was that investors have started to look past soft reported results of a small sample of companies, suggesting that some may be starting to look through short term headwinds to medium fundamentals. We carry this observation to Alliance Aviation, a company we have owned for approximately three years. Alliance Aviation has continued to operate under pressure from COVID related constraints. Training of pilots has been curbed despite strong flying hours demand from its clients. The result was a much weaker-than-expect 1H23 result. Positively, Alliance Aviation's management commented that the company is on track to achieve strong FY24 results as short term constraints ease.

Outlook: We expect economic and market data to be quite mixed in the next few months. Investors could struggle to interpret the forthcoming data and that could lead to market volatility. The Australian reporting season, which commences in February, is also likely to be mixed. We expect management teams to be cautious in their outlook as the economy enters a softer phase. But no one will blow a trumpet to declare an all-clear sign. For this reason, we try to look beyond the near-term challenges and seeking for opportunities in companies that represent good value over the next few years. Several of our existing holdings fall within this bucket, such as property related companies REA Group and James Hardie. It maybe we are early to call the bottoms for these companies, but we are certain that such quality companies have management capabilities to adjust their businesses for challenging times. Finally, we believe the Australian economy is performing strongly and will continue to be a key beneficiary of the strength in commodity markets.

Top contributors (absolute)	Sector
BHP	Materials
Macquarie Group	Financials
CBA	Financials

Top detractors (absolute)	Sector
Amcor	Materials
Computershare	Information Technology
IPH Limited	Industrials

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