

Prime Value Emerging Opportunities Fund Update – March 2023

- Market uncertainty quelled by swift regulator response to banking troubles.
- The fund's return was -0.8% in March, in line with the Small Ordinaries Accumulation Index of -0.7%, and +2.2% above the Small Industrials Accumulation Index of -3.0%. Resources rebounded strongly, driven by a flight to safety in Gold.
- It was interesting to see a return of corporate activity in the form of both M&A and capital raisings.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	10.9%	8.0%	2.9%
7 Years (p.a.)	10.6%	8.0%	2.6%
5 Years (p.a.)	10.7%	8.0%	2.7%
3 Years (p.a.)	18.4%	8.0%	10.4%
1 Year	-7.4%	8.0%	-15.4%
3 Months	2.5%	1.9%	0.6%
1 Month	-0.8%	0.7%	-1.5%

* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

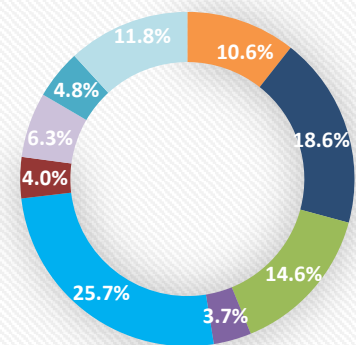
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	40.0%
FY 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	1.2%	41.7%
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%	(5.8%)	(19.1%)	12.7%	11.6%	1.4%	18.1%	67.3%
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%	3.2%	0.7%	0.6%	1.4%	7.0%	0.6%	3.1%	42.0%	137.6%
FY 2022	0.6%	5.3%	(0.3%)	(1.4%)	(0.4%)	1.8%	(7.3%)	(1.5%)	2.6%	(0.7%)	(5.0%)	(7.8)%	(13.9%)	104.6%
FY 2023	8.1%	2.2%	(8.9%)	4.7%	0.2%	(1.7%)	3.2%	0.2%	(0.8)%				6.3%	117.6%

Top five holdings (alphabetical order)	Sector
AUB Group	Financials
Chorus	Communication Services
EQT Holdings	Financials
Kelsian Group	Industrials
News Corporation	Communication Services

* The top five holdings make up approximately 23.3% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0 - 100%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec – Recommended

Holdings by Sectors



Market review

March was largely characterised by uncertainty caused by the US banking crisis, however, the strong response by regulators has seen volatility reduce and the focus shift back to the battle between Central Banks and inflation.

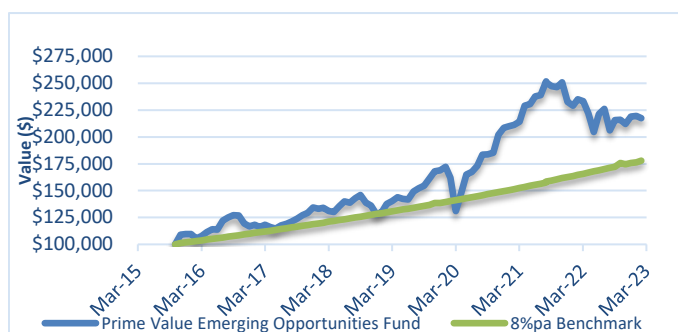
Equities recovered in March, with Developed Markets outperforming Emerging Markets. The MSCI Developed Markets Index rose (+2.6%) over March, and the S&P 500 Index also gained momentum (+3.7%) in local currency terms in a recovery-based month for markets.

The Australian 10-year bond yields moved in reaction to slowing inflation, rallying 56bps to 3.30%. US yields also rallied 42bps to 3.49%, amid banking volatility.

Commodity prices saw mixed trends. Brent Oil fell by US\$4.12 to US\$79.77/bbl, with recovery supported by production shut-ins in Kurdistan, and API data showing US crude inventory draws. Iron Ore prices remain unchanged at US\$126/Mt on destocking in line with historical demand seasonality. Gold prices rose by US\$155.10 to US\$1,980, with banking volatility and hopes for easing Fed policy.

The ASX300 Accumulation Index rallied +3.2% off monthly lows, to close down 0.2%, putting a stop to seven consecutive weekly declines and is up 3.3% year to date. Materials and Communication Services added the most value in March, whilst performance was lost through Financials, with banks a large contributor to that underperformance.

We observed a heightened level of market volatility in March, with no fewer than six ±1% daily price moves, mostly on the downside. As result, stock return skew was to the downside. Large > Small > Mid-Caps in March, whilst Resources were preferred over Industrials across the various size cohorts.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$217,600 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$177,900 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
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price	\$1.8180
Withdrawal price	\$1.8036
Distribution (31/12/2022)	\$0.0346
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%**p.a.

* 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 positive performance

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Fund review & strategy

The fund returned -0.8% in March, broadly in line with the Small Ordinaries Accumulation Index of -0.7%, but was +2.2% ahead of the Small Industrials Accumulation Index which fell -3.0%.

The month was characterised by a strong Resources sector (+5.6%), with Resource companies representing 15 of the top 20 performing stocks for the month, driven by a +7.8% rise in the Gold price as a flight to safety response to the global banking crisis.

It was also interesting to see a resumption of corporate activity in the form of M&A and capital raisings, with bids made for Invocare (private equity bidder), Estia Health (private equity bidder), Healius (trade buyer) and United Malt (trade buyer). The fund was a beneficiary of the latter transaction, as French competitor Malteries Soufflet lodged a non-binding and indicative proposal for UMG for \$5.00ps in cash. The United Malt Board has indicated that it is supportive of a binding offer of at least this amount, should one eventuate.

Key fund contributors in March were **United Malt** (UMG +33.1%), **Regis Healthcare** (REG +23.9%) and **Lindsay Australia** (LAU +17.5%). Key detractors were **Bravura** (BVS -41.6%), **AUB Group** (AUB -7.8%) and **Kelsian** (KLS -9.6%).

Regis Healthcare (REG) benefited from the takeover bid from private equity for competitor, Estia Health, highlighting the value evident in the Aged Care space as changes to the regulatory environment help restore returns on capital in the sector.

Lindsay Australia (LAU) shares rose as it was reported to have secured a large portion of assets from the failed Scott's Refrigerated Logistics business. This follows the company's strong profit result in February, and we expect further rationalisation of the industry to see LAU achieve its targeted \$100m in EBITDA over 3-5 years in advance of this timeframe.

Bravura (BVS) shares were hit hard on a highly dilutionary equity raise as cash flow has been squeezed by delays in the commencement of new contracts while the company ramps up costs to implement its organisational change program. The fund did not participate in the equity raise given the near-term uncertainties relating to recent contract wins.

Kelsian (KLS) fell following the announcement of a large US acquisition and associated equity raising. While a large offshore acquisition does add to the company's risk profile, the acquired business comes with experienced management and has an impressive organic growth profile over the past 10 years. As such, the fund participated in the equity raise.

While markets remain volatile, we are nearing the end of the interest rate hiking cycle, providing a clearer path forward for equity valuations, which broadly appear to be in line with long-term historic levels. We continue to see the earnings risk as skewed to the downside, however, and as a result remain relatively defensively positioned in companies we perceive to have a higher degree of earnings certainty. At the same time, the fund retains a healthy cash level to deploy into opportunities that may emerge.

Top Contributors (Absolute)	Sector
United Malt	Consumer Staples
Regis Healthcare	Health Care
Lindsay Australia	Industrials
Top Detractors (Absolute)	Sector
Bravura	Information Technology
AUB Group	Financials
Kelsian	Industrials
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North	

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