

Prime Value Opportunities Fund

Fund Update – March 2023



- Market uncertainty quelled by swift regulator response to banking troubles.
- The ASX300 Accumulation Index recovered 3.2%, off monthly lows, to end March down 0.2%.
- Fund fell by 1.9% in March but rose 2.0% for the March quarter. Portfolio companies are generally lowly geared, helmed by strong management teams and well positioned in their industry.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.3%	8.0%	1.3%
10 Years (p.a.)	8.3%	8.0%	0.3%
7 Years (p.a.)	6.9%	8.0%	-1.1%
5 Years (p.a.)	6.1%	8.0%	-1.9%
3 Years (p.a.)	13.1%	8.0%	5.1%
1 Year	-4.9%	8.0%	-12.9%
3 Months	2.0%	1.9%	0.1%
1 Month	-1.9%	0.7%	-2.6%

* 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.

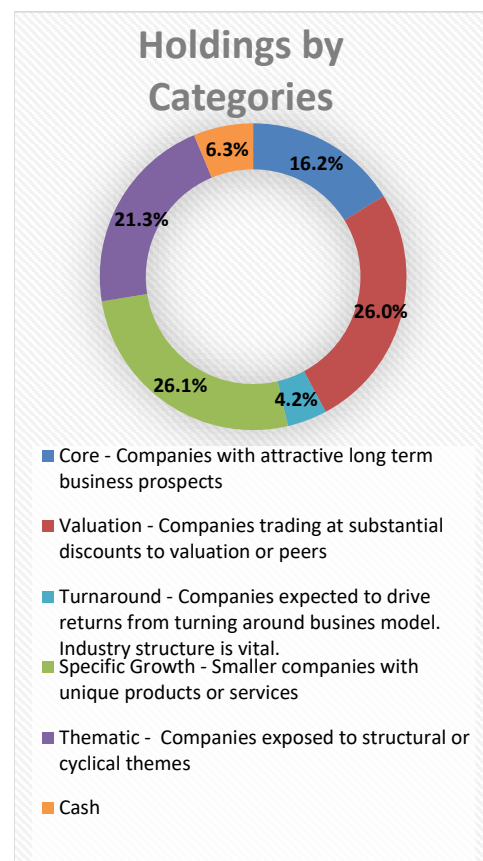
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	(1.3%)	(1.9%)				8.8%	141.4%

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 29.4% 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

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.

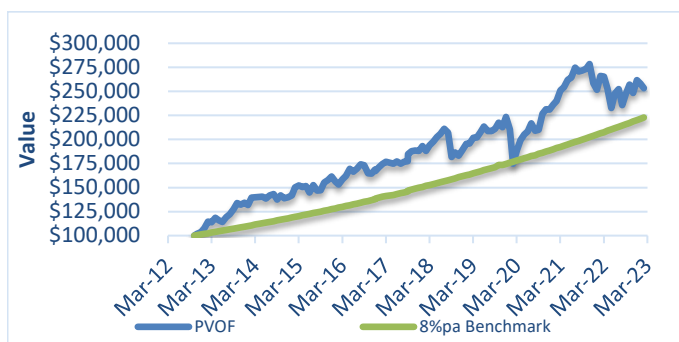
Equities recovered in March, with Developed Markets outperforming Emerging Markets. The MSCI Developed Markets Index rose (+2.6%) over March, and the S&P 500 Index also gained momentum (+3.7%) in local currency terms in a recovery-based month for markets.

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 \$241,400 (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 \$222,800 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	\$ 1.6704	\$ 1.6449
Withdrawal price	\$ 1.6578	\$ 1.6325
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

Fund review and strategy

The Fund fell by 1.9% in March, compared to the SX300 Accumulation index's 0.2% decline. The Fund ended the March quarter up 2.0% and is higher by 8.9% for the financial year. The best contributors to fund performance in March were BHP (+7.5%), reversing from an exceptionally weak performance in the prior month, REA Group (+12.3%) and global malt company United Malt (+33.0%). Larger cap companies such as National Australia Bank (-7.6%) and Macquarie Group (-7.1%) were the largest detractors to performance no doubt affected by weaker sentiment towards financial institutions. Similarly, insurance broking group AUB Group (-7.8%) was affected by the weak sentiment, which follows a very strong share price performance in the prior month.

We have owned REA Group for more than 10 years in the Fund and have been investors in REA through other Prime Value funds for approximately 20 years. The on-line property advertising portal is almost like a core holding for the Fund. Over our 10 years of ownership, we have increased our ownership gradually although we reduced our weighting in REA last year as interest rates rose aggressively. Our thinking then was it would be only a matter of time before the property market started to soften. We have maintained our ownership of the company. REA continues to account for a meaningful part of the portfolio. We believed the reasons for investing in REA remains unchanged: it's a business with high incremental margins, low capital requirements with great flexibility to scale business. Finally, the threat of substitution is low and allows REA to price well. As for the property market, a recovery will see listing volumes improve and will be a bonus to a quality business franchise.

United Malt has had a challenging time ever since the company spun off from Graincorp, becoming a stand-alone listed company in early 2020. COVID-19 and the Russia-Ukraine conflict affected demand for malt and pushed input cost higher significantly. Not in doubt were the value of company's assets—as one of the largest maltsters in the North American market, United Malt owned strategically located assets. This was recognised by Malteries Soufflet SAS's conditional, non-binding, and indicative proposal to acquire United Malt for \$5.00 per share (a 45.3% premium to its then latest closing price) during the month. We anticipate exiting our holding with a profit at prevailing prices.

Outlook: The portfolio is skewed toward companies with resilient earnings with good future growth prospects. In the short term there could be market volatility as investors work through the impact of higher interest rates on corporate earnings. We will continue to manage the Fund to this view but expect to use market setbacks such as that seen in March to invest in attractive investments.

Top contributors (absolute)	Sector
BHP Limited	Materials
United Malt	Consumer staples
REA Group	Communication services

Top detractors (absolute)	Sector
National Aust Bank	Financials
Macquarie Group	Financials
AUB Group	Financials

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

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