Prime Value Emerging Opportunities Fund Update – April 2023

PrimeValue®
Building Wealth Together

- Global share markets moved higher in April as concerns eased regarding US banking stresses and the US economic slowdown.
- The fund's return was +3.4% in April, 0.6% above the Small Ordinaries Accumulation Index of 2.8%. The Australian equity market has had a good start to 2023 with small caps outperforming large caps, a reversal of 2022. To April, the Small Ords is +4.8% and the fund +6.1%.
- April was the 5-year anniversary of the fund being managed by at least one of the current team. Over that time investment returns have been strong (+11.6% p.a. v's Small Ords Accum +3.9%) but importantly measured risk has been low (see page 2).

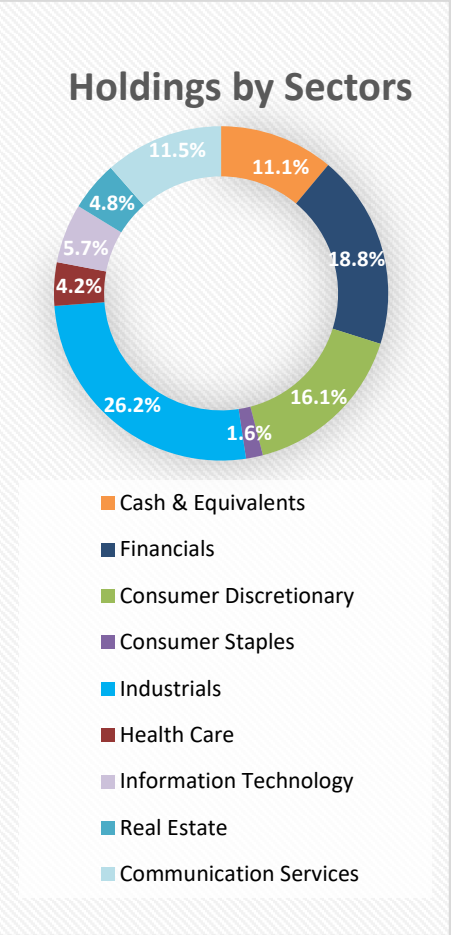
	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.3%	8.0%	3.3%
7 Years (p.a.)	10.6%	8.0%	2.6%
5 Years (p.a.)	11.6%	8.0%	3.6%
3 Years (p.a.)	15.0%	8.0%	7.0%
1 Year	-3.6%	8.0%	-11.6%
3 Months	2.7%	1.9%	0.8%
1 Month	3.4%	0.6%	2.8%

* 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%)	3.4%			**10.0%**	**125.1%**

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

* The top five holdings make up approximately 24.3% of the portfolio



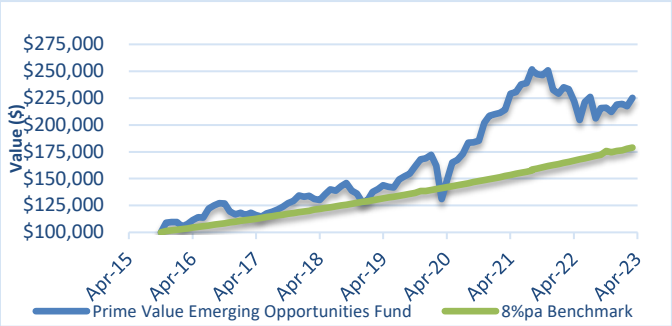
Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	Achieve superior total returns by providing medium to long term capital growth by investing in smaller capitalisation companies.
Benchmark	8% p.a.
Inception date	8 October 2015
Typical number of stocks	25-50
Cash	0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

Market review

The MSCI Developed Markets Index rose +1.7% in April, while the S&P500 Index also gained momentum (+1.6%) in local currency terms in a recovery month for markets. The main drivers were stronger consumer sentiment and stabilising interest rates. Emerging markets underperformed Developed markets, falling -1.3% in April.

Australian 10-year bond yields were flat in April as the cash rate remained relatively unchanged, rallying a moderate 4bps to 3.34%. As has been common over the last 12 months, there was much focus on the RBA following their decision to pause at the start of April, the first pause since interest rate increases started in May 2022. Additionally, the Treasurer released a review of the RBA with implications for the board's composition and transparency. US yields fell 5bps to 3.45%, on expectations of a pause to the US Federal Reserve's aggressive rate hike path. Commodity prices saw mixed trends over the month. Brent Oil fell US$0.23 to US$79.54/bbl, more than reversing the rise after OPEC+ announced oil production cuts in early April, as fears of global recession continue to drive prices lower. Iron Ore fell $22.00 to US$105.00/Mt on lagging steel demand from China. Gold prices remained relatively flat over the month, up by just US$2.85 to US$1,983.

In Australia, a pause in monetary tightening triggered broader sentiment relief around domestic economic growth risks seeing the ASX300 Accumulation Index 1.9% higher over the month. With the exception of mid-cap Resources, Industrials performed better than Resources. The ASX200 A-REIT was the best performing specialty index, followed by md-cap 50 Resources. On a sector basis, the strongest performers in Australia were REITs (+5.3%), IT (+4.8%), and Industrials (+4.4%). The relative under-performers were Energy (+1.7%), Utilities (+1.4%) and Materials (-2.6%).



This graph shows how $100,000 invested at the Fund's Inception has increased to $225,100 (net of fees). This compares with the return of the benchmark, where a $100,000 investment would have increased to $178,900 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	$1.8805
Withdrawal price	$1.8655
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 +3.4% in April, 0.6% above the Small Ordinaries Accumulation Index of +2.8%.

April was the 5-year anniversary of the fund being managed by at least one of the current team. Over that time investment returns have been strong (+11.6% p.a. v's Small Ords Accum +3.9%/Small Industrials Accum +3.0%) and consistent (outperformed both indices every year).

In our view, more important is the way in which those returns have been achieved. The fund consistently ranks as one of the lowest risk in its small-cap peer group (measured by volatility of returns). We value more certain returns over potentially high returns with high risk. Investment returns are prominently disclosed and highly visible for most funds but risk is often overlooked, particularly in the small cap space. It is a key part of our investment process.

Over the last 3 years the fund's risk measured by volatility of returns (standard deviation) is 16.4% which is circa 20% below the Small Ords Index and its peer group. Capital preservation is reflected in the fund's performance in down-markets with it outperforming the Small Ords 81% of months when the index return was negative.

There are 2 key parts to achieving this lower risk profile;

1. Stock selection: higher risk parts of our universe are screened-out. For example, we don't invest in miners and rarely in unprofitable companies.
   For a stock to be added to the portfolio it must have an estimated investment return of at least 10% p.a. over the next 3-5 years. This longer-term hurdle forces a focus on durable, predictable earnings. These characteristics result in higher quality, less volatile investments. They are typically less exposed to the economic cycle and have strong competitive positions with management that we respect and trust.
   A beneficial outcome of a long-term focus is lower stock turnover which results in lower transaction costs and tax, boosting returns.
2. Portfolio construction: our largest holdings are those that have the most certain return above our 10% p.a. hurdle, not necessarily the highest return. A stock with an expected return of 10% p.a. may have a much larger weighting that one with an expected return of 30% p.a. Along with our judgement and experience from over 40 years of small cap investing, we use several criteria to determine a stock's weighting including liquidity and quality rating.
   This approach to portfolio construction results in lower volatility and a more even distribution of returns. We are not reliant on a few stocks to create big returns. This helps to drive consistent outperformance.

A little-known cricket fact is that Australia's greatest ever batsman, Sir Don Bradman achieved his 99.9 run average by hitting only 6 sixes in his first-class career. Great outcomes can be achieved without swinging for the fence.

Top Contributors (Absolute)	Sector
Lindsay Australia	Industrials
Helloworld	Consumer Discretionary
AUB Group	Financials
Top Detractors (Absolute)	**Sector**
United Malt	Consumer Staples
Omni Bridgeway	Financials
Alliance Aviation	Industrials

Platforms
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North

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