# Prime Value Opportunities Fund
# Fund Update – April 2023

- Global share markets moved higher in April as concerns of a US banking crisis eased and on expectations of a mild US economic slowdown.
- The ASX300 Accumulation Index continued to trade higher, by 1.9% in April, well off its early March lows.
- Fund rose 1.3% in April and is 10.2% higher for the financial year to date. CSL was the largest contributor to fund performance in April.

| | Total Return* | Benchmark (8% pa) | Value Add |
|---|---|---|---|
| Since inception (p.a.) | **9.4%** | 8.0% | 1.4% |
| 10 Years (p.a.) | **8.0%** | 8.0% | 0.0% |
| 7 Years (p.a.) | **6.7%** | 8.0% | -1.3% |
| 5 Years (p.a.) | **5.8%** | 8.0% | -2.2% |
| 3 Years (p.a.) | **10.7%** | 8.0% | 2.7% |
| 1 Year | **-3.4%** | 8.0% | -11.4% |
| 3 Months | **-2.0%** | 1.9% | -3.9% |
| 1 Month | **1.3%** | 0.6% | 0.7% |

* 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.

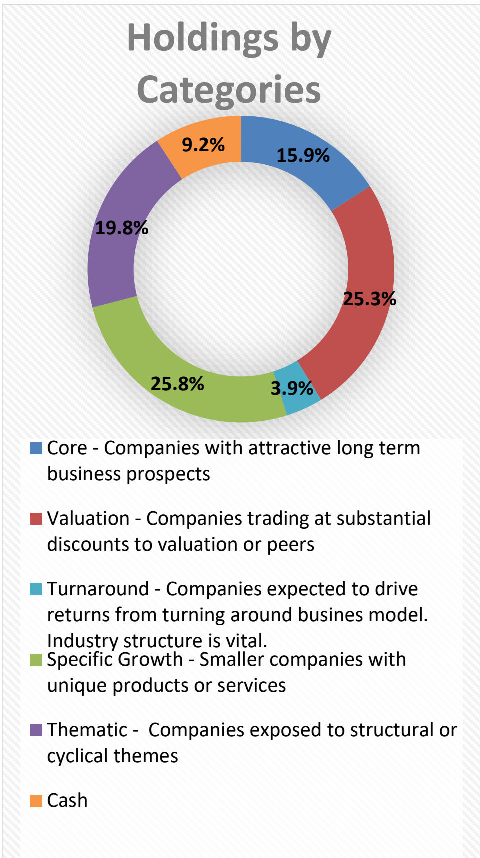
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | (0.6%) | 4.0% | (2.2%) | (1.6%) | **14.1%** | **14.1%** |
| FY 2014 | 4.4% | 2.6% | 4.3% | 5.0% | (1.1%) | 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%) | 1.3% | | | **10.2%** | **156.3%** |

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

The top five holdings make up approximately 30.5% 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<br>Lonsec - Recommended |

# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

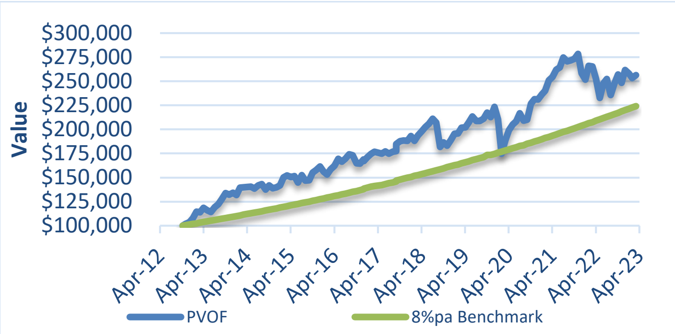


## Market review

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

Australian 10-year bond yields were flat over the month as the cash rate remained unchanged, rallying 4bps to 3.34%. As has been the case for past 12 months, much of the month was spent thinking about the RBA following their decision to pause at the start of the month and the Treasurer's release of the RBA review. 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 by US$0.23 to US$79.54/bbl, closing the gap opened by the OPEC+ announcement in early April as fears of global recession continue to drive prices lower. Iron Ore prices fell by $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.

A pause in monetary tightening triggered broad sentiment relief around domestic facing growth risk assets. The ASX300 Accumulation Index moved 1.9% higher over the month as investors reassessed the need for further rate hikes from the RBA. With the exception of Mid-cap Resources, Industrials stocks performed better compared to Resources stocks. The ASX200 A-REIT was the best performing speciality index, followed by Mid-cap 50 Resources. On a sector basis, REITs (+5.3%) was the strongest performer, while IT (+4.8%), and Industrials (+4.4%) also outperformed in Australia. The Energy (+1.7%), Utilities (+1.4%) and Materials (-2.6%) sectors were the relative worst performers.




This graph shows how $100,000 invested at the Fund's Inception has increased to $256,300 (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 $224,100 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 | $ 1.6914 | $ 1.6656 |
| Withdrawal price | $ 1.6786 | $ 1.6530 |
| 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 rose 1.3% in April, driven by stock-specific factors, compared to the SX300 Accumulation index's 1.9% gain. The Fund is higher by 10.2% for the financial year to date. The best contributors to fund performance in April were CSL (+4.3%), insurance broker AUB Group (+7.7%) and National Australia Bank (+4.0%). Larger cap resources companies such as BHP (-6.0%); and Omni Bridgeway (-13.9%) were the largest detractors to performance no doubt affected by weaker sentiment towards financial institutions. United Malt, one of the largest maltsters in North America (-7.4%) was affected by a weak trading update, which followed a very strong share price performance in the prior month. Given the strategic value of United Malt's assets we remain confident the takeover offer by peer Malteries Soufflet, that was announced last month, has a reasonably high probability of proceeding.

Outlook: Looking back over the past year, the portfolio has largely protected investors capital through challenging market environments in the first half of 2022 and has recovered positively since the middle of 2022. While market conditions have been volatile, dictated by top-down events including one of the most aggressive phases of interest rate increases in history, this phase is close to drawing an end as global inflationary pressures are easing. The economic implications of higher interest rates are still unclear as it takes time for higher interest rates to work through the economy. Hence, we conclude that the market environment may still be choppy in the short term. We also believe that as economies slow, corporate earnings would be harder to come by, creating opportunities for active, fundamental investors. This favours our long term, bottom-up approach.

A key advantage of the Fund is its non-benchmark approach to investing. It helps us to look through the short-term volatility and noise and stay focused on our process: identifying high quality companies that can generate consistent earnings growth despite the weakening global economic outlook. And we are finding some good long-term opportunities: CSL had been one where we increased our holdings by 30% middle of last year in anticipation of a recovery in the company's earnings which had been disrupted by COVID-19. We are positive on CSL's prospects predominantly for the potential that sits within the company from CSL's investments into plasma collection centres in the US, large allocation to R&D that is generating an attractive series of future earnings stream and depth of management. More recently, CSL hosted a site visit to its European operations. Key highlights include a business with strong fixed cost leverage with the new fractionation processing facility. The company also showcased its preparations for the new CSL-112 product, which promises to be a significant cash flow generator over the medium term.

| Top contributors (absolute) | Sector |
|---|---|
| CSL Limited | Healthcare |
| AUB Group | Financials |
| National Australia Bank | Financials |

| Top detractors (absolute) | Sector |
|---|---|
| BHP Limited | Materials |
| Omni Bridgeway | Financials |
| United Malt | Consumer Staples |

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