

Prime Value Emerging Opportunities Fund Update – June 2023

- Global markets were positive in June, particularly the US and Japan.
- The fund's return was +2.9% for the month of June, 2.9% ahead of the Small Ordinaries Accumulation Index of 0.0%. June concluded the financial year which was a strong 12 months with the fund returning +13.7%, 5.2% above the index return of +8.5%.
- A final distribution of 2.6 cents per unit was paid in July, bringing the total for the year to 6.0 cents per unit. Of the fund's 12 month return of +13.7%, 3.5% was yield and 10.2% capital growth.

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.5%	8.0%	3.5%
7 Years (p.a.)	10.8%	8.0%	2.8%
5 Years (p.a.)	10.7%	8.0%	2.7%
3 Years (p.a.)	11.6%	8.0%	3.6%
1 Year	13.7%	8.0%	5.7%
3 Months	6.9%	2.0%	4.9%
1 Month	2.9%	0.7%	2.2%

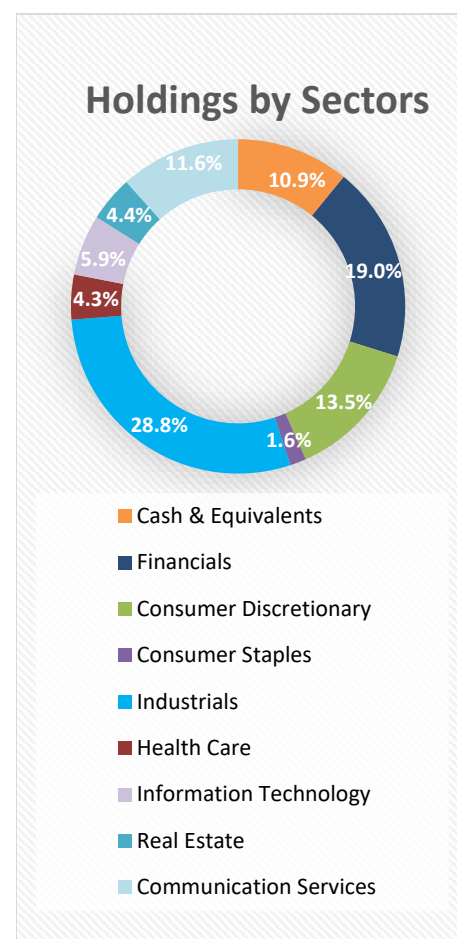
* Fund returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not necessarily 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%	0.4%	2.9%	13.7%	132.6%

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 23.7% 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

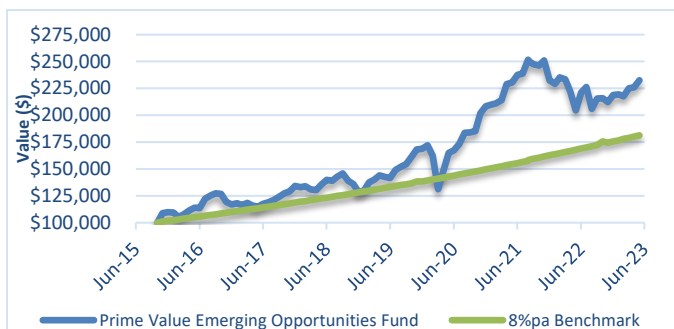


Market review

The MSCI Developed Markets Index was strong in June (+5.7%), supported by the US with the S&P500 Index (+6.6%). European share markets also recovered most of May's decline, with the FTSE100 Index +1.4% and Euro Stoxx 50 Index +4.4% in June. Japanese equities continued to make extraordinary gains and was again a standout, with the Nikkei 225 Index +7.6% in June.

Commodity prices saw mixed trends over the month. Brent Oil rose by US\$2.24 to US\$74.90/bbl, trading on tighter market fundamentals over the northern hemisphere driving season, coupled with political uncertainty in Russia. Iron Ore prices rose by US\$13.50 to US\$113.50/Mt on demand growing slightly more than supply and inventories falling. Gold prices fell by US\$52.15 to US\$1,912 as the US Federal Reserve and ECB focus their commentary on the inflation outlook. Australian 10-year yields sold off by 42bps in June to 4.02%, after the RBA increased rates again in June taking the cash rate to 4.10%.

The ASX300 Accumulation Index increased 1.7% in June, partially reversing the prior month's decline. For FY23, the ASX300 Accumulation Index posted a 14.8% gain. Index performance in June was driven by Materials (+4.8%) and Financials (+3.1%). Weaker sectors were Healthcare (-6.6%) and Communication Services (-1.0%). Across the size indices, the large cap index outperformed the mid cap index while the small cap index was flat in June and underperformed the 2 larger indices. Across macro indices, large cap Resources was the best performer (+4.4%) but was negative in the small cap universe (-1.2%) given their different commodity exposure.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$232,600 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$181,300 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	\$1.9174
Withdrawal price	\$1.9021
Distribution (30/06/2023)	\$0.025786
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 +2.9% in June, 2.9% above the Small Ordinaries Accumulation Index return of 0.0%. June concluded the financial year and returns were strong for both the market (Small Ords Accum +8.5%) and the fund (+13.7%).

Very few expected such strong market returns highlighting that short term returns are hard to predict and long-term investing is best. There are good years and bad years but over the long term, returns are very strong. By being invested, unit holders have benefitted from a +13.7% year when many other asset values declined.

The fund has performed well in recent years consistently generating returns above the market (table below) through highly variable conditions that have tested investor styles and biases. Markets have experienced bull/bear markets, rising/falling interest rates, strong/weak economic growth, tech boom/bust and covid. The fund's risk is also well below market as measured by volatility of returns (table below). Higher returns and lower risk is our ongoing aim.

% return after fees	FY20	FY21	FY22	FY23	4 yr p.a	Risk
Em Opp Fund	18.1	42.0	-13.9	13.7	13.2	18.2
Small Ords Accum	-5.7	33.2	-19.5	8.5	2.3	22.2
Relative	23.8	8.8	5.6	5.2	10.9	-18%
Small Industrials Accum	-7.4	33.0	-24.0	9.5	0.6	21.9
Relative	25.5	9.0	10.1	4.2	12.6	-17%

FY = financial year or 12 months to June. Risk is 4 yrs standard deviation

Looking forward, we are excited by the investment opportunities available. Our investment universe is the small industrials sector in Australia and New Zealand which is a deep pool of opportunity. There is a large variety of companies in very different niche industries and most have limited research coverage. We meet 4 companies per day on average ensuring we find the best ideas and have them in the fund.

Over the last 2 years of market turbulence, small industrials have been particularly weak, with the index -17% (Em Opp Fund -2%). Many quality businesses have fallen much more than this, presenting the opportunity to buy at discounted prices.

Earlier this year we started a position in Domain Group (DHG) after its share price had halved in the previous 12 months. DHG is a high-quality business being the second largest online property portal in Australia. The industry is concentrated with 2 main players, high barriers to entry and strong pricing power. Since our purchase the stock is up c. 20% in anticipation of an improving residential property cycle (increased listings). This highlights the market is forward looking and you can't wait for ideal conditions to invest.

In our view, investing in equities is not a speculative game. It provides the opportunity to be the part-owner of very high-quality businesses at attractive prices (when timed right). A cursory glance at the wealthiest people in Australia and globally illustrates that being a business owner is a fantastic way to generate wealth. Market falls over the last 2 years is presenting investment opportunities that should provide strong investment returns in the years to come.

Top Contributors (Absolute)	Sector
AUB Group	Financials
Austal	Industrials
SG Fleet	Industrials
Top Detractors (Absolute)	Sector
Lindsay	Industrials
Alliance Aviation	Industrials
Corporate Travel	Consumer Discretionary

Platforms

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

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