

# Prime Value Growth Fund

## Fund Update – June 2023



- Global markets were positive in June, particularly the US and Japan.
- The fund returned +2.4% in June, 0.7% ahead of the ASX300 Accumulation Index of +1.7%. June concluded the financial year which was a strong 12 months with the fund returning +14.0%.
- A final distribution of 3.59 cents per unit was paid in July, bringing the total for the year to 6.88 cents per unit. Of the fund's 12 month return of +14.0%, 4.3% was yield and 9.7% capital growth.

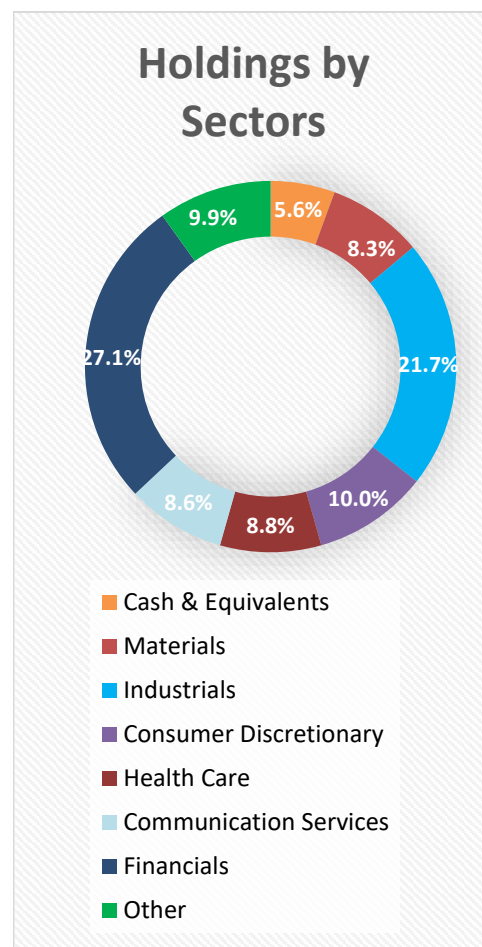
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	<b>10.3%</b>	8.1%	2.2%
20 Years (p.a.)	<b>9.1%</b>	8.9%	0.2%
10 Years (p.a.)	<b>5.7%</b>	8.5%	-2.8%
5 Years (p.a.)	<b>4.4%</b>	7.1%	-2.7%
3 Years (p.a.)	<b>11.3%</b>	11.1%	0.2%
1 Year	<b>14.0%</b>	14.4%	-0.4%
3 Months	<b>4.8%</b>	1.0%	3.8%
1 Month	<b>2.4%</b>	1.7%	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) standards. 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.

Top five holdings	Sector
BHP Group	Materials
Commonwealth Bank	Financials
EQT Holdings	Financials
CSL Limited	Health Care
AUB Group Limited	Financials

The top five holdings make up approximately 29.2% of the portfolio.

Feature	Fund facts
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Suggested Investment Period	3 + years

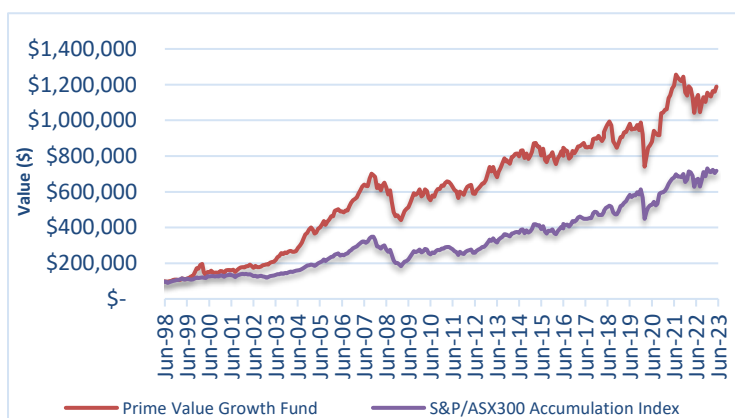


## Market review

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 \$1,188,400 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$717,600 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	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.7744	\$ 1.7748
Withdrawal price	\$ 1.7610	\$ 1.7614
Distribution (30/06/2023)	\$ 0.0359	\$ 0.0374
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

\* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC  
 \*\* Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

## Fund review and strategy

The fund returned +2.4% in June, 0.7% above the ASX300 Accumulation Index return of +1.7%. June concluded the financial year and returns were strong with the fund +14.0%.

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 +14.0% year when many other asset values declined.

Over the last 2 years the fund has marginally underperformed the ASX300 Accumulation index (+0.4% v's +3.3% p.a.). This is because the fund is overweight small industrials which have underperformed large capitalisation stocks which dominate the ASX300 index. The small industrials accumulation index return over the last 2 years has been -8.8% p.a., creating a significant headwind to performance. When markets rebound, smaller companies typically rebound more meaning this headwind will turn into a tailwind. We saw this over the last 6 months with the fund outperforming the ASX300 by 3.3% (+7.7% v's +4.4%).

Small industrials is an appealing market segment as it 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.

Markets are currently trending positively and it appears we are nearing the end of the RBA's rate hiking cycle so there are reasons to be positive on the market outlook. However, as always, it is very difficult to forecast markets in the short term. Over the long term we are confident markets will be significantly higher so the fund's returns should be strong.

Over the last 2 years of market turbulence, many quality businesses have fallen significantly, presenting the opportunity to buy at discounted prices.

Earlier this year we started buying 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
BHP	Materials
Austal	Industrials
Top Detractors (Absolute)	Sector
CSL	Healthcare
Lindsay	Industrials
Alliance Aviation	Industrials

### Platforms

Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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