Prime Value Growth Fund
Fund Update – October 2023

- Equity markets, including the ASX, posted broad declines in October, on expectations that US interest rates would stay higher for longer.
- The fund's return was -5.7% for the month of October, 1.9% below than the ASX 300 Accumulation Index return of -3.8%.
- The fund is overweight small industrial companies, a section of the market where greater opportunities for asset mis-pricing exist in our view. Historically this has proven a fertile ground for outperformance, however the period since January 2022 has seen this section of the market significantly underperform large caps. This is presenting some exceptional investment opportunities, in our view.

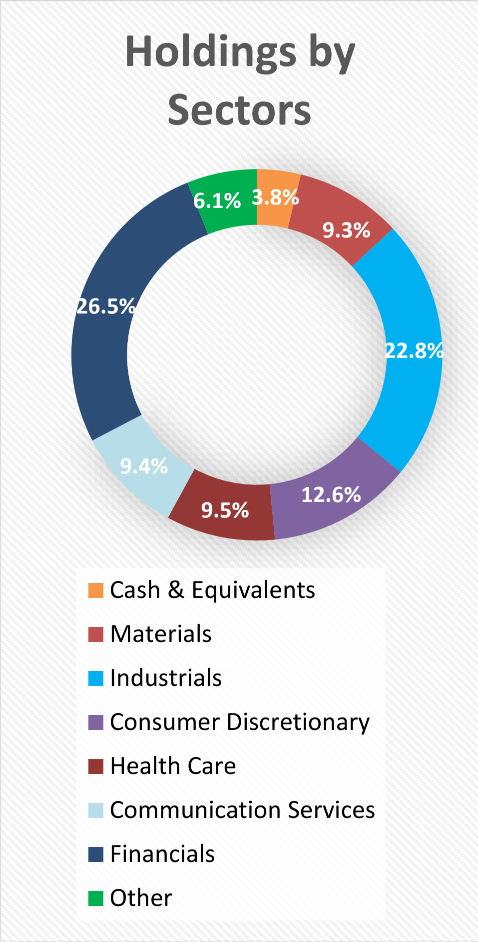
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**9.9%**	7.8%	2.1%
20 Years (p.a.)	**7.7%**	8.1%	-0.4%
10 Years (p.a.)	**3.6%**	6.6%	-3.0%
5 Years (p.a.)	**4.9%**	7.2%	-2.3%
3 Years (p.a.)	**6.9%**	8.7%	-1.8%
1 Year	**2.2%**	2.5%	-0.3%
3 Months	**-8.2%**	-7.3%	-0.9%
1 Month	**-5.7%**	-3.8%	-1.9%

*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 31.4% 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



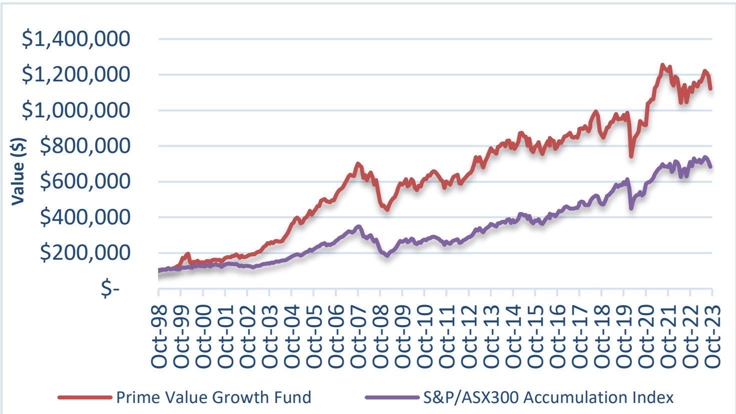
Market review

Equities struggled in October triggered by a spike in geopolitical fears and a firming realisation that interest rates are set to remain higher for longer. The MSCI Developed Markets Index fell over the month (-2.6%) along with the US based S&P 500 Index (-2.1%). European stocks fell by a larger amount with the DJ Euro Stoxx 50 Index -3.5% although Asian stocks, measured by the MSCI Asia ex Japan Index, fared slightly better at -2.7%.

Commodity prices were mixed over October. Brent Oil fell by US$7.86 to US$87.45/bbl, on macro growth concerns offsetting geopolitical news flow in the Middle East. Iron Ore prices held broadly steady, rising by US$2.50 to US$122.00/Mt, however depressed rebar prices and spreads signal softening steel demand in China. Short-covering and safe haven demand has continued to drive gold higher, rising by US$127 to US$1,998.

The ASX300 Accumulation Index fell 3.9% in October a 52 week low, following three consecutive monthly declines. Losses were broad based, Financials (-1.04%) detracted the most from index performance, whilst the Health Care sector (-0.64%) added to losses on a calendar year to date basis. There were also declines in the Industrials, Real Estate and Energy sectors. The energy sector reversed its previous positive month as the oil price fell (-8.3%).

Losses were broad-based, across size and macro indices and sectors, with Utilities the sole sector to close higher during the month. Large caps fared better than small-and mid-cap indices in October. With the exception of mid-caps, resources stocks performed better than industrial companies.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,121,500 (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 $684,500 over the same period. The returns exclude the benefits of imputation credits.

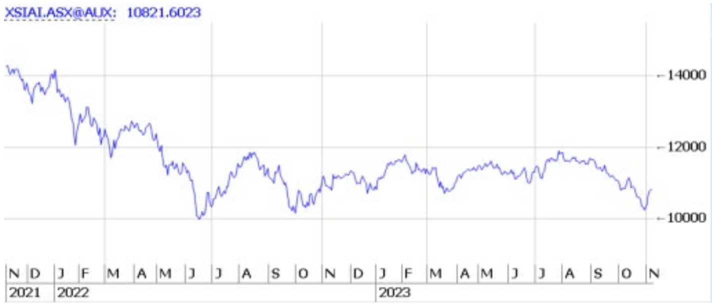
Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.6745	$ 1.6760
Withdrawal price	$ 1.6619	$ 1.6634
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 -5.7% in October, 1.9% below the ASX300 Accumulation Index return of -3.8%. The fund is overweight Small Industrial stocks which were -7.0% in October. This took the Small Industrials index to the bottom of its recent trading range and has bounced in November to date (chart below).



In periods of softening economic growth when the earnings outlook is less clear, defensive companies that are less exposed to the economic cycle typically become relatively more expensive. However in the current market there are many high quality defensive companies trading at a valuation discount to the Small Industrials average (20x PE FY24) and well below their long term average. We think this presents an exceptional opportunity for long term investment returns.

It is in times of change and volatility that the best opportunities are available. Historically they have been a fruitful time to invest as sentiment normalises and the earnings power of quality companies is proven.

An example of attractive valuation is EQT Holdings (EQT). EQT is a high quality trustee business founded in 1888 with long duration earnings streams. Management is taking steps to improve future returns by exiting its loss-making UK/Ireland operations and investing in systems that will drive operating leverage in future years. At its recent AGM update funds under supervision were +8% in the first quarter of the year which is particularly strong for a company with longstanding sticky customers. EQT is one of 2 main players in the industry and its largest competitor, Perpetual Trustees, received a takeover offer last year.

EQT currently trades on a consensus FY24 PE of 18x and FY25 PE of 15x which is attractive relative to its long term 1 year forward average of 21x. Its FY24 dividend yield of 4.4% fully franked provides a high and growing income stream. Earnings growth is accelerating and return on invested capital is rising. Additionally its recent acquisition of AET is delivering above expectations with the prospect for upside to synergy targets, in our view. The balance sheet is strong and further accretive acquisitions opportunities may be available. We think this combination of resilient and growing earnings with historically low valuation multiples provides a very attractive risk-reward combination. Management seem to agree and have been buying the stock recently.

Top Contributors (Absolute)	Sector
Kelsian	Industrials
SG Fleet	Industrials
Propel Funerals	Consumer Discretionary
Top Detractors (Absolute)	**Sector**
EQT Holdings	Financials
Bapcor	Consumer Discretionary
Domain	Communication Servcies

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

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