

Prime Value Growth Fund

Fund Update – December 2023



- Equity markets continued to trend upward driven by expectations of US interest rates being cut in 2024.
- The fund's return was +5.7% for the month of December, 1.5% below the ASX 300 Accumulation Index return of +7.2%. A distribution of 1.87c/unit (c. 2.0% yield) for the 6 months to December was paid in early January.
- For the 12 months of 2023, the fund returned +13.7%, 1.6% above the ASX300 (+12.1%).

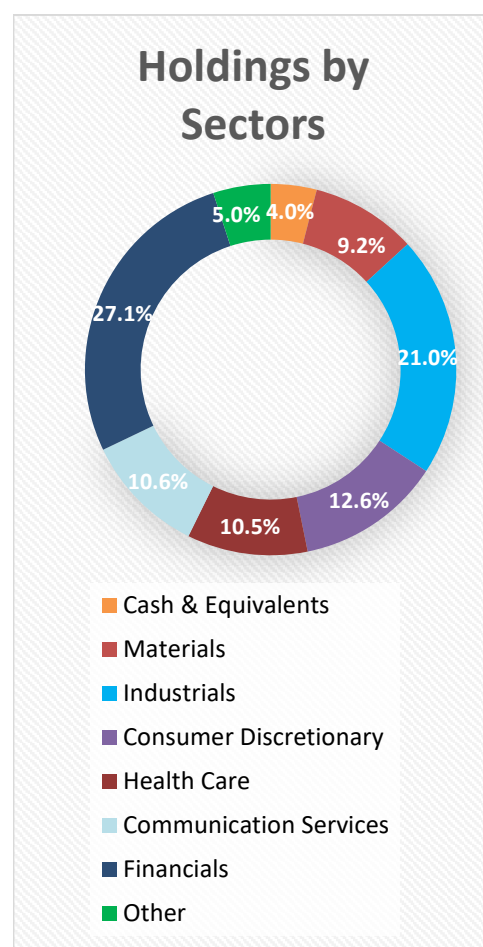
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.3%	8.2%	2.1%
20 Years (p.a.)	8.2%	8.7%	-0.5%
10 Years (p.a.)	4.9%	7.9%	-3.0%
5 Years (p.a.)	8.2%	10.3%	-2.1%
3 Years (p.a.)	6.5%	9.0%	-2.5%
1 Year	13.7%	12.1%	1.6%
3 Months	5.5%	8.4%	-2.9%
1 Month	5.7%	7.2%	-1.5%

*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
Regis Healthcare Limited	Health Care

The top five holdings make up approximately 31.1% 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



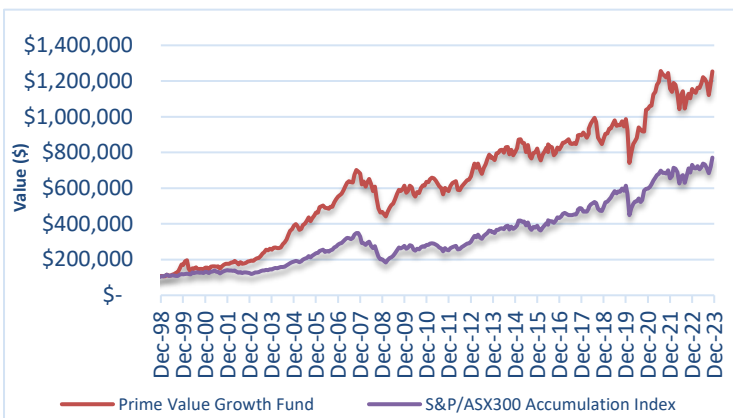
Market review

US stocks trended upward in December, driven by market optimism regarding potential US Federal Reserve interest rate cuts in 2024. The S&P500 Index closed the month +4.4%, just shy of a new record. The Dow Jones Index was +4.8% and the NASDAQ Index +5.5%. European equities also performed well in the month of December with the Stoxx600 Index +2.7% and the FTSE100 Index +3.7%. In Asia the MSCI Asia Pacific Index was +4.71%, although the Nikkei and Hang Seng indices closed flat, following a volatile trading month in which weak investor sentiment surrounding regional economic outlook were offset by positive US indicators.

The Australian dollar gained 3.1% in December, continuing its November rebound. A combination of a weakening US dollar and strong iron ore prices supported the Australian Dollar's strength.

Gold fell -0.4% to US\$2,063.80/oz despite volatile moves across the month. Oil spent the first half of the month in the red, moving into positive territory for a short period of time before finishing lower. Brent finished - 2.3% to \$77.04/bbl, while US WTI Crude closed the month -3.5% to \$71.65/bbl. Despite OPEC+ announcing in late November they would be cutting oil production, prices continued to fall as traders doubted the group would follow through.

The ASX300 Accumulation Index surged +7.3% in December bringing returns for the 2023 year to +12.1%, including dividends. Real Estate was the best performer in December, with a return of +11.2%, benefiting from lower bond yields, reversing previously falls when bond yields rose. Healthcare (+9.1%) was the second best sector, supported by lower bond yields and reduced concerns around the impact of weight loss drugs (GLP-1's), which had added to the sector's underperformance in prior months. Insurance (-1.7%) was the worst performer in December and the only sector with a negative return. Insurance was also affected by volatile bond yields along with severe weather events on the east coast of Australia towards the end of the month.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,254,900 (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 \$771,100 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	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.8382	\$ 1.8382
Withdrawal price	\$ 1.8243	\$ 1.8243
Distribution (31/12/2023)	\$ 0.0354	\$ 0.0375
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

December concluded 2023 with a bang that included strong market returns and multiple takeover bids including one in the fund. The prospect of lower interest rates in 2024 lit a fire under equities and created a catalyst for bids on attractively priced businesses. This followed a strong November for markets and highlights how quickly sentiment can rebound. We believe it is important to be invested through the cycle as timing markets is very challenging and missing these strong months can severely impact long term returns. Equity investing does come with volatility – this is the price for strong long term investment returns.

We continue to see a lot of value in the market with many very high quality businesses trading on valuation multiples well below our view of fair value and their long term average. Examples of large holdings in the fund include EQT Holdings on an FY25 PE of 15x, versus a long term average of c. 21x and AUB Group on 16x versus a long term average of c. 20x. Both companies are relatively defensive, have a strong earnings growth outlook and upside risk to consensus earnings estimates, in our view. There are many more examples like these.

The fund returned +5.7% in December, bringing returns for the 2023 year to 13.7%, 1.6% above the ASX 300 Accumulation Index return of +12.1%.

One of the fund's holdings received a takeover bid in December. Probiotec manufactures and packages healthcare products in Victoria and New South Wales. We have followed the company since its initial public offering in 2006 and seen it evolve into a business providing services for some of the world's largest pharmaceutical companies. The takeover offer is \$3.00 per share plus up to 7.5 cents of dividends bringing the total to \$3.075. This is 22% above the stock price of \$2.52 before the offer. We expect the bid to be successful and complete around June 2024.

Takeovers have been a relatively common occurrence for the fund reflecting its higher quality, reasonably priced investments. With smaller companies significantly underperforming over the last 2 years there is significant value on offer for larger companies or private equity. Along with more certainty on interest rates, we expect there will be more takeover offers for stocks in the fund in future.

As we start 2024 we are optimistic. Inflation is slowing, central banks are signalling interest rate rises are nearing an end and the portfolio holds attractively priced, high-quality businesses. Timing markets is challenging but we expect that long term future returns from this point will be strong.

Top Contributors (Absolute)	Sector
BHP	Materials
Regis Healthcare	Health Care
Commonwealth Bank	Financials
Top Detractors (Absolute)	Sector
IPH	Industrials
Hansen	Information Technology
Omni Bridgeway	Financials
Platforms	
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac	

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