Prime Value Emerging Opportunities Fund (Class B) Update – February 2024

- Technology companies led global share markets higher in February, in what was another positive month for equity markets.
- The fund's return was +0.9% for February, which was 0.8% below the Small Ordinaries Accumulation Index (+1.7%) and 3.0% below the Small Industrials Accumulation Index (+3.9%). Reporting season was better than some feared with cost control a feature.
- Every year the fund and our organisation is reviewed by Zenith Investment Partners, a leading independent researcher of Australian funds. In February we were honoured to receive Zenith's highest rating of "Highly Recommended", one of only 6 small cap funds in Australia.

The Prime Value Emerging Opportunity Fund was established in October 2015 with only one class of units (Class A units) until January 2024 when a new class of units (Class B units) were created with a different performance fee structure to provide investors with an alternative. To give a longer term view of performance in the table below we have also shown longer term returns for the Class A units. Class B units have identical investments and calculation of management fees, however, the returns may differ reflecting differences in the calculation of performance fees.

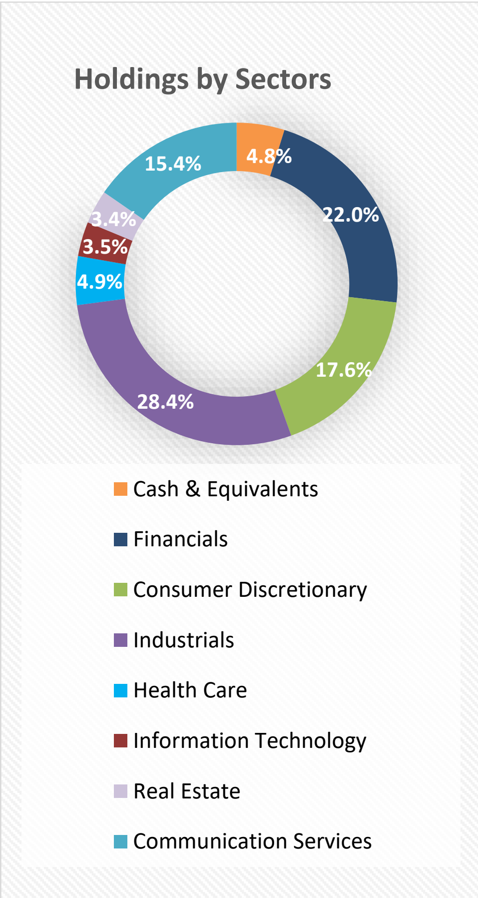
	Class B Total Return*	Class A Total Return*	Small Ordinaries Accumulation	Value Add	Small Industrials Accumulation	Value Add
7 Years (p.a.)	-	11.5%	6.5%	5.0%	6.3%	5.2%
5 Years (p.a.)	-	12.7%	4.4%	8.3%	4.3%	8.4%
3 Years (p.a.)	-	5.7%	1.4%	4.3%	1.1%	4.6%
1 Year	-	13.8%	7.8%	6.0%	12.9%	0.9%
3 Months	-	8.3%	10.1%	(1.8%)	14.9%	(6.6%)
1 Month	0.9%	-	1.7%	(0.8%)	3.9%	(3.0%)

* 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 an indicator of future performance.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2024	-	-	-	-	-	-	-	0.9%					**0.9%**	**0.9%**

Top five holdings (alphabetical order)	Sector
AUB Group Limited	Financials
EQT Holdings Limited	Financials
Kelsian Group Limited	Industrials
News Corporation	Communication Services
Propel Funeral Partners Limited	Consumer Discretionary

* The top five holdings make up approximately 27.7% 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	Small Industrials Accumulation Index (XSIAI)
Fund Inception date	8 October 2015
Class B commencement date	31 January 2024
Typical number of stocks	25-50
Cash	0 - 20%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Ratings	Zenith – Highly Recommended

Market review

The MSCI Developed Markets Index rose +0.8% over February, while the S&P500 Index rose +5.3% in a strong month for equities. The S&P/ASX300 Accumulation Index underperformed Developed Markets performance, rising +1.0%. Emerging Markets outperformed Developed Markets in February, rising +4.9% in the month.

The Australian 10-year government bond yield moved up 12bps over the month to 4.14%. US bond yields also increased, increasing 29bps to 4.24%. Commodity prices were mixed in February. Brent Oil rose by US$1.97 to US$83.68/bbl, whilst Iron Ore prices fell by US$15.50 to US$117.50/Mt. Over the month, Gold fell by US$20.80 to US$2,032 as bullion markets recalibrated to expectations of US Federal Reserve interest rate expectations.

With the exception of the ASX20, all S&P/ASX size indices closed higher in February, led by the mid-cap stocks which rose +5.3%. More broadly, small-caps (+1.7%) were preferred over large cap companies (+0.9%). Resources were a drag on performance across all size biased indices, and Industrial companies performed well. The Technology sector led the market up, enjoying out-sized returns of +19.5% for the month. Sentiment from US technology companies had a positive influence on local trading, along with a large takeover offer for Australian listed Altium and generally good financial results reported in February. On the flip side the Energy sector lagged the broader market falling -6.0%. Noticeably, momentum within the Discretionary sector continued, +9.2% for the month, extending its gains to +24.6% since the October 2023 low.

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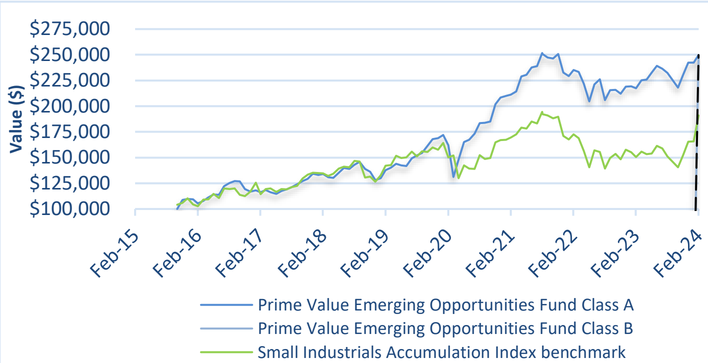

This graph shows how $100,000 invested in the Prime Value Emerging Opportunity Fund Class A at the Fund's Inception has increased to $249,700 (net of fees). This compares with the return of the benchmark (Small Industrials Accumulation Index), where a $100,000 investment would have increased to $190,900 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 an indicator of future performance.

	Investment (Class B)
APIR Code	PVA3186AU
Minimum Investment	$20,000
Issue price	$1.0129
Withdrawal price	$1.0049
Distribution	-
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%**

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC **Of performance (net of management fees) in excess of the agreed benchmark.

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Fund review & strategy

February is reporting season when listed companies release their financial results for the 6 months ending December. As share prices largely follow earnings/cashflow, this is an important period and has become increasingly volatile over time. The fund returned +0.9% in February which was below the Small Ords and Small Industrials indices. It wasn't so much that we had big losses (Kelsian was our worst stock for the month and was -16%), it was more that we didn't have enough big gains. Technology was particularly strong and our exposure to this sector is currently lower than the indices.

Propel Funerals is a top 5 holding and a stock we have owned in the fund for approximately 3 years. Before that it was held in the micro-cap fund, so it's a company we have followed for many years.

Propel is Australia's second largest funeral operator and a key driver of the industry is the number of deaths in its markets. Not the most exciting industry, but one with many favourable characteristics including accelerating volume growth due to a growing and ageing population and little correlation to the economic cycle. Regardless of what happens to interest rates, elections or economic growth, when your time is up, your time is up. The emotional and infrequent nature of the purchase means that price elasticity of demand is low and Propel's 10 year growth in revenue per funeral has been +3% p.a. With rising industry volumes, market share growth and price increases, the outlook for organic revenue and earnings growth is solid at 5-10% p.a. This is further enhanced by an acquisition model whereby it acquires smaller, privately held funeral companies at lower multiples than Propel trades on. This acquisition strategy has been undertaken by the management team for decades so is proven. A $100m equity raising in January has re-stocked the balance sheet providing $170m of total funding capacity (including debt) that should last 2-3 years and lift earnings per share by c. 15-20%, depending on acquisition opportunities.

An under-appreciated aspect of Propel is the $220m of land and buildings held on the balance sheet (at cost). This provides optionality for future value release or funding and lowers operating leverage through the avoidance of rental costs.

Propel sits in our "Core" category being a stable and sustainable business with low cyclicality and high and maintainable barriers to entry. Core stocks are currently c. 30% of the portfolio and are the engine room of the fund. Like a steam train, as a group they grow their earnings and provide an investment return through most economic conditions. Consequently they tend to be longer term holdings in the portfolio. We would like to have a portfolio full of "Core" stocks, however valuation and meeting our hurdle of expected future returns is often a challenge. The secret to achieving the best returns in this category is to invest in a strong business model that is under-appreciated by the market, often due to short term factors.

Through most of 2023 Propel's stock price was weak as the market was concerned by the high death rate in 2022 which made it hard for Propel to grow in 2023. To us, this was a short-term issue in a long-term growth trend. The death rate is expected to accelerate from 1% p.a. to 3% p.a. over the next 20 years starting about now. As this short term concern dissipated the stock rallied and is up 30% over the last 5 months.

Top Contributors (Absolute)	Sector
Propel Funerals	Consumer Discretionary
Ooh!Media	Communication Services
SG Fleet	Industrials
Top Detractors (Absolute)	**Sector**
Kelsian	Industrials
Corporate Travel	Consumer Discretionary
Alliance Aviation	Industrials