Prime Value Growth Fund
Fund 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 +0.7% for the month of February, 0.3% below than the ASX 300 Accumulation Index return of +0.9%.
- Reporting season was broadly better than expected. With a slowing economy there was concern that revenue and earnings may be weak. However revenue growth averaged 6% for the half and cost control helped 40% of ASX200 firms to beat consensus estimates.

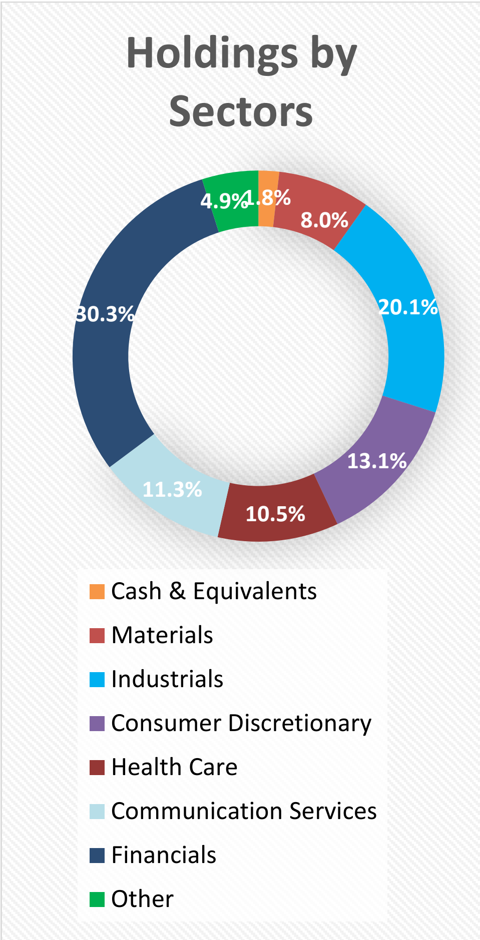
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.4%**	8.3%	2.1%
20 Years (p.a.)	**8.2%**	8.7%	-0.5%
10 Years (p.a.)	**4.9%**	7.9%	-3.0%
5 Years (p.a.)	**7.3%**	8.6%	-1.3%
3 Years (p.a.)	**6.6%**	9.1%	-2.5%
1 Year	**12.7%**	10.5%	2.2%
3 Months	**8.2%**	9.5%	-1.3%
1 Month	**0.7%**	1.0%	-0.3%

*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
Regis Healthcare	Health Care
CSL Limited	Health Care

The top five holdings make up approximately 31.5% 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

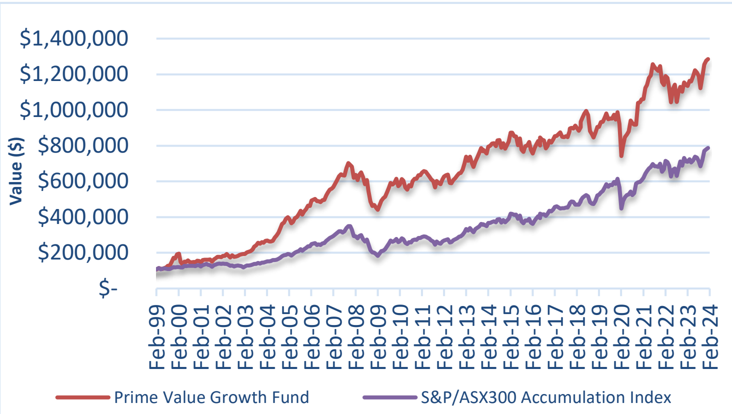


Market review

The MSCI Developed Markets Index 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.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,285,300 (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 $787,300 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 (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	$20,000	N/A
Issue price	$ 1.8828	$ 1.8835
Withdrawal price	$ 1.8686	$ 1.8693
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

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 +0.7% in February which was below the ASX 300 index. It wasn't so much that we had big losses (BHP was our worst stock for the month and was -7%), it was more that we didn't have enough big gains. Technology was particularly strong and our exposure to this sector is currently relatively low.

Propel Funerals is a top 10 holding and a stock we have owned at Prime Value for approximately 5 years, 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. 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
SG Fleet	Industrials
Regis Healthcare	Healthcare
Equity Trustees	Financials
Top Detractors (Absolute)	**Sector**
BHP Group	Materials
Kelsian	Industrials
Corporate Travel	Consumer Discretionary

Platforms

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

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