

Prime Value Growth Fund

Fund Update – March 2024



- Global share markets were broadly higher in March on strong US economic data and supportive interest rate comments from the US Fed.
- The fund's return was +2.3% for the month of March, 1.0% below the ASX 300 Accumulation Index return of +3.3%.
- We highlight within, the fund's investment in REG which has delivered a total return of >100% in 2½ years. This was an example of an unloved stock that was overlooked by investors despite trading at a deep asset valuation discount with positive catalysts on the horizon.

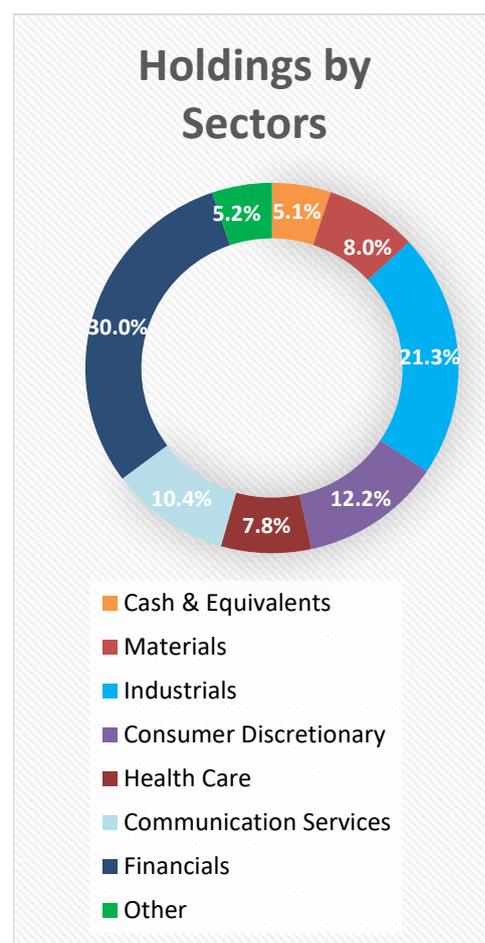
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.4%	8.4%	2.0%
20 Years (p.a.)	8.3%	8.7%	-0.4%
10 Years (p.a.)	5.1%	8.3%	-3.2%
5 Years (p.a.)	7.7%	9.2%	-1.5%
3 Years (p.a.)	7.4%	9.4%	-2.0%
1 Year	15.9%	14.4%	1.5%
3 Months	4.8%	5.4%	-0.6%
1 Month	2.3%	3.3%	-1.0%

*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
Commonwealth Bank	Financials
BHP Group	Materials
EQT Holdings	Financials
CSL Limited	Health Care
AUB Group Limited	Financials

The top five holdings make up approximately 30.6% 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

March saw the equity markets' strong run continue, as hopes firmed that both the US and Australian economies will be largely immune to the cyclical risks many foresaw. The MSCI Developed Markets Index rose +3.4%, while the S&P500 Index also strengthened (+3.2%). Emerging Markets underperformed Developed Markets, with the MSCI Emerging Market Index +2.5% in USD currency terms across the month.

The Australian 10-year government bond yield fell 17 basis points over the month to 3.97%. US yields also declined, stepping down 4 basis points to 4.20%. Commodity prices were mixed. Brent Oil rose US\$3.86 to US\$87.48/bbl, whilst China macro concerns saw Iron Ore prices fall by US\$15.50 to US\$102.00/Mt. Over the month, Gold prices hit another record high, increasing by US\$166.30 to US\$2,214.35 per ounce.

The ASX300 Accumulation Index rose for a fifth consecutive month in March, bouncing from mid-month lows and the ASX300 Index setting another high of 7,848 points along the way. For the month, the ASX300 Accumulation Index was up 3.3%. The materials sector recovered from the recent run of losses, despite a decline in Iron Ore prices – the copper and gold complexes has led the sector up globally thus far this year.

Except for the Communication Services sector, all ASX sectors closed higher with the breadth of relative outperformance more constrained to the Real Estate, Energy, Utilities and Materials sectors. Small caps continued to outperform large caps, with a +1.8% point relative gain in March, driven by a bounce in the Resources sector performance, which outperformed Industrials across all size biased indices.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,314,900 (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 \$812,900 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 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	\$ 1.9261	\$ 1.9272
Withdrawal price	\$ 1.9115	\$ 1.9126
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

The fund returned +2.3% in March, which was 1.0% below the ASX 300 Accumulation Index (+3.3%). Resources (+4.2%) outperformed Industrials (+3.0%), with the risk-on backdrop seeing strong performances from the more speculative end of the market. We note profitable industrial companies (the bedrock of our investment universe) made up just 1 of the Top 10 index performers, and just 7 of the Top 30 index performers.

Key fund contributors were **Regis Healthcare** (REG +12.5%), **Hotel Property Investments** (HPI +15.0%) and **Commonwealth Bank** (CBA +3.4%). Key detractors were **Collins Foods** (CKF -7.8%), **Restaurant Brands** (RBD -12.0%) and **Chorus** (CNU -3.7%).

Regis Healthcare (REG) is one of Australia's largest aged care operators, with the fund initially investing in it as an Asset Realisation / Valuation opportunity 2½ years ago. This category describes companies that trade at a deep valuation discount (whether that be relative to asset value or free cash flow generation), with assets or prospects that are unrecognised due to investor short-termism. Over time, Asset Realisation / Valuation companies have represented 10-15% of the fund by weight.

At the time of investment, the aged care industry was at a low ebb of the government funding cycle, with >50% of operators losing money, the listed operators trading below bed replacement value, a lack of incentives for the industry to invest in new beds, and Covid driving lower occupancy, labour shortages, and higher operating costs. On the flip-side, there was no question over the rising long-term demand for aged care beds, while several industry reforms were under discussion, and, in our view, were likely to deliver positive industry outcomes.

Fast forward 2½ years and these industry reforms have ultimately proved more positive than expected, with operators receiving a >35% uplift in government funding per bed (in part to cover significant mandated wage and care increases), as well as the deregulation of bed licences to incentivise investment into new beds. Further, the recent Aged Care Taskforce report recommends additional benefits to operators, including further increases to funding (daily living costs) and RAD retention.

From the fund's initial investment, the total return on REG shares has been >100% and the Asset Realisation / Valuation opportunity has played out. As such, in addition to taking some profits and reducing the fund's holding in REG, we have also re-categorised it as a Specific Growth investment, with the new industry reforms in place (and still under discussion) providing operators the incentive to once again invest in new bed capacity to close the supply deficit that is forecast in the years ahead.

We note that the fund holds **Restaurant Brands'** (RBD) ASX-listed stock which has very limited trading liquidity and perversely fell -12% for the month despite the NZ-listed stock rising +6%. Ultimately we see the ASX-listed stock trading much more closely to the NZX-listed stock over time.

Top Contributors (Absolute)	Sector
Regis Healthcare	Health Care
Hotel Property Investments	Real Estate
Commonwealth Bank	Financials
Top Detractors (Absolute)	Sector
Collins Foods	Consumer Discretionary
Restaurant Brands NZ	Consumer Discretionary
Chorus	Communication Services

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

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