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

- Global equity markets rebounded from losses in the previous month, led by the technology heavy NASDAQ Index.
- The fund's return of 0.21% for May was 0.26% better than the Small Ordinaries Accumulation Index (-0.05%) and 1.08% better than the Small Industrials Accumulation Index (-0.87%). Resources materially outperformed Industrials.
- While the month saw several profit downgrades as the economy continues to slow, history tells us that equity markets move in advance of an economic bottoming. This potentially explains why Small Caps have performed well this year, recently starting to outperform Large Caps.

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.

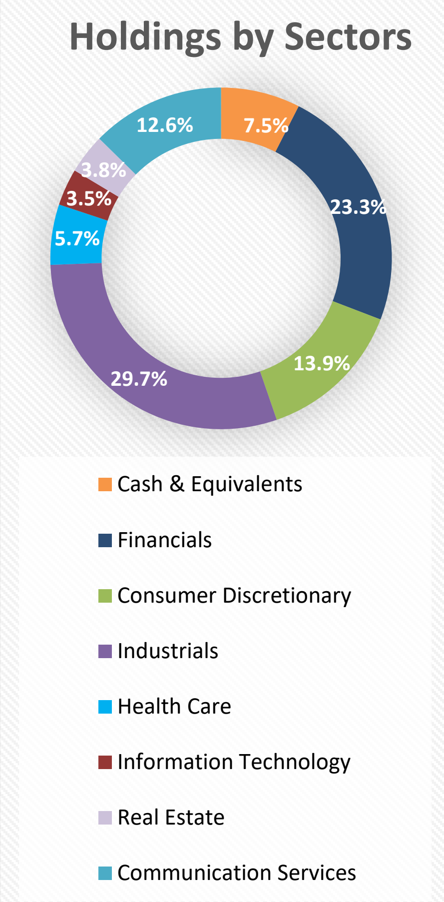
	Class B Total Return*	Class A Total Return*	Small Ordinaries Accumulation	Value Add	Small Industrials Accumulation	Value Add
7 Years (p.a.)	-	11.5%	6.7%	4.8%	5.6%	5.9%
5 Years (p.a.)	-	11.6%	4.2%	7.4%	2.7%	8.9%
3 Years (p.a.)	-	2.3%	-0.1%	2.4%	-1.4%	3.7%
1 Year	-	9.1%	10.9%	-1.8%	11.4%	-2.3%
3 Months	-1.3%	-	1.5%	-2.8%	-2.6%	1.3%
1 Month	0.2%	-	0.0%	0.2%	-0.9%	1.1%

* 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%	1.8%	(3.3%)	0.2%		**(0.4%)**	**(0.4%)**

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 25.9% 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

May saw equities move higher on the back of expectations surrounding the possibilities that AI technologies can bring. The MSCI World Index gained 3.8%, thanks to a strong rebound in US equity markets, where the S&P500 Index and Nasdaq Index climbed 4.8% and 6.9%, respectively. Yet again, the 'Magnificent 7' stocks (+9.1%) underpinned the rally, while the Equal-weighted S&P500 Index added 2.6%. The MSCI Developed Markets Index rose (+4.1%) in US Dollar terms whilst the MSCI Emerging Markets Index rose +1.4% in US Dollar terms.

The Australian 10-year government bond yield fell 1 basis point over the month to 4.41%. US 10-year bond yields also declined, falling 19 basis points to 4.49%. Easing geopolitical fears saw Brent Oil -7.1% to US$81.62/bbl, whilst Iron Ore prices decreased marginally by US$1.00 to US$117.00/Mt. Over the month, Gold prices rose by US$41.25 to US$2,348.25 per ounce. Positive sentiment towards gold seems to be grounded on a few factors including the expectation that interest rate easing is more likely to be the US Federal Reserve's next move despite uncertainty on the timing and the extent of rate cuts.

Australian equities rose in May, with the ASX300 Accumulation Index up +0.9%. Technology was the best performing sector, remaining resolute, as other sectors declined into month-end with the broader market. While six sectors outperformed the broader index, contribution to broader returns was significantly narrower with Financials (+79bps) through the Banks (+78bps) accounting for the majority of market returns. The REIT sector also added value, whilst the Communication Services sector was a detractor to index performance (-9bps). Despite the ASX300 closing +0.9% higher in May, the market reaction to a higher-than-expected CPI print drove the headline market index lower into month-end in reaction to bond yields moving up.

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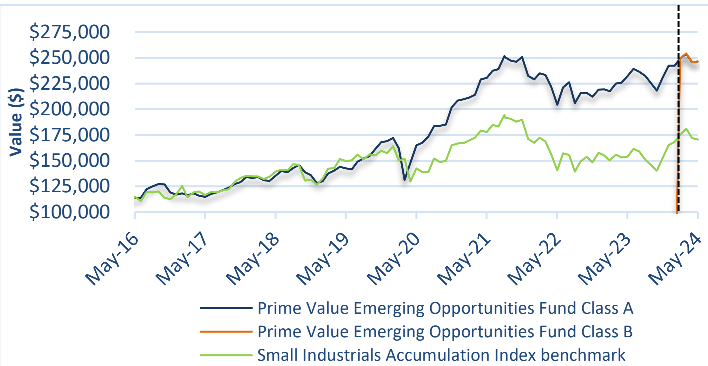


This graph shows how $100,000 invested in the Prime Value Emerging Opportunity Fund Class A at the Fund's Inception has increased to $246,500 (net of fees). This compares with the return of the benchmark (Small Industrials Accumulation Index), where a $100,000 investment would have increased to $170,600 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	$0.9999
Withdrawal price	$0.9919
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.

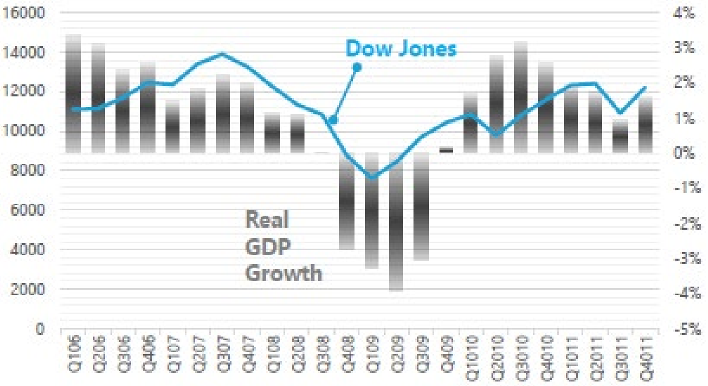
Fund review & strategy

The fund returned +0.21% in May, which outperformed both the Small Ordinaries (-0.05%) and Small Industrials (-0.87%) Accumulation Indices.

Notably, the month saw several profit downgrades as the slowing economy bites into corporate profits, with Bapcor (BAP), AP Eagers (APE) and Fletcher Building (FBU) providing weak trading updates.

As we have mentioned previously, equity markets are forward looking, and so while we don't profess to be able to pick the bottom of the earnings cycle, history has taught us that equity markets move in advance of this, potentially explaining why the Small Ordinaries Index is +4.2% this calendar year to-date, while corporate profits continue to deteriorate.

To illustrate, the chart below shows the performance of the Dow Jones Index (DJI) through the Global Financial Crisis. What is notable is that the DJI peaked in 3Q07 and, by the time GDP growth turned negative in 4Q08, it had already declined >35%. Similarly, the DJI troughed in 1Q09 and by the time GDP growth turned positive in 4Q09, it had already risen >35%.



Aside from a potential near-term bottoming in the earnings cycle, our positivity on the outlook for the Small Industrials Index is further informed by their material underperformance vs Large Caps on a rolling 3-year basis (-9%pa). As shown below, this has recently turned up from a 15-year low.

Top Contributors (Absolute)	Sector
EQT Holdings	Financials
News Corp	Communication Services
Pinnacle Investment Management	Financials
Top Detractors (Absolute)	**Sector**
Bapcor	Consumer Discretionary
Helloworld Travel	Consumer Discretionary
Corporate Travel Management	Consumer Discretionary