

Prime Value Opportunities Fund

Fund Update – May 2024



- Global equity markets rebounded from losses in the previous month, led by the technology heavy NASDAQ Index.
- The ASX300 Accumulation Index rose 0.9% but lagged most of its developed market peers as notably the defensive Australian telecommunication sector a key detractor to performance.
- The Fund gained 1.4% in May, and has posted a 13.0% gain for FYTD 2024.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	9.6%	8.0%	1.6%
10 Years (p.a.)	7.5%	8.0%	-0.5%
7 Years (p.a.)	7.4%	8.0%	-0.6%
5 Years (p.a.)	7.4%	8.0%	-0.6%
3 Years (p.a.)	4.3%	8.0%	-3.7%
1 Year	15.1%	8.0%	7.1%
3 Months	1.2%	2.0%	-0.8%
1 Month	1.4%	0.7%	0.7%

* 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). 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.

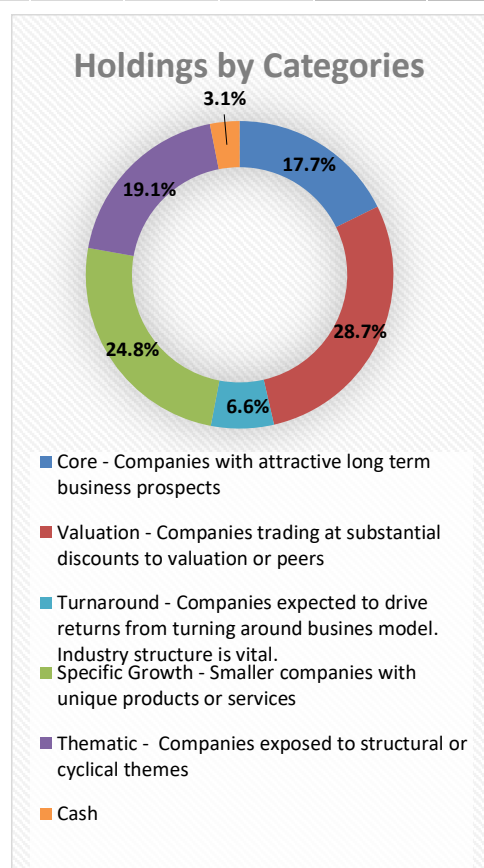
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.6%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.3%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	14.9%	66.5%
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%	(1.2%)	1.2%	6.3%	77.0%
FY 2018	(1.2%)	1.0%	0.4%	4.2%	1.6%	0.4%	(0.2%)	2.5%	(2.5%)	3.0%	2.1%	2.4%	14.3%	102.4%
FY 2019	1.7%	2.6%	(1.9%)	(8.2%)	(1.9%)	(1.8%)	3.2%	3.4%	0.2%	2.9%	0.3%	2.6%	2.5%	107.5%
FY 2020	2.9%	(2.3%)	0.2%	1.0%	3.0%	(2.0%)	4.9%	(5.8%)	(16.8%)	8.0%	5.4%	3.0%	(1.1%)	105.2%
FY 2021	1.6%	4.1%	(3.6%)	0.5%	7.9%	2.1%	(0.1%)	2.3%	1.5%	4.6%	1.3%	3.0%	27.7%	162.0%
FY 2022	0.9%	3.9%	-1.4%	0.3%	0.6%	1.9%	(7.3%)	(2.5%)	5.7%	-0.3%	-4.8%	-7.9%	(11.2)%	132.6%
FY 2023	6.5%	1.8%	-6.5%	4.8%	4.1%	-3.4%	5.5%	(1.3%)	(1.9%)	1.3%	(2.0%)	1.9%	10.0%	155.8%
FY2024	2.5%	0.4%	(2.8%)	(4.7%)	6.3%	6.7%	2.5%	0.5%	3.5%	(3.5%)	1.4%		13.0%	189.0%

Top five holdings	Sector
BHP Group	Materials
CSL Limited	Health Care
Commonwealth Bank	Financials
National Australia Bank	Financials
News Corporation	Communication Services

The top five holdings make up approximately 38.9% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8.0% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure#	0 - 20%
Distributions	Half-yearly
Suggested Investment Period	3 + years
Research Rating	Zenith – Recommended Lonsec - Recommended

The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations

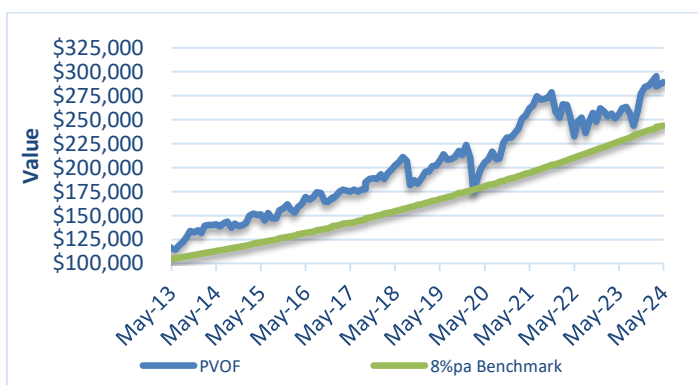


Market review

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 emerging markets, represented by the MSCI Emerging Markets Index, rose by a smaller +1.4% in US Dollar terms.

The Australian 10-year government bond yield fell 1 basis points 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 down by US\$6.24 through May, 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 in May, 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 markets 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 data drove the headline market index lower into month-end in reaction to bond yields moving up.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$289,000 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$243,800 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	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.8086	\$ 1.7806
Withdrawal price	\$ 1.7950	\$ 1.7672
Distribution (31/12/2023)	\$ 0.0450	\$ 0.0443
Indirect Cost Ratio (ICR)*	0.95% p.a.	0.95% p.a.
Performance fee**	15%	15%

* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

** Of performance (net of management fees) above the agreed benchmark, subject to a high water mark

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Fund review and strategy

The Fund gained 1.4% in May compared to the ASX300 Accumulation Index's 0.9% gain for the month. With one month to go to the end of the financial year, the Fund has gained 13.0% for financial year to date 2024 with contributions to performance from a broad range of companies. Best monthly contributors in May included BHP (+3.4%), Commonwealth Bank (+4.4%) and News Corporation (8.6%). The largest detractors in May included Bapcor (-26.5%), James Hardie (-13.7%) and Resmed (-4.4%).

Our strategy seeks to deliver capital appreciation by investing opportunistically across a wide universe of sectors and companies, regardless of their size, to build a differentiated portfolio of opportunities. The essence of what we do, within the Fund, is to strive to buy undervalued growing, well-financed businesses that are run by honest and competent people. We tend to hold about 30 positions at any given time and hold those positions for about 3-5 years, on average. This portfolio structure demands we make about 5 or 6 new investments per year, on average, which is not easy.

Avoiding businesses with a challenging outlook is equally important. A dark cloud hanging over a company can take several forms, such as a macroeconomic event, an industrial recession, or an idiosyncratic challenge complicating life for a single company. Of course, it can be incredibly difficult, if not impossible, to predict the timing with which such clouds will abate, and the timing can sometimes stretch well beyond one's initial expectations. Looking back, our exits of companies such as radio network operator ARN Media (challenging advertising market), mortgage brokerage service provider and lender Australian Finance Group (extremely competitive housing loan market) and educational service provider IDP Education (regulatory changes to stem student inflows) at substantially higher prices to where these companies' share prices are trading today helped solidify Fund performance. More recently, autoparts distributor Bapcor have been downgrading its profit expectations. Our investment in Bapcor had a smaller impact on overall fund performance as we hold a relatively small position in Bapcor.

We do not, however, purchase businesses in industries we perceive to be in secular decline. In other cases, we purchase companies that have been producing muted operating performance in an environment with some type of headwind, but where we believe there to be a strong probability of improving operating performance in the future. For example, our investment in the aged-care operator Regis Healthcare in 2023 reflected the opportunity that arose as the company's operating performance was starting to improve alongside heightened governmental interest in supporting the viability of the Australian aged-care sector.

Top contributors (absolute)	Sector
BHP Limited	Materials
Commonwealth Bank	Financials
News Corporation	Communication Services

Top detractors (absolute)	Sector
Bapcor	Consumer Discretionary
James Hardie Industries	Materials
Resmed	Healthcare

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

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