

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

- Global equity markets were generally positive in June finishing a strong financial year for equities globally and in Australia.
- The Fund's return of +1.9% for June was 3.3% better than the Small Ordinaries Accumulation Index (-1.4%) and 0.5% better than the Small Industrials Accumulation Index (+1.4%). A final distribution of 2.0c/unit was paid to unitholders reflecting the Fund's 4 months since inception.
- For the financial year to June, the Fund's return of +8.0% (class A to Jan '24 and class B from Feb '24) was 1.3% below the Small Ordinaries Accumulation (+9.3%). Relative performance was strong at the start & end of the year but weaker through the middle when risk-on was prevalent. For the 3 months to June '24 outperformance was +3.4% illustrating strong momentum into the new financial year.

The Prime Value Emerging Opportunity Fund was established in 8 October 2015 with only one class of units (Class A units) until 31 January 2024 when a new class of units (Class B units) was 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.)	-	11.4%	6.2%	5.2%	5.4%	6.0%
5 Years (p.a.)	-	12.1%	3.7%	8.4%	2.9%	9.2%
3 Years (p.a.)	-	1.9%	-1.6%	3.5%	-2.2%	4.1%
1 Year	-	8.0%	9.3%	-1.3%	12.4%	-4.4%
3 Months	-1.3%	-	-4.5%	3.2%	-4.5%	3.2%
1 Month	1.9%	-	-1.4%	3.3%	1.4%	0.5%

* 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.

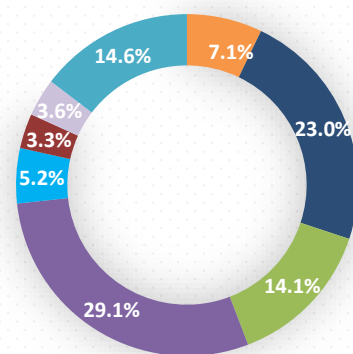
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2024	-	-	-	-	-	-	-	0.9%	1.8%	(3.3%)	0.2%	1.9%	1.4%	1.4%

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 25.8% 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

Holdings by Sectors



- Cash & Equivalents
- Financials
- Consumer Discretionary
- Industrials
- Health Care
- Information Technology
- Real Estate
- Communication Services

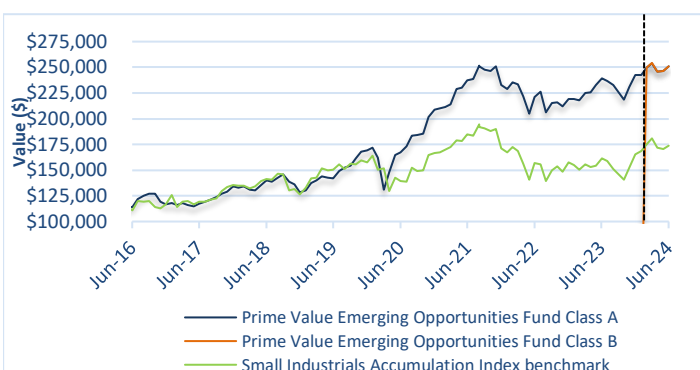
Market review

The upward momentum in equity markets continued in June, which was also marked the end of the financial year. The MSCI Developed Markets Index rose +2.4% in June, while the S&P500 Index also increased in local currency terms (+3.6%) in a stronger month for equities. Emerging Markets outperformed Developed Markets, with the MSCI Emerging Markets Index rising +4.3% in the month. Over the course of FY24, Developed Market equities, led by US equities, outperformed its Emerging Market peers, up 19.5% and 12.7% respectively in local currency terms.

The Australian 10-year government bond yield fell 10 basis points over the month to 4.31%, as US yields also decreased, stepping down 12 basis points to 4.37%. Against the US Dollar, the Swiss Franc (+0.39%) and Australian Dollar (+0.26%) were the best performing currencies. Commodity prices were mixed in June. Brent Oil rose by US\$4.79 to US\$86.41/bbl, whilst Iron Ore prices fell by US\$10.50 to US\$106.50/Mt.

The ASX300 Accumulation Index closed FY24 up 11.9% (June +0.9%). The skew in performance across size cohorts was stark – the top 20 stocks gained +14.9%, Mid Caps +6.6% and Small Caps +9.3%. Macro volatility around rate and policy paths appeared to work against stock picking through the year. Financials (+5.1%) were the best sector in June, with Insurance, Banks and Financial Services all posting returns over 5%. Financials were also the best performer in FY24, with a gain of +17% but there was great dispersion in returns, with Banks (+22.8%) the clear sector winner. Metals & Mining (-7.2%) was the worst sector in June, as concerns about China's growth led to declines across most Industrial Metals. However, it was the defensive Telecom (-10.4%) and Staples Retail sectors (-9.3%) that were the worst performers over the last year with both negatively impacted by earnings downgrades and a valuation de-rating.

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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 \$251,100 (net of fees). This compares with the return of the benchmark (Small Industrials Accumulation Index), where a \$100,000 investment would have increased to \$173,600 over the same period. The returns exclude the benefits of imputation credits. Performance figures have been calculated in accordance with the 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 (Ex)	\$0.9982
Withdrawal price (Ex)	\$0.9903
Distribution (30/06/2024)	\$0.0201
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.

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS), an Information Memorandum (IM) or an offer of units and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Fund must obtain and read the IM or PDS (as the case may be) dated 19 January 2024 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited (ABN 23 080 376 110 and AFSL 222 055) nor its associates or directors, nor any other person, guarantees the success of the Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor investment.

Fund review & strategy

The Fund returned +1.9% in June, outperforming both the Small Ordinaries (-1.4%) and Small Industrials (+1.4%) Accumulation Indices.

It was a solid financial year for the Fund returning +8.0% (class A to Jan '24 and class B from Feb '24). However, we were disappointed to moderately underperform the relevant indices (Small Ordinaries Accumulation +9.3% and Small Industrials Accumulation +12.4%). This was due to the November to March period when markets were very much risk-on which is a more challenging environment for our quality style of investing. Some investments also performed below our expectation. However, performance has improved significantly in recent months with the Fund outperforming both indices by 3.4% in the 3 months to June 2024. As we enter the new financial year, performance momentum is positive, and our long-term track record remains strong at +7% p.a. above both indices over our 6 years managing the Fund.

For the financial year, stock attribution was good with a broad range of positive contributors and a small number of negative contributors; 7 stocks added 1% or more with the best at +2.4% (Regis Healthcare) and only 2 stocks contributed -1% or worse, with the worst at -1.4% (Kelsian). Our portfolio construction focuses on risk management which means we don't tend to have dominant positive contributors nor major negative contributors over time.

We actively increased portfolio turnover in the Fund from early 2024. Fresh new ideas have already had a positive impact to performance (see Capitol Health below). Some stocks have also been sold where they haven't delivered to expectations or where strong historical returns limit the potential upside of future returns. These changes give us confidence for the year ahead.

The portfolio has a good mix of investments with a bias to companies that are high quality, cyclically resilient with strong structural growth drivers (e.g. Propel Funerals) along with others that are high growth with the potential for very strong returns (e.g. Superloop).

An example of a recent addition to the portfolio is Capitol Health. It is a diagnostic imaging business with 65 clinics across the southern states of Australia. The industry experienced softer than expected volumes from late 2021 as GP attendances declined due to the prevalence of telehealth, reduced bulk billing and a shortage of GPs. This resulted in fewer referrals to diagnostic imaging clinics which impacted Capitol Health's revenue. As a largely fixed cost business in a rising cost environment, this weaker revenue growth resulted in margins falling and profits below expectation. However, volumes were due reversion towards long term trend given Capitol Health provides critical healthcare (x-ray, MRI etc) in a market with ageing demographics and strong population growth. From late 2023 industry volumes improved and there was evidence of Capitol Health's revenue and margins also rising. Despite the improved outlook, the stock was relatively volatile, and its valuation multiple was below long-term average. After further due diligence, this provided the opportunity to buy the stock. Industry confidence was also returning and last month Capitol Health received a takeover offer from its listed peer Integral Diagnostics at a 33% premium to the prevailing stock price.

Top Contributors (Absolute)	Sector
Capitol Health	Healthcare
AUB Group	Financials
SG Fleet	Industrials
Top Detractors (Absolute)	Sector
ARN Media	Communication Services
Restaurant Brands	Consumer Discretionary
Viva Leisure	Consumer Discretionary