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

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Building Wealth Together

- Global equity markets were volatile in August. After a weak start related to Japanese market declines, they improved through the rest of the month. Positively, a US interest rate cutting cycle appears likely to start in September.
- The fund's return of -1.8% for August outperformed both the Small Ordinaries Accumulation Index (-2.0%) and the Small Industrials Accumulation Index (-1.9%).
- Positively, a US interest rate cutting cycle appears likely to start in September with Australia likely in 2025. We continue to observe corporate's seeing less cost pressure and better staff availability along with slowing price rises which are indicators of slowing inflation.

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.)	-	11.1%	5.9%	5.2%	5.7%	5.4%
5 Years (p.a.)	-	10.8%	3.9%	6.9%	3.4%	7.4%
3 Years (p.a.)	-	0.3%	-2.9%	3.2%	-2.8%	3.1%
1 Year	-	7.4%	8.5%	-1.1%	12.2%	-4.8%
3 Months	3.2%	-	0.0%	3.2%	4.6%	-1.4%
1 Month	-1.8%	-	-2.0%	0.2%	-1.9%	0.1%

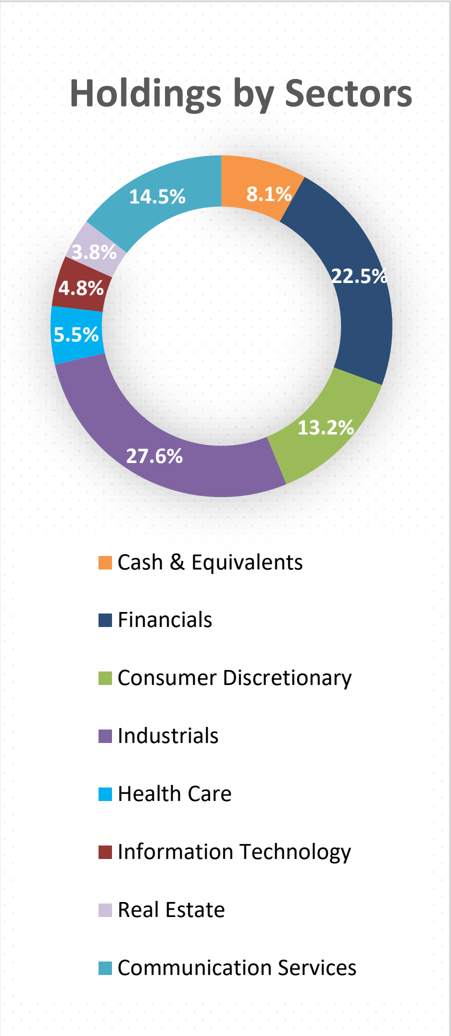
* Returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (**FSC**) standards. Returns exclude the benefits of imputation credits. Past performance is not an indicator 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%	1.9%	**1.4%**	**1.4%**
FY 2025	3.2%	(1.8%)	-	-	-	-	-	-	-	-	-	-	**1.3%**	**2.8%**

Top five holdings (alphabetical order)	Sector
AUB Group Limited	Financials
EQT Holdings Limited	Financials
IPH Limited	Industrials
News Corporation	Communication Services
Propel Funeral Partners Limited	Consumer Discretionary

* The top five holdings make up approximately 24.6% 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

Equity markets were volatile in the month. After an early sell-off related to Japanese market falls, markets rebounded on US rate cut expectations. US equities returned +2.4% (S&P500 Index). The MSCI World Developed Markets Index was +2.7%, outperforming the Emerging Markets Index return of +1.2% (both in US Dollar terms). Both the FTSE100 and DJ Euro Stoxx 50 indices posted gains (+0.9% and +1.1% respectively) whilst the Nikkei 225 Index was weaker at -1.1%.

The Australian 10-year government bond yield was down 15 basis points over the month to 3.97%. US yields also declined, down 14 bps to 3.92%. Against the US Dollar, the best performing currencies were the New Zealand Dollar (+5.0%), Swedish Krona (+4.1%), and Australian Dollar (+3.4%). Commodity prices were mixed in August. Brent Oil fell by US$1.92 to US$78.80/bbl, whilst Iron Ore prices rose marginally by US$0.50 to US$102.50/Mt. In precious metals, Gold prices rose by US$87.05 to US$2,513.35 per ounce due to dovish Fed expectations, lower interest rates, and a weaker US dollar which are all positive for the gold price.

Australian equities (ASX300 Accumulation Index) finished August +0.4%. This was an impressive turn-around when you consider the ASX300 fell approximately 6% in the first week due to the global Yen carry-trade sell-off. In terms of size composition, small companies were down for the month (-2.0%) while other size-based indices were marginally higher with dividend contributions assisting. Mid-caps posted the best return for the month (+2.0%), whilst returns for the top 300 companies were more modest (+0.4%). Sector contribution was relatively narrow for the month, with Financials, Industrials and Technology offsetting losses across Materials, Energy and Health Care.

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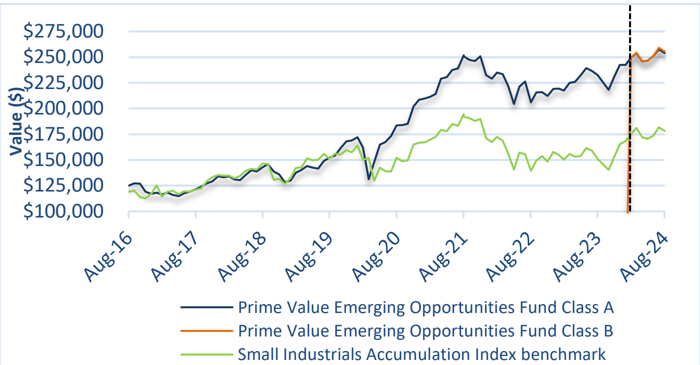

This graph shows how $100,000 invested in the Prime Value Emerging Opportunity Fund Class A at the Fund's inception has increased to $253,900 (net of fees). This compares with the return of the benchmark (Small Industrials Accumulation Index), where a $100,000 investment would have increased to $178,400 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 (Cum)	$1.0115
Withdrawal price (Cum)	$1.0035
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.

Fund review & strategy

The fund returned -1.8% in August, outperforming both the Small Ordinaries (-2.0%) and Small Industrials (-1.9%) Accumulation Indices.

In August, most listed companies reported their financial results for the period ending 30 June, 2024. It was broadly positive for the portfolio with some very strong results but also some disappointments. In a portfolio of c. 40 stocks, this is to be expected.

Regis Healthcare (REG) provided the portfolio's best return for the month (+22%). The financial results were solid with revenue +30%, underlying earnings per share +25% and strong cashflow resulting in a net cash balance sheet (ex-refundable accommodation deposits). This provides confidence that the aged care sector's long period of low returns has ended and improved government funding is proving beneficial. Critically there is still an under-supply of aged care beds due to the sectors previous low returns restricting the incentive for new construction. This has occurred when demand is increasing due to an ageing population. The Federal Government is aware of the supply/demand imbalance and working with the Coalition on a bipartisan funding reform package which is likely to be announced in the near term. This is likely to be beneficial for operators such as Regis. Our average entry price for REG is $1.95, well below its month end price $5.13. At the time of purchase equity markets were overly bearish on the sector and we are conscious that better funding may lead to overly bullish sentiment. Government funding tends to change in cycles so it is dangerous to extrapolate recent returns into the long-term. Positively, the proposed reform package is likely to include a shift to more user-pays which would reduce exposure to the government funding cycle if there is certainty of duration.

Kelsian provided the portfolios worst return for the month (-28%). While the financial result itself was good (in-line with expectations, solid growth in the second half), the company surprised investors with a plan for increased capital expenditure in the year ahead. The returns from this spend are relatively low being a combination of strategic land purchases, construction cost over-runs and fleet replacement. After negative surprises at previous results, this was not taken well with the savage reaction indicative of shareholder frustration ($320m fall in market value for a c. $90m 1-off increase in spend). We met with the company and have retained our holding. While disappointed with the announcement and previous recent results we understand the reasoning for the investment and were encouraged by the financial result for the 6 months ending 30 June, 2024. Labour force issues related to covid disruptions are improving, earnings were up solidly and return on capital increased. After the capital spend increase in FY25, we expect spend to fall sharply thereafter which should see improving returns. Our style of investing is long term focused and we believe the company has a growth plan that will deliver strong returns in the years ahead.

As highlighted previously, we are continuing to rotate out of some strong performing long-term holdings where the future returns now look less attractive and are deploying that capital into new ideas. With these changes ongoing we will provide updates in future months.

Top Contributors (Absolute)	Sector
Regis Healthcare	Health Care
NZX	Financials
Chorus	Communication Services
Top Detractors (Absolute)	**Sector**
Kelsian	Industrials
EQT Holdings	Financials
Credit Corp	Financials