Prime Value Growth Fund
Fund Update – August 2024

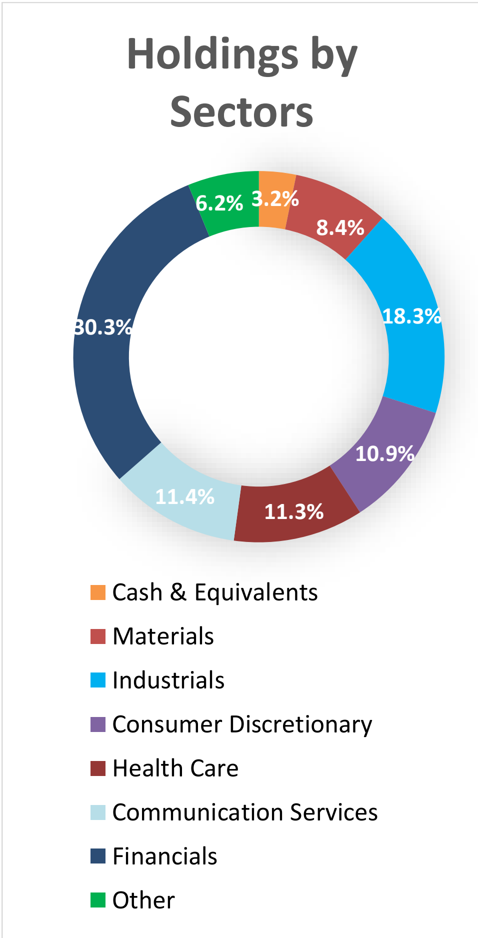
- Global equity markets were volatile in August. After a weak start related to Japanese market declines, they improved through the rest of the month. Positively, a US interest rate cutting cycle appears likely to start in September.
- The fund's return was -1.5% for the month of August, below the ASX 300 Accumulation Index return of +0.4%. The fund's weighting to small caps was a headwind (Small Ordinaries -2.0% in August). Relative performance of large v's small caps is at extreme levels and this headwind will become a tailwind at some point.
- 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.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**10.3%**	8.4%	1.9%
20 Years (p.a.)	**7.8%**	8.6%	-0.8%
10 Years (p.a.)	**4.9%**	8.0%	-3.1%
5 Years (p.a.)	**7.2%**	8.1%	-0.9%
3 Years (p.a.)	**2.2%**	6.4%	-4.2%
1 Year	**10.8%**	14.6%	-3.8%
3 Months	**4.5%**	5.6%	-1.1%
1 Month	**-1.5%**	0.4%	-1.9%

*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
CSL Limited	Health Care
EQT Holdings	Financials
Macquarie Group	Financials

The top five holdings make up approximately 34.3% of the portfolio.



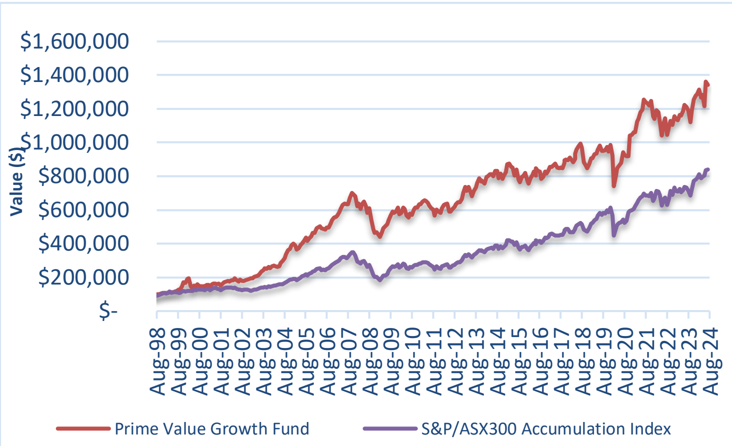
Feature	Fund facts
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P/ ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash	0 - 30%
Distributions	Half-yearly
Suggested Investment Period	3+ years

Market review

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.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,341,100 (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 $840,100 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 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 (Cum)	$ 1.8888	$ 1.8884
Withdrawal price (Cum)	$ 1.8744	$ 1.8742
Distribution (30/06/2024)	$ 0.0741	$ 0.0770
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 -1.5% in August, which was below the S&P/ASX 300 Accumulation Index (+4.1%). The fund's weighting to small caps was a headwind (Small Ordinaries -2.0% in August).

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.

Top Contributors (Absolute)	Sector
Regis Healthcare	Health Care
Commonwealth Bank	Financials
Superloop	Communication Services
Top Detractors (Absolute)	**Sector**
Kelsian	Industrials
EQT Holdings	Financials
BHP	Materials

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

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