

Prime Value Growth Fund

Fund Update – September 2024



- A US interest cut followed by unexpected Chinese monetary and fiscal stimuli were key factors underpinning a surge in equities.
- The fund's return was +4.2% for the month of September, above the ASX 300 Accumulation Index return of +3.1%. While the index was driven by the impact of China stimulus measures on Resource stocks (+11.4% and in which the fund is underweight), fund performance was aided by the outperformance of Small Cap stocks (with the Small Ordinaries index +5.1%).
- Sell discipline is not often spoken about, but is very important to investment returns. The recent exit of one of our holdings shines a light on how we apply this as part of our investment process.

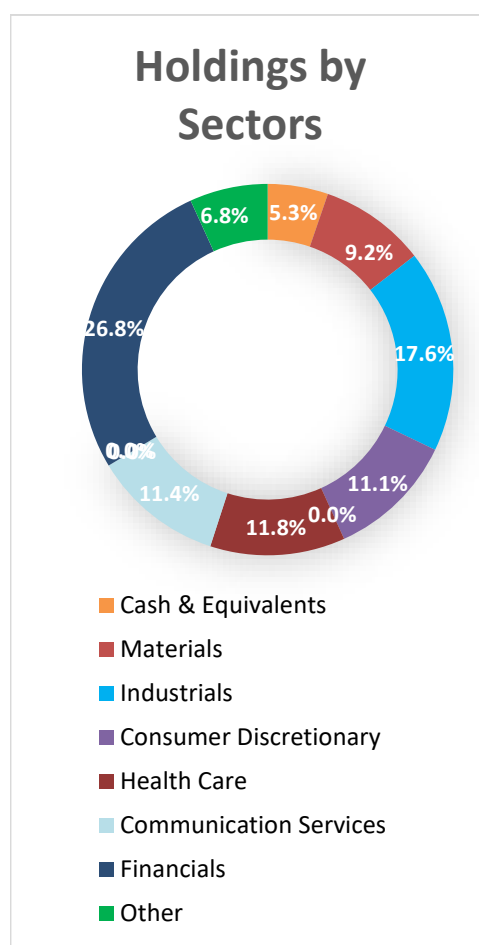
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.5%	8.5%	2.0%
20 Years (p.a.)	7.8%	8.6%	-0.8%
10 Years (p.a.)	5.9%	8.9%	-3.0%
5 Years (p.a.)	8.0%	8.3%	-0.3%
3 Years (p.a.)	4.1%	8.1%	-4.0%
1 Year	17.5%	21.7%	-4.2%
3 Months	6.1%	7.8%	-1.7%
1 Month	4.2%	3.1%	1.1%

*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
BHP Group	Materials
Commonwealth Bank	Financials
Macquarie Group	Financials
CSL Limited	Health Care
Regis Healthcare Limited	Health Care

The top five holdings make up approximately 32.3% 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

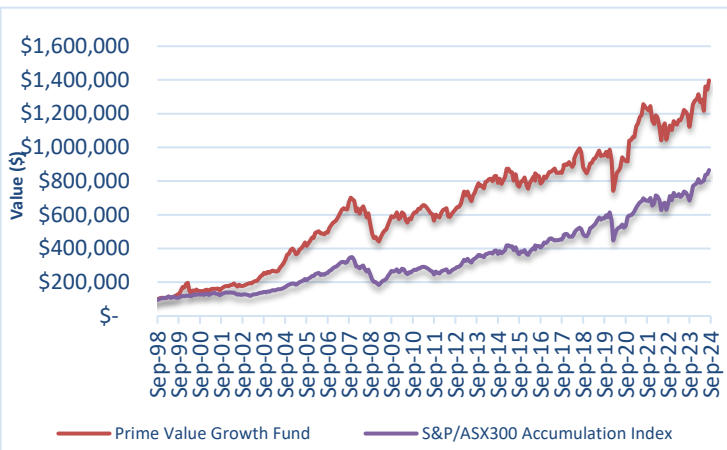


Market review

September saw equities gain with the MSCI Developed Markets Index increasing by +1.5%, while the S&P500 Index also rose by +2.1% in local currency terms. The Nasdaq gained 2.7% whilst the Dow Jones posted a gain of 1.8%. The MSCI World Developed markets Index rose +1.9% in US Dollar terms, underperforming relative to the Emerging markets Index, which rose by +7.1% in US Dollar terms.

The Australian 10-year government bond yield rose by 1 basis point over the month to 3.97%, contrasting to the 13 basis point decline in US yields to 3.79%. Commodity prices were mixed through the month. Brent Oil fell by US\$6.82 to US\$71.98/bbl, whilst Iron Ore prices rose by US\$10.50 to US\$113.00/Mt on the back of monetary and fiscal policy stimulus from Chinese authorities. Gold rallied as much as ~6% to a peak in September, with prices up US\$148.05 to US\$2,661.85 per ounce.

September saw an improvement from August with a return of +3.1% for the ASX300 Accumulation Index, the fifth consecutive monthly gain and a new high set for the broad ASX index. Beneath the headline indices, aggressive rotation towards the Materials sector, at the expense of banks and other defensive sectors, occurred as easing signals from the US and China resulted in a strong pivot by investors. Materials were the standout sector for the month, contributing +250bps. Real Estate (+46bps), Technology (+22bps) and Discretionary (+12bps) followed, adding additional alpha for the month. Index performance was lost through Healthcare (-32bps), Staples (-7bps) and Communication Services (-3bps). Within sectors, Materials were supported by BHP (+133bps) as the largest single stock contributor for the month. All size biased indices closed higher for month. The Small Ordinaries Index posted the best return for the month, while healthy returns were posted across the top 20-300 Indices.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$1,397,100 (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 \$865,900 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)	\$1.9675	\$1.9675
Withdrawal price (Cum)	\$1.9527	\$1.9527
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 +4.2% in September, which was above the S&P/ASX 300 Accumulation Index return of +3.1%.

Key fund contributors for the month were **BHP** (BHP +15.5%), **Regis Healthcare** (REG +22.0%), and **Austral** (ASB +24.4%). Key detractors were **CSL** (CSL -6.1%), **SG Fleet** (SGF -8.6%) and **CBA** (CBA -2.9%).

BHP Group (BHP) rose on Chinese stimulus measures to improve both its slowing economy and housing market.

Regis Healthcare (REG) was the beneficiary of further regulatory reform, with key legislation passed allowing aged care operators to retain 2% of Refundable Accommodation Deposits per annum (capped at 5 years). This alone has the potential to add >25% to group pre-tax profit by FY28.

Austral (ASB) shares bounced hard on the news that it had been awarded a US\$450m contract by General Dynamic Electric Boat (via the US Navy) to fund the expansion of its submarine capability, highlighting the company's strategic importance to the US Navy. With the assets built to remain ASB's property, this contract will increase the company's total asset base by >30%.

As investment managers, we face two key decisions – when to buy, and when to sell. The latter gets less air-time, yet is very important to returns, and is part science and part art. We do not believe in being rigid when it comes to valuation, as things change through time and companies that positively surprise can at times have a knack of continuing to positively surprise, resulting in a compounding of returns and a share price rising to levels not previously anticipated by long-term valuations. However, our focus is always on ensuring our return expectation of >10%pa can be met.

More recently, we have been rotating out of some of our winners. **HUB24** (HUB) is an example of one such winner that we recently exited, following a stellar run which saw the fund almost double its investment over 15 months. While we continue to expect strong long-term earnings growth from the company, achieving our >10%pa return requirement had become less certain. Looking back three years ago, consensus expectations were for HUB to achieve EPS of \$1.06 in FY25 and \$1.42 in FY26. Since then, the company has benefited from favourable market conditions, with the ASX 200 Accumulation index +26% (or 8%pa) an unprecedented level of adviser churn and some unexpectedly large client transitions. Yet today, consensus forecasts are for EPS of \$1.11 in FY25 (+5% from 3 years ago) and \$1.34 in FY26 (-6%). And so with the earnings outlook little changed over the past 3 years, a share price that had almost doubled, and a P/E multiple that had re-rated to >45x, we struggled to see our >10%pa return being achieved and exited the stock.

Top Contributors (Absolute)	Sector
BHP Group	Materials
Regis Healthcare	Health Care
Austral	Industrials
Top Detractors (Absolute)	Sector
CSL	Health Care
SG Fleet	Industrials
Commonwealth Bank	Financials
Platforms	
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac	

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