Prime Value Growth Fund
Fund Update – October 2024

- Equities were softer into the end of the month as the US election neared. With the result now finalised, markets have responded positively.
- The fund's return was +1.1% for the month of October, 2.4% above the ASX 300 Accumulation Index return of -1.3%.
- The last 12 months has delivered relatively consistent positive returns with the fund up 10 of the 12 months and 1 year returns at +26%. Markets, and the fund, are responding positively to resilient global economic growth and the beginning of the global rate cutting cycle.

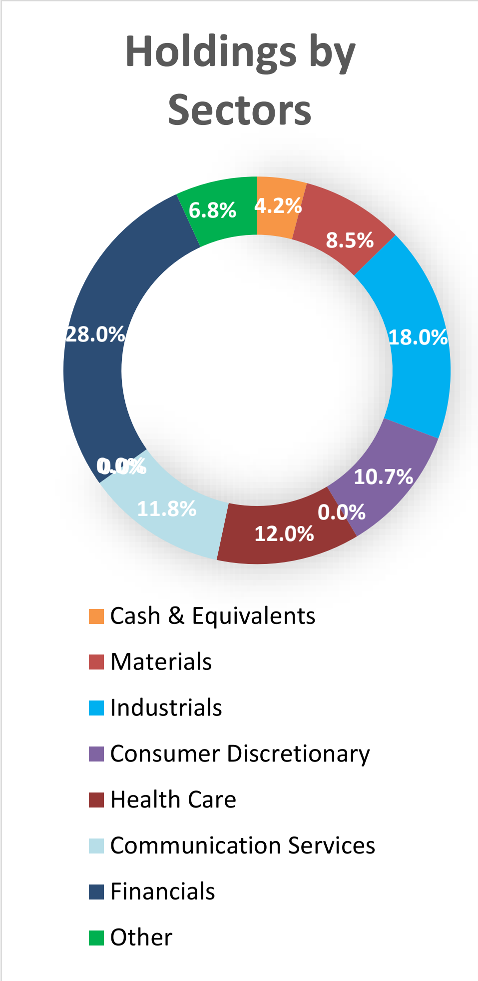
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.5%	8.4%	2.1%
20 Years (p.a.)	7.5%	8.3%	-0.8%
10 Years (p.a.)	5.7%	8.3%	-2.6%
5 Years (p.a.)	8.2%	8.1%	0.1%
3 Years (p.a.)	4.7%	7.6%	-2.9%
1 Year	26.0%	24.9%	1.1%
3 Months	3.7%	2.2%	1.5%
1 Month	1.1%	-1.3%	2.4%

*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
Macquarie Group	Financials
CSL Limited	Health Care
Regis Healthcare Limited	Health Care

The top five holdings make up approximately 32.1% 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

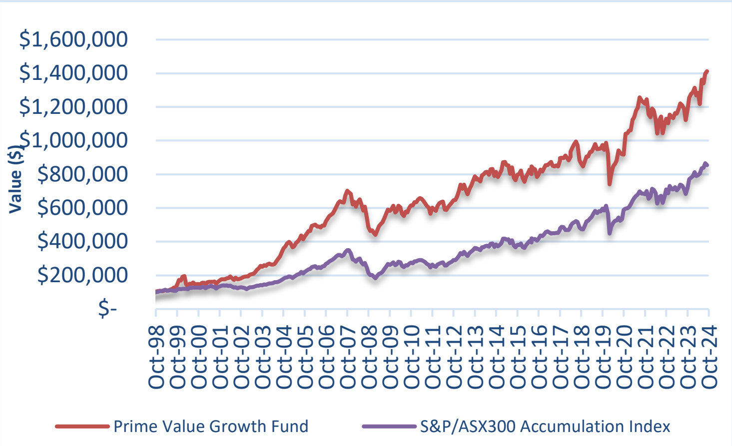


Market review

Investor anxiety rose toward the end of the month as the US election drew closer and the outcome was uncertain. This was resolved in November and markets have responded positively at the time of writing. The MSCI Developed Markets Index fell 0.9% in October, while the S&P500 Index also fell 0.9% in local currency terms. Emerging markets underperformed Developed markets, falling 2.1%. Notably the MSCI Asia ex Japan Index fell 2.6% as investor sentiment deteriorated on disappointing Chinese economic stimulus announcements. In contrast, Japan was the only major stock market to rise in October with the Nikkei 225 +3.1%.

The Australian 10-year government bond yield rose by 53 bps over the month to 4.51%, similar to the 50 bps increase in US bond yields to 4.28%. Commodity prices were mixed. Brent Oil rose US$0.78 to US$72.55/bbl, whilst Iron Ore prices fell US$8.00 to US$105.00/Mt. Gold rose 5%, which is still in an uptrend driven by geopolitical tensions and central bank demand. The gains in gold stocks are even more surprising given the historical inverse correlation to the US 10-year bond yield.

The ASX300 Accumulation Index declined 1.3%. The Resource sector was a key drag on the market with a decline of 5.1%. The market continued to focus on China stimulus measures that had initially triggered a rotation out of Banks and into Resources. However, the rotation trade faded, with Banks recovering from month lows and Resources faded at month end. Financials, Health Care and Communication Services were the best performing sectors whilst the Utilities, Staples and Materials sectors were the worst. Financials (+104bps) added the most value in October, however losses across Materials (-110bps), Discretionary (-28bps) and Staples (-27bps) were too large to offset. With the exception of the Small Ordinaries Index, September performance reversed with all size-biased indices closing lower in October. Mid Caps were the worst performing, while Small Ordinaries (+0.8%) the best.



This graph shows how $100,000 invested at the Fund's inception has increased to $1,412,600 (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 $854,700 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)	$1.9894	$1.9898
Withdrawal price (Cum)	$1.9744	$1.9748
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 has invested in Austal (ASB) for c. 3 years. It is a ship builder with operations in Australia, US, Philippines and Vietnam. As an investment, it has tested our patience at times with cost over-runs and government regulatory investigations of previous management. Despite these short-term issues, the long-term value being created was clearly visible. ASB was winning large, long-term contracts with the US Navy and being gifted c. A$500m from the US government to build infrastructure (of which ASB retains ownership) for the capacity to fulfil future contracts. This clearly illustrates ASB's important role in the future of the US industrial defence industry thereby providing confidence in ASB's future earnings.

ASB has also entered a head of agreement with the Australian government to become Australia's shipbuilder of choice for a 20+ year program of shipbuilding. ASB estimates the volume of work at over $20bn over the 20+ years.

The type of work undertaken for its customers varies from "support" whereby repair and maintenance work is done on existing vessels to the construction of floating hospitals and modules for nuclear submarines.

From an investment perspective, ASB has intangible value in the form of trusted relationships with government in the sensitive defence industry, established ship building capabilities and a skilled workforce. It also has hard assets in the form of inventory and strategically located land & buildings. After deducting liabilities, ASB's net tangible assets in June 2025 will be c. $4.40, c. 30% above the current share price of $3.40. We view asset backing as supporting the investment case and reducing downside risk, but more importantly it's the returns (nb cashflow) that are generated from these assets that drives the investment case.

Future cashflows will come from its order book which is broad (14 vessel types), large at $12.7bn including options (with upside from the likes of the Australian agreement) and long duration at 10+ years.

With the order book providing future visibility, we expect revenues to more than double over the next 5 years and earnings to increase much faster, from a low base in the FY24 year.

Having held the stock for c. 3 years with an average entry price of $2.30 it is only in the last 2 months when we have generated a return on that investment. To us this highlights the importance of patient investing. Value creation can be observed over long periods of time yet this is often not reflected in the market valuation of that value. When it is reflected, it can happen very quickly.

Top Contributors (Absolute)	Sector
Commonwealth Bank	Financials
News Corp	Communication Services
Qualitas	Financials
Top Detractors (Absolute)	**Sector**
BHP	Materials
Webjet	Consumer Discretionary
IPH	Industrials

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

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