

# Prime Value Emerging Opportunities Fund Update (Class A) – December 2024



- Global stock markets were weaker in December following a more hawkish than expected US Federal Reserve update during the month.
- The fund's return of -0.7% in December was 2.4% better than the Small Ordinaries Accumulation Index & Small Industrials Accumulation index, both of which were -3.1%. A distribution of 3.2c/unit for the 6 months to December was paid to unitholders in early January.
- For the 2024 year, the fund returned +11.6%, 3.2% above the Small Ordinaries Accumulation index of +8.4%. It was the 7<sup>th</sup> consecutive year the fund outperformed the index. Over the 7 years outperformance has been 6.1% p.a. (10.5% p.a. v's Small Ords Accum +4.4% p.a.).

	Total Return*	Benchmark (8% pa)	Value Add
Since Inception (p.a.)	11.4%	8.0%	3.4%
7 Years (p.a.)	10.5%	8.0%	2.5%
5 Years (p.a.)	9.9%	8.0%	1.9%
3 Years (p.a.)	2.6%	8.0%	(5.4%)
1 Year	11.6%	8.0%	3.6%
3 Months	3.4%	2.0%	1.4%
1 Month	(0.7%)	0.7%	(1.4%)

\* Fund 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 necessarily an indicator of future performance.

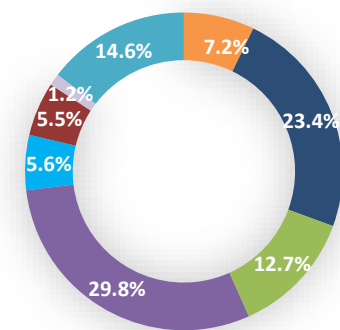
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2016				2.5%	6.3%	0.7%	(0.2%)	(3.9%)	2.4%	3.3%	2.4%	(0.2%)	13.8%	13.8%
FY 2017	7.4%	2.5%	1.6%	(0.3%)	(6.0%)	(2.0%)	1.1%	(1.6%)	1.8%	(1.8%)	(1.2%)	2.5%	3.4%	17.6%
FY 2018	1.3%	1.8%	2.3%	2.7%	1.5%	3.9%	(0.8%)	0.6%	(2.2%)	(0.5%)	3.9%	3.4%	19.0%	40.0%
FY 2019	(0.8%)	2.9%	2.1%	(4.8%)	(2.0%)	(5.8%)	1.5%	5.8%	1.9%	2.7%	(1.0%)	(0.6%)	1.2%	41.7%
FY 2020	5.3%	2.0%	1.5%	4.5%	4.2%	0.5%	1.9%	(5.8%)	(19.1%)	12.7%	11.6%	1.4%	18.1%	67.3%
FY 2021	3.6%	6.0%	0.2%	0.7%	9.0%	3.2%	0.7%	0.6%	1.4%	7.0%	0.6%	3.1%	42.0%	137.6%
FY 2022	0.6%	5.3%	(0.3%)	(1.4%)	(0.4%)	1.8%	(7.3%)	(1.5%)	2.6%	(0.7%)	(5.0%)	(7.8%)	(13.9%)	104.6%
FY 2023	8.1%	2.2%	(8.9%)	4.7%	0.2%	(1.7%)	3.2%	0.2%	(0.8%)	3.4%	0.4%	2.9%	13.7%	132.6%
FY 2024	2.9%	(1.2%)	(1.6%)	(6.2%)	5.7%	5.1%	2.1%	0.9%	1.6%	(3.1%)	0.2%	1.9%	8.0%	151.1%
FY 2025	2.6%	(1.4%)	3.1%	1.2%	2.8%	(0.7%)	-	-	-	-	-	-	7.8%	170.6%

Top five holdings (alphabetical order)	Sector
AUB Group Limited	Financials
Hansen Technologies Limited	Information Technology
News Corporation Limited	Communication Services
Propel Funeral Partners Limited	Consumer Discretionary
SG Fleet Group Limited	Industrials

\* The top five holdings make up approximately 21.8% of the portfolio

Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	The Fund seeks to achieve strong total investment returns by providing medium to long term capital growth through investing predominantly in companies listed on the Australian Stock Exchange with smaller capitalisations.
Benchmark	8% p.a.
Inception date	8 October 2015
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 Lonsec – Recommended

## Holdings by Sectors



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

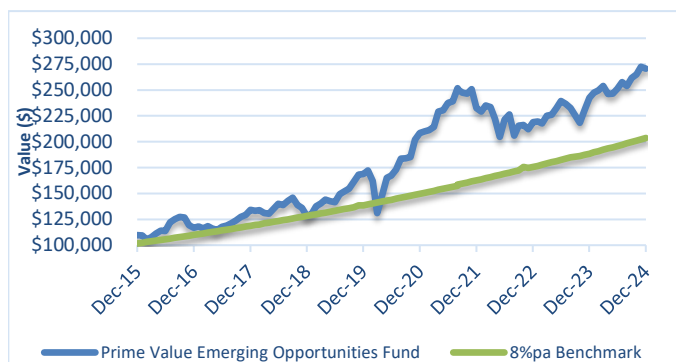
## Market review

Global stock markets were down in December, as hawkish US interest rate data prompted somewhat of a 'reassessment' on stock valuations that had already priced in much optimism. The MSCI Developed Markets Index fell 1.9% in the month. In the US, the S&P500 and Dow Jones indices fell -2.5% and -5.3% respectively driven by a shift in US FOMC projections which saw inflation forecasts revised higher and a move in the US Federal Reserve dot plots, implying fewer interest rate cuts ahead. However, the Nasdaq Index rose 0.5% on continued enthusiasm for technology stocks.

All of the major currencies appreciated against the Australian Dollar in December, with the US Dollar appreciating 5.2%.

Australian equities reversed the gains posted in November, with the S&P/ASX300 Accumulation Index closing the month 3.1% lower. The ASX reached a new all-time high early in the month but faced significant selling pressure following the more hawkish tone from the US Federal Reserve. The REITs sector was impacted the hardest, ending the year at 4-month lows. Materials, banks and technology sectors also performed poorly for the month with the consumer staples, utilities, industrial and energy sectors posting minor gains. The S&P/ASX300 Index underperformed the Small Ordinaries by 0.1% in December, with the underperformance driven by a weaker ASX300 Resources sector.

All size biased indices closed higher in 2024, with midcaps outperforming large and small cap counterparts, returning +12.4% including dividends. Industrials were preferred over Resources for the duration of 2024, with the performance spread widest across large and midcap sectors. Technology, Financials and Discretionary sectors performed best, while Energy and Materials were notable laggards.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$270,600 (net of fees). This compares with the return of the benchmark, where a \$100,000 investment would have increased to \$203,600 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.

	Direct Investment (Class A)
APIR Code	PVA0013AU
Minimum Investment	\$20,000
Issue price (Ex)	\$2.1251
Withdrawal price (Ex)	\$2.1082
Distribution (31/12/2024)	\$0.0323
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%**p.a.
* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC **Of performance (net of management fees) above the agreed benchmark, subject to positive performance	

## Fund review & strategy

The fund returned -0.7% in December, 2.4% above the Small Ordinaries and Small Industrials Accumulation indices (both -3.1%).

For the 2024 year, the fund returned +11.6%, 3.2% above the Small Ordinaries Accumulation index (+8.4%) and 0.5% below the Small Industrials Accumulation index (+12.1%).

Our focus is delivering consistent returns for investors. We don't try to achieve the highest returns in any one year as this typically requires significant risk. We play the long game of buying businesses with durable, long-term earnings streams. In our view, investor focus in small caps is overly focused on near term *growth* while *duration* is overlooked.

To us a business delivering an earnings stream for decades with certainty is far more valuable than one in a sweet spot of short-term growth but an uncertain long-term outlook. "Quality" is a term often used but rarely questioned. In our experience quality businesses with earnings duration also achieve earnings growth – it's not a trade-off. They can grow volumes with the economic growth tailwind and raise prices.

Two notable examples of long duration, attractively priced stocks are **Auckland Airport** (New Zealand's leading airport) and **Napier Port** (port in Hawkes Bay). Both happen to be New Zealand infrastructure with monopoly characteristics that we are highly confident will be generating an earnings stream for decades to come.

In the context of striving for consistency, it was pleasing the fund achieved its 7<sup>th</sup> consecutive year of outperformance against the Small Ordinaries index in 2024. On the face of it a 11.6% return and 3.2% outperformance looks good, however to us it was a good year but with missed opportunities and learnings. We hold ourselves to a high standard and have made incremental improvements.

% net return	2018	2019	2020	2021	2022	2023	2024
Em Opp Fund (A)	-1.6	31.8	23.4	20.3	-15.4	14.2	11.6
Small Ords Accum	-8.6	21.4	9.2	16.9	-18.4	7.8	8.4
Relative	7.0	10.4	14.2	3.4	3.0	6.4	3.2
Small Ind Accum	-5.7	24.5	5.9	13.7	-21.8	11.4	12.1
Relative	4.1	7.3	17.5	6.6	6.4	2.8	-0.5

The top 3 positive contributors to 2024 were **Regis Healthcare** (+2.2% to returns), **Pinnacle** (+2.1%) and **SG Fleet** (+1.5%). All are still held and have been in the fund at least 3 years highlighting our long term approach. The bottom 3 contributors were **Kelsian** (-2.4%), **Corporate Travel** (-1.0%) and **Webjet** (-0.8%). Two of these were relatively new additions and we have exited one as the investment thesis deteriorated.

Compared to 12 months earlier, cash levels are similar but there are 4 less stocks in the fund highlighting higher conviction in our holdings. In 2024 we exited 12 stocks and added 8 new holdings, 6 of which have already been positive contributors highlighting a high strike rate.

The portfolio's earnings per share (EPS) growth over the next 2 years is 12% p.a., roughly in line with historical levels, dividend yield is 3% p.a. and FY26 PE is 18.5x, in line with the Small Industrials index.

Top Contributors (Absolute)	Sector
Restaurant Brands	Consumer Discretionary
Redox	Industrials
Napier Port	Industrials
Top Detractors (Absolute)	Sector
Regis Healthcare	Healthcare
Hansen	Information Technology
Credit Corp	Financials
Platforms	
Netwealth, uXchange, Mason Stevens, Hub24, BT Panorama, AMP North, Praemium	

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