Prime Value Growth Fund
Fund Update – 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 -1.7% for December was 1.4% better than the ASX 300 Accumulation index return of -3.1%. A distribution of 4.0c/unit for the 6 months to December was paid to unitholders in early January.
- For the 2024 calendar year, the fund had a good year returning +13.9%, 2.5% above the ASX300 return of +11.4%.

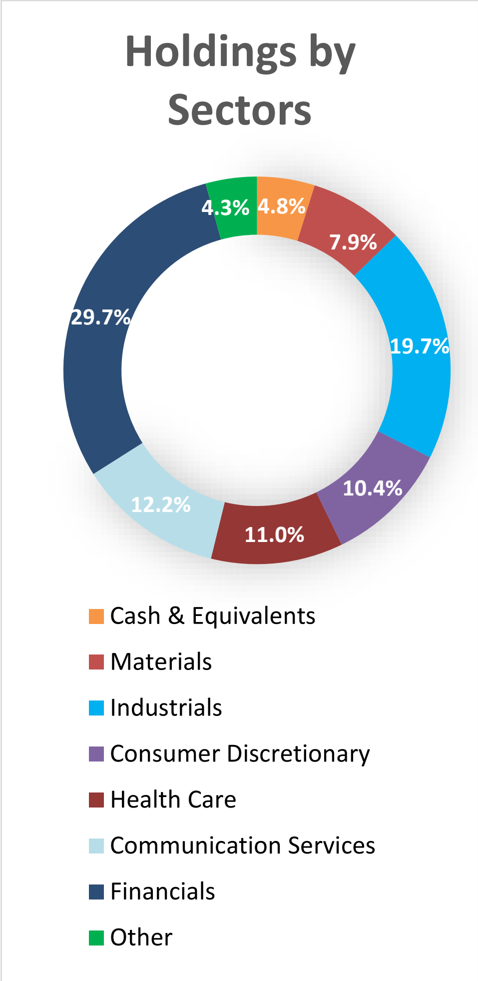
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	10.5%	8.4%	2.1%
20 Years (p.a.)	7.0%	7.9%	-0.9%
10 Years (p.a.)	5.9%	8.5%	-2.6%
5 Years (p.a.)	8.6%	8.0%	0.6%
3 Years (p.a.)	4.7%	7.1%	-2.4%
1 Year	13.9%	11.4%	2.5%
3 Months	2.3%	-0.8%	3.1%
1 Month	-1.7%	-3.1%	1.4%

*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
CSL Limited	Health Care
Macquarie Group	Financials
News Corporation	Communication Services

The top five holdings make up approximately 31.6% of the portfolio.

Feature	Fund facts
Investment Objective	The Fund aims to provide 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



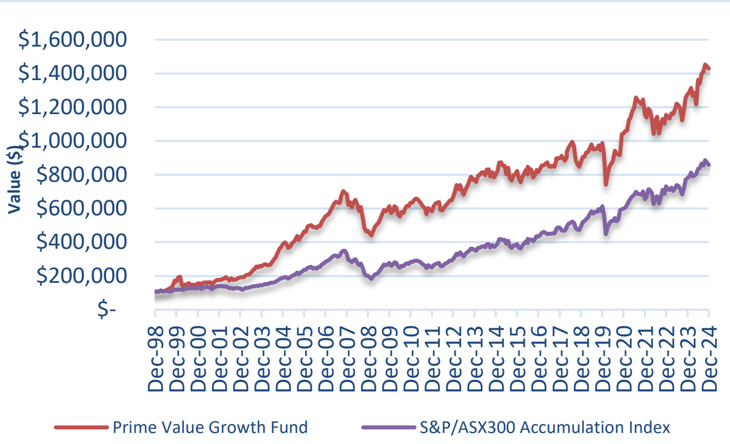
Market review

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 $1,428,900 (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 $858,900 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 (Ex)	$1.9722	$1.9728
Withdrawal price (Ex)	$1.9572	$1.9579
Distribution (31/12/2024)	$ 0.0400	$ 0.0405
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 -1.7% in December, 1.4% better than the ASX 300 Accumulation index (-3.1%).

Key fund contributors for the month were **Restaurant Brands** (RBD +13.8%), **Redox** (RDX +13.7%) and **Qualitas** (QAL +7.5%). Key detractors were **Regis Healthcare** (REG -10.2%), **Commonwealth Bank** (CBA -3.3%) and **Hansen** (HSN -7.9%).

2024 was a good year for the fund, returning +13.9%, 2.5% above the ASX300 Accumulation index.

The fund is overweight small capitalisation companies as the opportunity to add value and find mispriced opportunities is greater than in the ASX100, in our view. Approximately 70% of the fund is invested in small cap stocks. From early 2022, small cap stocks were negatively impacted by rising interest rates. In the 3 years since, small cap stocks (Small Ordinaries Accumulation index) have underperformed large cap stocks (ASX100 Accumulation index) by c. 30%. This has been a major structural headwind to the fund's relative performance. However, that headwind is moderating and with interest rate cuts on the horizon, we believe there is a reasonable chance the headwind will become a tailwind as small cap stocks outperform large cap stocks.

With this context, the fund's investment returns over the last 1-3 years are looking reasonable. On a 1 year basis the fund outperformed by 2.5%. On a 2-year basis the fund has outperformed the ASX300 by 2.0% p.a. (13.8% v 11.8%). On a 3 years basis the fund has underperformed by 2.4% p.a. (4.7% v 4.7%) which reflects the small cap headwind mentioned above with the ASX300 +7.1% p.a. v's the Small Ordinaries -1.6% p.a. over the 3 years. As can be seen on the chart at left, performance momentum has been strong after the initial, small cap related fall in 2022.

It's important to note that the fund's small cap exposure is in the higher quality companies in this part of the market. We don't hold any small cap mining or loss-making companies which are higher risk and volatile.

By way of example, a recent small cap stock added to the portfolio is Auckland Airport (AIA), New Zealand's leading international airport. We consider this a tier 1 infrastructure asset with monopoly characteristics and an earnings stream extending decades (likely centuries). A major capital expenditure program is underway that enables AIA to charge higher fees. Consequently, we expect earnings to double in the next 5 years. A high-quality business, attractively priced, experiencing a strong growth outlook makes it a particularly appealing investment.

Top Contributors (Absolute)	Sector
Restaurant Brands NZ	Consumer Discretionary
Redox	Industrials
Qualitas	Financials
Top Detractors (Absolute)	**Sector**
Regis Healthcare	Healthcare
Commonwealth Bank	Financials
Hansen Technologies	Information Technology

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

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