

Prime Value Emerging Opportunities Fund (Class B) Update – February 2025



- Many equity markets globally fell in February including Australia, reversing a strong January.
- The fund's return of -1.7% for February outperformed the Small Ordinaries Accumulation Index (-2.8%) and the Small Industrials Accumulation Index (-2.5%).
- February was notable for 2 things; 1) reporting season when companies report their financial results which was broadly better than expected, and 2) a noticeable change in the underlying market trends with many of last year's stock winners sold-off.

The Prime Value Emerging Opportunity Fund was established in 8 October 2015 with only one class of units (Class A units) until 31 January 2024 when a new class of units (Class B units) was created with a different performance fee structure to provide investors with an alternative. To give a longer-term view of performance in the table below we have also shown longer term returns for the Class A units. Class B units have identical investments and calculation of management fees however, the returns may differ reflecting differences in the calculation of performance fees.

	Class B Total Return*	Class A Total Return*	Small Ordinaries Accumulation	Value Add	Small Industrials Accumulation	Value Add
7 Years (p.a.)	-	10.7%	4.7%	6.0%	4.8%	5.9%
5 Years (p.a.)	-	11.0%	5.6%	5.4%	4.4%	6.6%
3 Years (p.a.)	-	6.0%	2.1%	3.9%	3.7%	2.3%
1 Year	-	9.4	7.3%	2.1%	6.6%	2.8%
3 Months	0.1%	-	-1.5%	1.6%	-2.4%	2.5%
1 Month	-1.7%	-	-2.8%	1.1%	-2.5%	0.8%

* 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 an indicator of future performance.

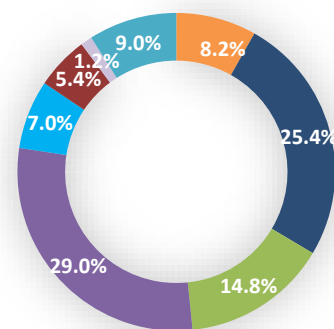
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2024	-	-	-	-	-	-	-	0.9%	1.8%	(3.3%)	0.2%	1.9%	1.4%	1.4%
FY 2025	3.2%	(1.8%)	3.9%	1.5%	3.5%	(0.9%)	2.7%	(1.7%)	-	-	-	-	10.6%	12.1%

Top five holdings (alphabetical order)	Sector
AUB Group Limited	Financials
Austal Limited	Industrials
Hansen Technologies Limited	Information Technology
Propel Funeral Partners Limited	Consumer Discretionary
Service Stream Limited	Industrials

* The top five holdings make up approximately 21.3% 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. A long only concentrated fund that leverages Prime Value's fundamental research capabilities while minimizing the risk of permanent capital loss
Benchmark	Small Industrials Accumulation Index (XSIAI)
Fund Inception date	8 October 2015
Class B commencement date	31 January 2024
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

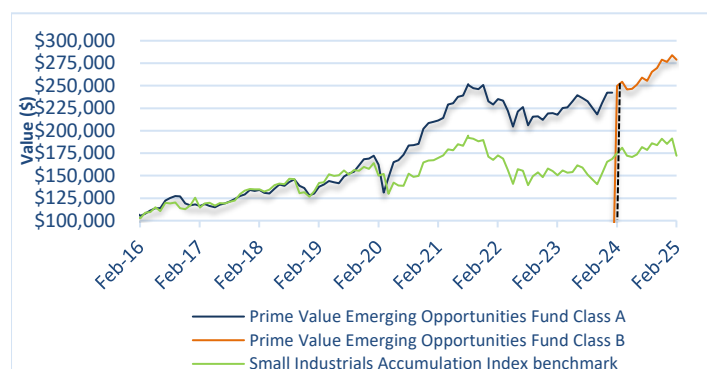
Market review

Most equity markets globally were down in February. US economic data pointing to slowing economic activity was compounded by uncertainties related to US tariffs imposed on its trading partners. In the US, the Dow Jones Industrial Average Index was -1.4%, NASDAQ Index -3.9% and the S&P500 Index -1.5%. However, it wasn't all negative with both Europe and China positive. European markets were up for the third consecutive month; the Euro Stoxx50 Index +3.5% in February, Germany's Dax +3.8% and the FTSE100 Index +2.0%. China's market (MSCI China Index) was very strong at +11.8% in February, with the release of DeepSeek a key driver of a surge in Chinese technology stocks.

The Reserve Bank of Australia reduced interest rates by 25 basis points to 4.10% in February, its first cut since November 2020. While consensus expects further interest rates cuts in 2025, the timing and depth of rate cuts is difficult to pin down. Key considerations include inflation data, fiscal policy commitments by political parties in the lead up to the Federal Election, and the global economic backdrop.

The ASX300 Accumulation Index was down in February, closing -3.8%, but not before setting a new high mid-month. Losses on the Index were broad based. However, the Banks (-5.2%) delivered its weakest monthly return in over two years to drag the broader market lower. Defensive sectors were favoured over Industrials despite the Health Care sector performing poorly. Small Caps outperformed large and mid-caps for the month, whilst large-cap Resources performed well over Industrials. Weakness was observed across size biased and macro indices. Across sectors, Utilities, Communication Services and Consumer Staples sectors closed February higher, whilst Technology and Health Care sectors were a drag on performance.

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This graph shows how \$100,000 invested in the Prime Value Emerging Opportunity Fund Class A at the Fund's inception has increased to \$273,200 (net of fees). This compares with the return of the benchmark (Small Industrials Accumulation Index), where a \$100,000 investment would have increased to \$172,300 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.

	Investment (Class B)
APIR Code	PVA3186AU
Minimum Investment	\$20,000
Issue price (Cum)	\$1.0686
Withdrawal price (Cum)	\$1.0600
Distribution (31/12/2024)	\$0.0346
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%**
* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC	
**Of performance (net of management fees) in excess of the agreed benchmark.	

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS), an Information Memorandum (IM) or an offer of units and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Fund must obtain and read the IM or PDS (as the case may be) dated 30 November 2024 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited (ABN 23 080 376 110 and AFSL 222 055) nor its associates or directors, nor any other person, guarantees the success of the Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor investment.

Fund review & strategy

The fund returned -1.7% in February, outperforming the Small Ordinaries (-2.8%) and the Small Industrials (-2.5%) Accumulation Indices.

In the month of February, most listed companies report their financial results for the 6 months to December. Stock prices generally correlate with a company's financial returns so it is an important part of the year. It's clear the Australian economy was weak in 2024, impacted by higher interest rates that particularly affected the more cyclical parts of the economy (nb retail, advertising, housing). With the first rate cut since 2020 in February, there is optimism that 2025 will see the Australian economy improve. In fact there was early signs of this with some advertising and retail companies indicating improved trading in January and February. It's early days and things are evolving (nb globally) but there are reasons to be optimistic with more rate cuts likely in 2025.

Related to expectation of an upturn in the economic cycle, there was a marked shift in the type of stocks outperforming. In 2024 when economic growth was weak, companies with earnings certainty and structural growth performed best (eg, Guzman Y Gomez, Netwealth, Hub, Life360, Zip). However a market crowded into these stocks, valuations becoming stretched, US tech stocks weakening and visibility of an improving Australian economic cycle led to their notable underperformance since February. This is despite often reporting very strong financial results. Last year's winners became this year's losers. We are also seeing this at the macro level with the European & Chinese equity markets recently strong and US weak.

As we focus on consistent investment performance through the cycle, this highlights the importance of a balanced portfolio of stocks. Not being all growth or all value. We are valuation aware, so 2024 was not the ideal conditions for our investment style. However the fund did outperform the Small Ordinaries Accumulation Index for the seventh consecutive year. Some stocks that did particularly well for the fund in 2024 have since weakened (e.g. Pinnacle 2024 +120%, 2025 YTD -20%) despite reporting very strong financial results in February. Conversely stocks that didn't perform well in 2024 have been very strong in 2025 (e.g. oO!Media 2024 -25%, 2025 YTD +31%). Picking the markets favoured investment style in any period is difficult to forecast and changes quickly.

In our take on the words of Dirty Harry, "A wise man knows his limitations".

What we focus on is a balanced portfolio of stocks with uncorrelated risks and various investment styles with 1 thing in common; future returns are expected to be greater than 10% p.a. over a 3-5 year period with a preference for more certain returns over potentially higher but more uncertain returns.

In the short term, stocks in the portfolio will come in and out of favour according to investment styles but over the long term, companies that create shareholder value through earnings growth or the distribution of capital to investors will compound our capital and build wealth for unitholders in the fund. This helped the fund to outperform in February '25 as the favoured investment style shifted away from structural growth.

Top Contributors (Absolute)	Sector
Domain	Communication Services
oOh!Media	Communication Services
Service Stream	Industrials
Top Detractors (Absolute)	Sector
Integral Diagnostics	Health Care
Kelsian	Industrials
Redox	Industrials
Platforms	
Netwealth, Hub24	