# Prime Value Growth Fund
# Fund Update – February 2025

- Many equity markets globally fell in February including Australia, reversing a strong January.
- The fund's return of -2.2% for February was 1.6% better than the ASX 300 Accumulation index return of -3.8%.
- 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.

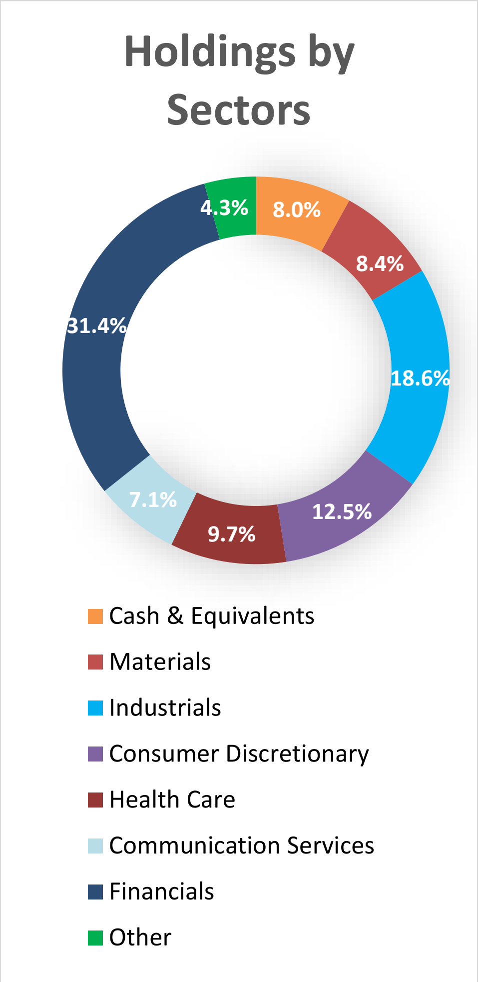
| | Total Return* | S&P/ASX 300 Accumulation Index | Value Add |
|---|---|---|---|
| Since Inception (p.a.) | 10.4% | 8.3% | 2.1% |
| 20 Years (p.a.) | 6.6% | 7.8% | -1.2% |
| 10 Years (p.a.) | 5.1% | 7.5% | -2.4% |
| 5 Years (p.a.) | 9.3% | 8.8% | 0.5% |
| 3 Years (p.a.) | 8.1% | 8.9% | -0.8% |
| 1 Year | 12.0% | 9.7% | 2.3% |
| 3 Months | -1.0% | -2.6% | 1.6% |
| 1 Month | -2.2% | -3.8% | 1.6% |

*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 |
| Propel Funerals Partners Limited | Consumer Discretionary |

The top five holdings make up approximately 32.4% 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 |

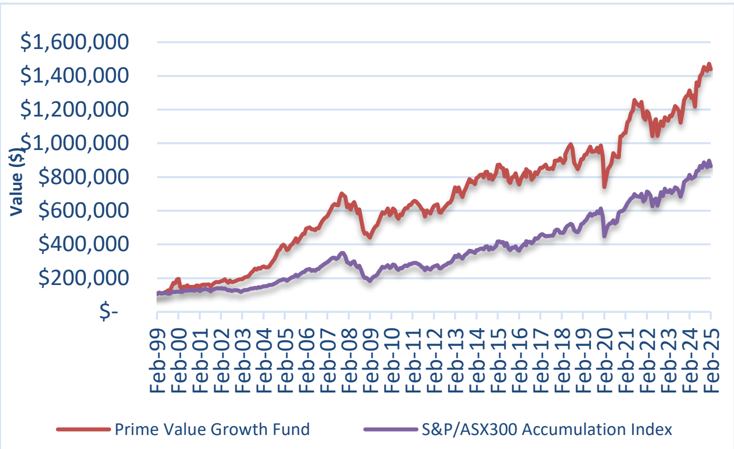


## Market review

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.




This graph shows how $100,000 invested at the Fund's inception has increased to $1,439,000 (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 $863,200 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) | $1.9861 | $1.9874 |
| Withdrawal price (Cum) | $1.9711 | $1.9724 |
| 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 -2.2% in February, was 1.6% better than the ASX 300 Accumulation index (-3.8%).

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 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 |
| Service Stream | Industrials |
| oOh!Media | Communication Services |
| **Top Detractors (Absolute)** | **Sector** |
| Integral Diagnostics | Health Care |
| Kelsian | Industrials |
| CSL | Health Care |

**Platforms**

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

**Contact details:**
Prime Value Asset Management Limited
Level 9, 34 Queen Street, Melbourne VIC 3000
T: 03 9098 8088
E: info@primevalue.com.au
W: primevalue.com.au