Prime Value Microcap Fund
Fund Update – July 2026

- Global markets were mixed in July as AI stocks fell out of favour and US-Iran hostilities resumed.
- The fund returned -1.4% in July, ahead of both the Small Ordinaries (-3.2%) and the Small Industrials (-2.9%) Accumulation Indices.
- As we head into the August reporting season and look ahead to FY27, we see a positive backdrop for the fund with strong earnings growth forecast, a potential turn in the interest rate cycle and a historically high valuation discount for Small Caps relative to Large Caps.

The Prime Value SIV Emerging Companies Fund (PVSECF) commenced on 7 January 2019 as a wholesale fund tailored for Significant Investor Visa (SIV) investors. From 1 July 2025 the same investment mandate and strategy of PVSECF was made available to retail investors through the new Prime Value Microcap Fund. To give a clearer picture of longer-term performance, the table below includes historical returns for the PVSECF (Class A units), as well as for the Prime Value Emerging Opportunities Fund (PVEOF), which used the same investment strategy before PVSECF was launched. While the Microcap Fund holds the same investments, its performance results may vary due to differences in how management and performance fees are calculated.

	Microcap Total Return*	SECF Class A Total Return*^	Small Ordinaries Accumulation	Value Add	Small Industrials Accumulation	Value Add
Since inception (p.a.)	-	7.7%	7.6%	0.1%	5.7%	2.0%
8 Years (p.a.)	-	6.1%	4.8%	1.3%	3.3%	2.8%
5 Years (p.a.)	-	1.7%	2.2%	-0.5%	-0.2%	1.9%
3 Years (p.a.)	-	4.2%	7.5%	-3.3%	4.1%	0.1%
1 Year	-3.4%	-	1.8%	-5.2%	-8.6%	5.2%
3 Months	-2.1%	-	-3.2%	1.1%	2.6%	-4.7%
1 Month	-1.4%	-	-3.2%	1.8%	-2.9%	1.5%

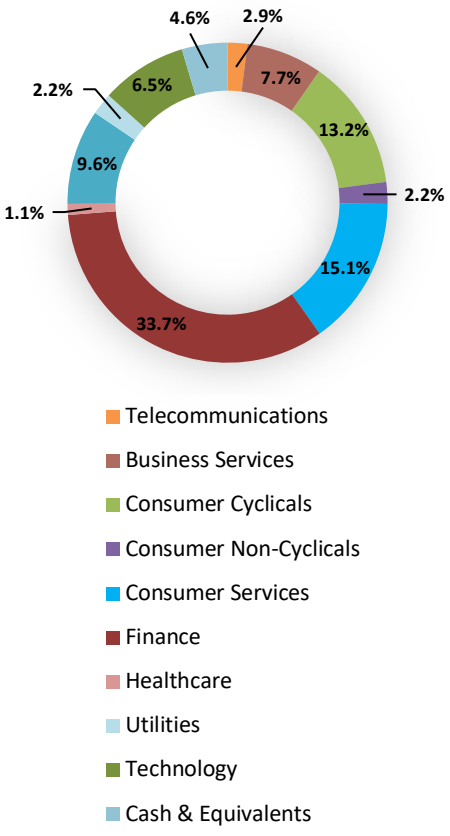
* Returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not an indicator of future performance.
^ This Fund structure was created on 1 July 2025 but uses an identical mandate and strategy to the SIV Emerging Companies Fund with an inception date of January 2019. Performance numbers prior to this use the Emerging Opportunities Fund up to December 2018.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2026	1.5%	6.6%	6.1%	6.8%	-1.5%	-2.0%	-4.8%	-3.4%	-9.4%	1.5%	1.3%	(1.9%)	**(0.6%)**	**(0.6%)**
FY 2027	(1.4%)												**(1.4%)**	**(2.0%)**

Top five holdings (alphabetical order)	Sector
Cuscal	Finance
Motorcycle Holdings	Consumer Cyclicals
Praemium	Finance
Vista Group	Consumer Services
Viva Leisure	Consumer Services

* The top five holdings make up approximately 27.7% of the portfolio

Holdings by Sectors



Feature	Fund facts
Portfolio Manager	Richard Ivers & Mike Younger
Investment objective	The Fund aims to outperform the S&P/ASX Small Industrials Accumulation Index (XSIAI). A long only concentrated fund that leverages Prime Value's fundamental research capabilities while minimizing the risk of permanent capital loss.
Benchmark	S&P/ASX Small Industrials Accumulation Index (XSIAI)
Fund Inception date	1 July 2025
Strategy Inception date	8 October 2015
Typical number of stocks	30 – 80
Cash	0 – 20%
Unlisted Exposure	0 – 20%
International Exposure	0 – 20%
Distributions	Half-yearly
Suggested Investment Period	5 years
Research Ratings	Lonsec – Recommended Zenith – Recommended

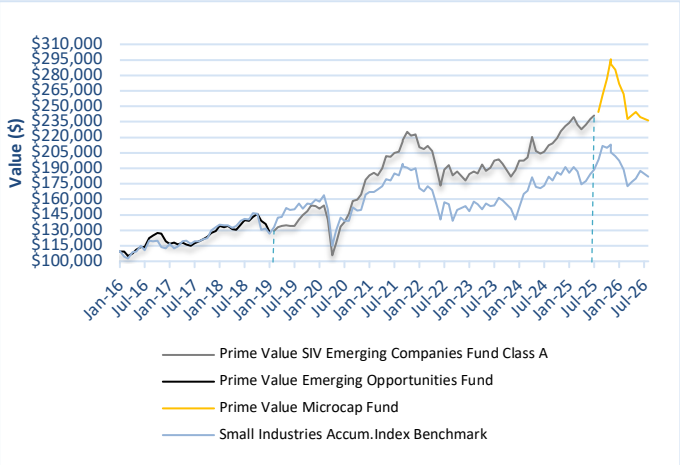
Market review

Global equity markets were mixed over the month, with relative performance seemingly dependent on the level of exposure to AI stocks, which continue to wax and wane in terms of investor sentiment. The S&P500 Index (-0.1%), Dow Jones Index (+0.4%) and MSCI ACWI Index (+0.1%) were relatively flat, while the FTSE100 Index gained 3.6%. Conversely, those indices more exposed to AI stocks suffered most, with Korea's KOSPI -22.2%, Japan's Nikkei 225 -8.1% and Taiwan's TAIEX -6.5%. This was driven by concerns over the ROI that will be delivered by the enormous AI capex budgets of major technology companies, as well as increasing competition from cheaper, Chinese developed AI models.

Oil prices rebounded strongly as the US and Iran resumed hostilities, sending Brent crude +21% to US$91.04/bbl. Most commodities were up in July, with the exception of iron ore which fell -4% in July to US$95.3/t. Base metals were largely higher, with copper +4% to US$6.28/lb and nickel +6% to US$7.74/lb. The gold price rose 2% to US$4,046/oz.

Economic data in Australia saw inflation slowing and the labour market remaining resilient, with the RBA seen as likely to hold interest rates at the upcoming August meeting. Australian 10yr bond yields rose 21bps to 4.94%. US 10yr bond yields also rose, +27bps to 4.71% with consensus expectations for an interest rate hike at the next US Federal Reserve meeting in September.

The ASX300 Accumulation Index rose 2.1% in July. The strongest sectors were Energy (+12.1%) and Financials (+5.8%), while the weakest were Information Technology (-4.8%) and Industrials (-1.4%). Small Caps were relatively weak, with the Small Ordinaries Index -3.2%, underperforming the ASX100 Index (+2.8%) by 6.0%.



This graph shows how $100,000 invested at the Fund's inception has increased to $236,300 net of fees. This compares with the return of the benchmark, where a $100,000 investment would have increased to $181,800 over the same period. The returns exclude the benefit 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
APIR Code	PVA6704AU
Minimum Investment	$20,000
Issue price (Ex)	$0.8279
Withdrawal price (Ex)	$0.8213
Distribution (30/06/2026)	$0.11
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.

Fund review & strategy

The fund returned -1.4% in July, ahead of both the Small Ordinaries (-3.2%) and the Small Industrials (-2.9%) Accumulation indices.

The month ahead marks the August reporting season where our portfolio companies will provide an update on their strategic and financial progress, and where we expect to participate in >250 company meetings.

The economic backdrop has slowed since March on the back of the Middle East conflict, however company earnings remain broadly resilient. While some market sectors will be more exposed to a slowdown than others, the Small Cap sector offers a highly diverse universe of companies, providing the ability to invest in areas benefitting from structural tailwinds. To illustrate, we forecast the fund to post profit growth of 13% in FY26, accelerating to 18% growth in FY27.

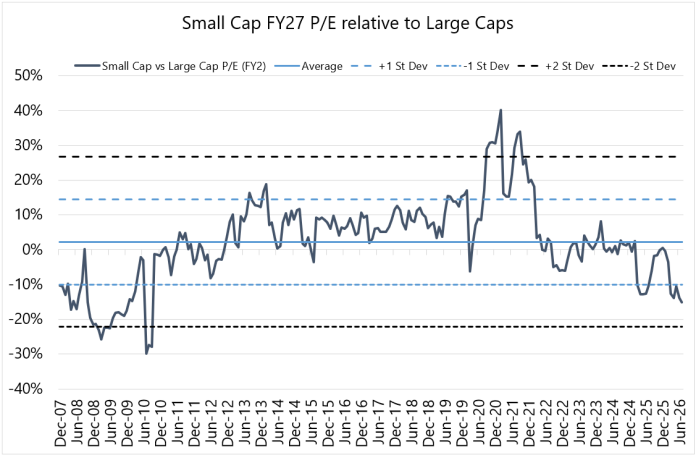
Additionally, looking into FY27, we see potential tailwinds for the Small Cap sector from both a macroeconomic and a valuation perspective.

With regards to macroeconomics, the interest rate cycle appears to be nearing a peak, with just one more 25bp rate increase expected by investors this year before we enter the next rate cutting cycle. As highlighted below, the Small Cap sector is highly negatively correlated to interest rate moves, benefitting from rate cutting cycles.

Period	RBA cash rate move	Small Caps Move	Large Caps Move
Jan 2015 - May 2015	(0.50%)	9.4%	3.0%
Apr 2016 - Aug 2016	(0.50%)	9.1%	3.0%
May 2019-Nov 2020	(1.40%)	7.1%	1.7%
Apr 2022 - Nov 2023	4.25%	(17.0%)	(3.8%)
Jan 2025 - Jan 2026	(0.75%)	19.7%	2.6%
Jan 2026 - Jul 2026	0.75%	(14.3%)	2.8%

Source: FactSet.

From a valuation perspective, Small Caps have de-rated to a FY27 P/E discount of 14.4x, representing a -15% discount versus Large Caps. This is more than 1 standard deviation below the 20-year average Small Cap premium of 2% versus Large Caps, and is at a level not seen since the Global Financial Crisis over 2008-2010.



Source: FactSet.

Top Contributors (Absolute)	Sector
Fleetwood	Consumer Cyclicals
Coast Entertainment	Consumer Services
Praemium	Finance
Top Detractors (Absolute)	**Sector**
Advanced Innergy	Industrials
Acusensus	Technology
Shape Australia	Industrials

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