Prime Value Microcap Fund
Fund Update – August 2026

- The Australian market was stronger in August as profit results reported in the month were better than expected on strong cost control.
- The fund returned +5.9% in August, ahead of both the Small Industrials (+0.2%) and Small Ordinaries (+5.2%) Accumulation Indices.
- August was a strong month for the micro-cap end of the stock market and the fund was a beneficiary. There appears a correlation between a company's market capitalisation and its valuation with the smallest companies trading on the lowest valuations, particularly micro-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.)	-	8.2%	8.0%	0.2%	5.7%	2.5%
8 Years (p.a.)	-	6.5%	5.1%	1.4%	2.8%	3.7%
5 Years (p.a.)	-	1.8%	2.2%	-0.4%	-1.3%	3.1%
3 Years (p.a.)	-	6.0%	9.8%	-3.8%	4.7%	1.3%
1 Year	-4.2%	-	-1.2%	-3.0%	-13.9%	9.7%
3 Months	2.4%	-	-0.2%	2.6%	1.1%	1.3%
1 Month	5.9%	-	5.2%	0.7%	0.2%	5.7%

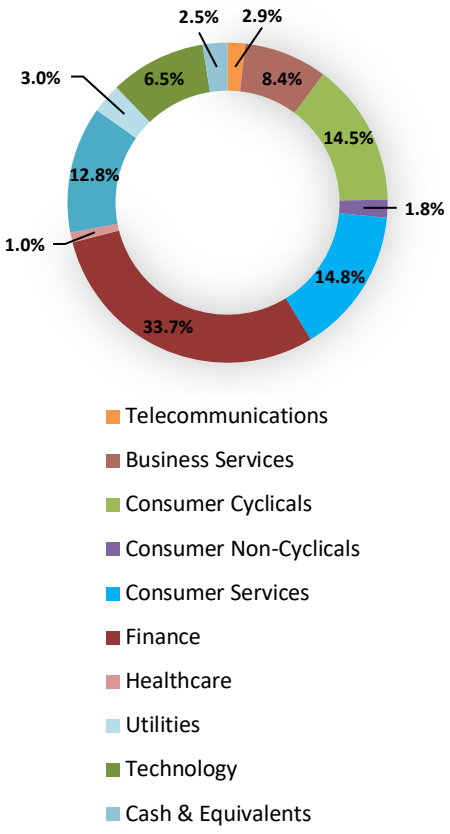
* Returns are calculated net of management fees and performance fees assuming all distributions are re-invested. Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Returns exclude the benefits of imputation credits. Past performance is not an indicator 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%)	5.9%											**4.4%**	**3.7%**

Top five holdings (alphabetical order)	Sector
Cuscal	Finance
Motorcycle Holdings	Consumer Cyclicals
Shape Australia	Industrials
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 Rating	Lonsec – Investment Grade

Market review

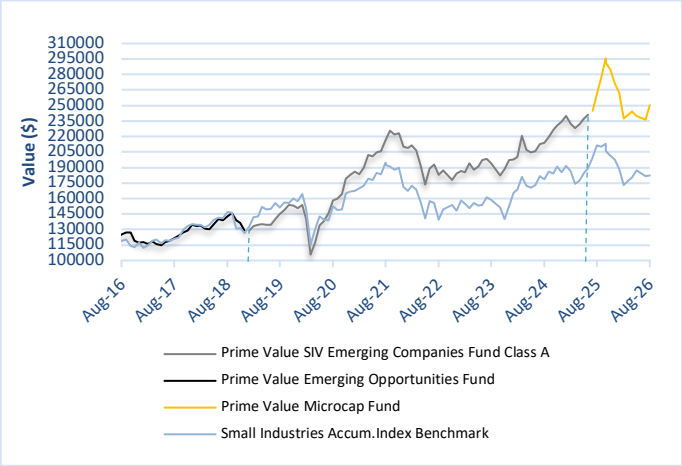
Global equity markets were positive in August across almost every major market.

The MSCI World Index was +2.5% supported by the US (S&P500 Index +2.6%, Dow Jones Index +1.3%) and Japan (Nikkei +3.0%). Weaker markets included UK's FTSE 100 (-0.4%) and Hong Kong's Hang Seng (-1.2%).

AI bellwether Nvidia reported a strong quarterly result that supported the bullish thesis that GPU demand remains strong. This supports a range of associated industries including semiconductors, datacentres and electrification. This followed a bearish July when concerns regarding the economic return on AI investment became heightened. The upcoming IPO of Anthropic should help shed light on AI economics.

Oil prices were up moderately (Brent crude +3%) due to continued geopolitical concerns regarding the Straits of Hormuz. The main driver of oil prices remains supply side rather than demand side. Most industrial commodities were up in August including iron ore +4%, copper +5% and coking coal +3%. Precious metals were strong with gold +9%, silver +16% and platinum +8%. Agricultural commodities were more mixed with cattle -6%, wheat +21% and coffee -6%. All commodity price changes are based in US dollars.

In Australia, economic data and public statements by RBA officials led economists to forecast an interest rate increase in September 2026. July CPI showed inflation is proving more persistent than expected and consumer spending data was surprisingly buoyant in the face of weak consumer sentiment and falling house prices.



This graph shows how $100,000 invested at the Fund's inception has increased to $250,200 net of fees. This compares with the return of the benchmark, where a $100,000 investment would have increased to $182,200 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)	$0.8763
Withdrawal price (Ex)	$0.8693
Distribution (30/06/2026)	$0.11
Indirect Cost Ratio (ICR)	1.25%*
Performance fee	20%**

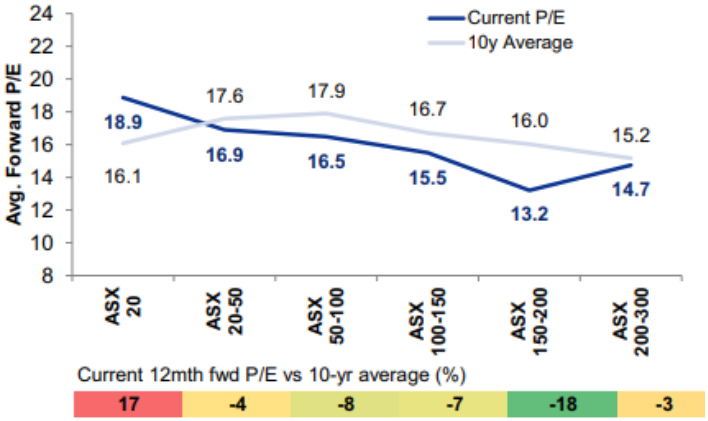
* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC
**Of performance (net of management fees) in excess of the agreed benchmark.

Fund review & strategy

It was a strong month for the fund returning +5.9%, well above the most comparable index, the Small Industrials Accumulation (+0.2%). There were stock specific factors that supported returns. These largely related to strong financial results in companies where expectations were low. However a large contributing factor was also increased appetite for micro-cap companies. This was refreshing after what has been a challenging period for this part of the market.

We believe there is strong value on offer in the smallest listed companies. As illustrated below, there is a correlation between a company's size and its valuation multiple (PE ratio). The 20 largest listed company's on the ASX trade on a forward PE ratio of 18.9x, well above the 10 year average of 16.1x. For all ranges below that, company's trade at a discount to the 10 year average. Additionally the gap between the current PE ratio and historical average broadly increases as you go down the size spectrum (with an anomaly in the ASX200-300 range).

Valuation Depending on Firm Size
Current vs. 10 yr-averages.



Source: Goldman Sachs

This observation of greater value in smaller company's reflects our experience. In August, most company's reported their financial results for the year to June 2026 and the portfolio's average profit growth was +24% (after removing high growth outliers). For the year ahead forecast profit growth is +19%. Yet the fund's return in the 12 months to August was -4%. Clearly valuations have become cheaper. We manage both a microcap and smallcap fund and the valuation gap between the 2 funds has expanded with microcap's cheaper than normal. Microcaps are typically outside the ASX300 so smaller than those in the chart above.

Trade and financial parties are recognising value with regular takeover offers at premiums well above the historical 30% average. The fund currently has 2 businesses subject to a takeover process.

This leads us to believe that the outlook for microcap returns appears strong. It is dangerous to take the view that the strong returns in August is the start of a resurgence. We expect it will take time. But with valuations starting from a low base and strong earnings growth creating more value over time, the outlook appears very positive.

Top Contributors (Absolute)	Sector
Motorcycle Holdings	Consumer Cyclicals
Count Limited	Business Services
Acusensus	Technology
Top Detractors (Absolute)	**Sector**
SPC Global	Consumer Non-Cyclicals
EML Payments	Finance
Praemium	Finance

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