Provenance Value Partnership

Quarterly Report

Quarter Ended 30th November 2025

23rd December 2025

Dear fellow Partner,

In this report I will provide an update on the quarter ending November 2025. After a busy August, September was a very quiet month – which is normal and a welcome break to be honest. However, the months of October and November are always busy with AGMs to attend and associated trading updates to review. In addition, a few of our investments announced bolt-on acquisitions. SRG purchased a highly earnings accretive business in the marine space. They have a history of doing successful, small bolt-on purchases. This deal cost $85m and adds a forecast $30m in EBIT which the market duly liked and added $368m in value to the stock on the day of the announcement. Elsewhere, Jumbo - primarily a lottery retailer - announced two separate acquisitions, one in the UK and one in the US. Both are prize draw giveaways with upside potential, especially the US business. A subdued jackpot run in Australia sees softer lottery sales continuing for now, but the story remains interesting.

I attended the Eagers Investors' Day in Sydney at the end of October and was pleased with the way the Canadian expansion was structured. I can see the rationale around the acquisition as it comes with excellent on-the-ground leadership in a market that has large roll up potential. The economics of the new business and the increased focus on growing the used car business in Australia and other markets bode well for the future. However following the event, we did reduce our stake for two reasons - the weighting of the holding had grown to nearly 20% of the portfolio, coupled with a very high valuation multiple. It remains an important top 5 holding.

In addition to the Eagers sell down, the fund has been taking profits on several investments that have become richly valued. Our holding in Smartpay was also acquired via a scheme of arrangement that was announced back in June. As a result, our cash position has increased substantially – this is not a macro call on the market or the economy as I don't have any special insight into these types of things. I do hope to find a new home for this money in 2026 and become fully invested again.

Back in March I said if Ausbrokers was privatised I would be annoyed. In October, I became annoyed! A non-binding private equity proposal at $45 was lobbed at the board of AUB that gives holders a short-term sugar hit if it proceeds. What annoys me is we lose an ASX-listed, long-term steady compounder, which are rare, and we lose it at an inadequate price. Then in November this bid turned into a joint private equity bid so the odds of it proceeding went up in my opinion to highly likely – above 80% chance. So rather than be annoyed I further added to the holding, buying on market at under $37, turning it into a risk arbitrage position. An important part of the thesis for the further buying was that if the deal didn't go through, the fund was very comfortable owning the additional stock, this is an important question to ask. Buying at $37.00, valued the company at a not unreasonable price of 19x next year's earnings. The risk set up was asymmetric: 20%+ upside to the $45.00 bid price and 20% downside if it fell through, with the chance of an implementation deed being signed at above 80% in my opinion.

UPDATE Since the quarter ended – the private equity bid fell through and the stock dropped to below $31.00, causing us short-term pain. The takeaway from this event – when private equity is involved and it's "a non-binding & subject to DD offer" i.e. no scheme implementation deed (SID) has been completed then one should remain sceptical about the outcome. Going forward, I am pleased that Ausbrokers will remain listed, and the fund is a happy holder of the stock. It sits in our top 5 holdings.

We finished up the AGM season by attending several local meetings, as opposed to last year when we travelled the country to attend them. Our fund has benefited from investments that are within 100km of Brisbane. In Real Estate, there is a saying that there is a $250,000 opportunity around the corner. In the share market, it feels like it applies as well. We have six investments headquartered within 100km of where we live – and they've all been quite successful for the fund. I guess sometimes you don't have to look far from home to find the next opportunity. It's always a benefit if they are local as I can keep a closer eye on them and there are often nuances a non-local will not see or be unable to monitor closely.

Overall, AGM season was positive with pleasing updates and outlook statements being offered by our holdings. Prospects are promising, however most stock valuations already reflect this rosy outlook.

When to Sell and Just Hold Cash? Not the aim.

With the market hitting new highs and in particular the valuation of many of our holdings trading at rich multiples. I have been spending more time than normal thinking about selling or at least trimming holdings with the proceeds simply adding to our cash at bank, i.e. having no immediate deployment.

Developing a strong buy conviction (sometimes the conviction is wrong of course) is a lot easier than developing a strong sell conviction especially when you have no immediate use for the cash. The sell decision becomes a lot harder as you head up the company quality spectrum – it is a subjective process based around what the expected future return is likely to be in relation to the current market valuation. Also, strong consideration needs to be given to the taxation liability a sale crystalizes for our investors. It should also allow for the natural bias a value investor has for selling too early. Getting a trim or a full sale right is nearly impossible to know except in hindsight.

Luckily these types of sell decisions aren't done that often. The best reason to sell is when you are fully invested and a compelling idea comes along that requires you to find cash for that new share.

Portfolio Construction

The Fund's cash holding increased during the period to 8%. Our top 5, 10 and 15 largest equity positions represent 47%, 70% and 83% of the portfolio respectively with 23 material positions held in total >0.1%. As previously stated, the goal is to reduce the number of positions down to 20 or less, this remains an important objective.

Returns as of 30th November 2025

Benchmark Comparison	PVP	AOAI
1yr pa	38.2	5.8
3yr pa	16.7	10.0
5yr pa	16.9	9.8
10yr pa	15.2	9.6
20yr pa	15.1	8.0
Cumulative since 2005 (after fees)	1,488.1	357.7

PVP has two aims, and the Fund remains focused on them, firstly preserving the capital of the Fund and then delivering low double-digit annual returns over rolling five-year periods.

20 Year Anniversary

During the Quarter, the Fund went through its 20th year of operations. When setup in 2005, the fund's primary focus was and remains delivering above average returns compounded over a long period of time. As part of that, the fund has needed to be able to navigate through the various events and cycles that markets have thrown at it. However, I had naïve expectations on how hard it would be to scale the fund, and this remains unfinished business.

Since inception, a dollar invested in the fund has grown to be worth today $14.88 net of all fees. Put another way, the net asset value has compounded at 15.1%, whilst the index has managed 8.0% per annum as at 30th of November 2025. It might not sound that sexy, but low double-digit returns compounded over long periods of time add up. We can see this in our cumulative return numbers versus the market. By beating the market by a few percentage points on average per year, our cumulative return is 1,488% as compared to the market of 358%.

To put a human side to all this, a very early client initially invested $10,000 received from a property settlement. It would have been tempting to spend this money and today have nothing to show for it. Instead, she bravely put her faith in me and invested. Happy to say she is still in the Fund, and her investment today is worth over $180,000.

A couple invested $450,000 back in 2010 and despite having redeemed more than half of that original investment since, they still have a holding worth over $2.2m. It's been a winning relationship as they have introduced family and friends to the fund over the years, for which I am grateful. These days they spend time caravaning around Australia and have financial freedom which the fund has helped provide.

There are other stories of clients that have benefited from the power of long-term uninterrupted compounding. Professionally it gives real meaning to know one's work is adding value. I enjoy the challenge and responsibility of harnessing the power of compounding for us all.

Finally, I am a better portfolio manager today than when the fund started – no question about that. Investing is a lifelong craft of constant learning (though sometimes painful) which compounds with accumulated experience to hopeful make a better investor. Therefore, at the fund's current boutique size, I feel that our long-term average performance can be maintained going forward, subject of course to the usual disclaimers.

As 2025 closes out, I wish you and your family a Merry Christmas and a prosperous 2026.

Thank you for your continued support, patience and trust.

Sincerely,

Victor Velkov

Director | Portfolio Manager

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