

# Quarterly Report

Quarter Ended 31<sup>st</sup> August 2025

25<sup>th</sup> September 2025

Welcome to the September report in which I will provide an update on the quarter ended August 2025.

In June, the fund topped up an existing holding thanks to opportunities presented in the tax loss selling season. The fund has very limited cash weighting as we wait for several corporate actions to conclude – as mentioned in the May update. The fund rebrand and associated legal matters were approved, making it a relatively quiet month otherwise.

July saw our cash holding somewhat replenished, with two capital returns in addition to fully selling out of a holding, as the corporate action in it had nearly run its course. Company announcements throughout the month showed improved profitability, which was pleasing.

Eagers Automotive, our largest holding, was trimmed by 15% for portfolio management reasons but it still happily sits at the top spot. With this trim along with exiting another position, improved our firepower into the main August reporting period. After giving it three years to play out, I had run out of patience on the exited position. It was a mistake in hindsight, so we have taken the loss and moved forward.

All this capital movement allowed the fund to add a new investment to the portfolio. The new investment will take up to 5 years to play out. It is run by an experienced capital allocator who knows how to extract maximum value in a sector I don't delve into normally. However, the valuation enables the equation to look attractive. The thesis we are working on is a return of our money plus the same again within 5 years, coupled with limited downside. A doubling in 5 years is satisfactory but it's the limited downside that appealed the most.

In Australia, Defence is a hot industry to be exposed to. Think Taiwan. VEEM – one of our invested holdings with exposure to Australia's defence sector – announced a renewal of a defence contract worth \$65m. It's a great story in the market now and one we have accidentally become exposed to. I don't make investment decisions based on macro or geopolitical themes, but of course it's still important to be aware of them and their effect on valuations.

A long-term mid-sized holding reported a decent result with a recent bolt-on acquisition delivering as expected and their US business showing pleasing double-digit revenue growth fueled by recent customer wins. Also, during August, a larger holding we own received a privatisation offer from Private Equity. If the proposal goes through, we are okay with exiting the holding, as part of the thesis for continuing to hold the investment was the possibility of such an offer.

A long-time favourite of mine PWR (code is PWH) reported weak numbers which was expected, but the disappointing margin outlook was not. This is a worry for me but seemingly not to the market. We remain patient holders as I believe the thesis is still unbroken and would buy more if the valuation really softens. I look forward to attending their AGM in October at its new factory.

Eagers Automotive (APE) – led by Keith Thornton and a strong team at the board and management level who understand the various businesses inside a dealership and to date have proven to be wise allocators of capital reported solid numbers. Keith is an impressive executive, a nice balance between being a car guy and a corporate executive, The fund is a long-term holder of this business.

In summary, a strong reporting season, with most companies delivering financial results above expectations with positive outlook statements – although who really knows what fortunes the future holds. This is the weighing part of the job.

In general, the stock market appears fully valued and 12-month market returns are above the historical average. The market reaction to our group of holdings was to say the least –positively ebullient! This is the voting part and it's important to separate the two.

### **Management Expense Ratio (MER)**

Something we will be disclosing annually in the September update is the Management Expense Ratio or MER. The MER (excluding any performance fee) is the total fixed expenses required to run the fund expressed as a percent of average Funds Under Management for the year. For the financial year ended 2025, our MER was 0.21%. In 2026 this will increase to approximately 0.45% now the fund is licensed by ASIC. For those of you who know me, I don't like rising costs – however this jump was a necessary step to take to become a legitimate investment operation. Rest assured, going forward as the fund grows the MER % will decline.

### **Portfolio Turnover**

Portfolio Turnover for the financial year ended 2025 was 8.5%. This figure can vary widely in any one year but over a 5-year period can provide a meaningful insight into whether the fund is operated as advertised. If we espouse to be long term investors, then an average portfolio turnover after 5 years should end up around the 20% mark or less. If this fund or any fund that claims to be a long-term investor, then portfolio turnover serves as a marker on whether it is true to label. I expect the fund's turnover to sit below 20% on average going forward but any one year could vary widely from this average.

### **Portfolio Construction**

The Fund remains fully invested. Our top 5, 10 and 15 largest equity positions represent 48%, 69% and 85% of the portfolio respectively with 23 material positions held in total >0.1%. Cash holding remains at zero.

The below returns exclude the imputation credits the fund passes through to unitholders, as these have different worth depending on your investor type. However, these “off balance sheet” returns have been quite substantial over the years, as many of you who hold your investment via a trust or super fund can attest to.

Returns as of 31 August 2025:

Benchmark Comparison	PVP	AOAI
1yr pa	29.3	14.9
3yr pa	16.2	12.8
5yr pa	14.8	12.2
10yr pa	14.5	10.1
15yr pa	13.1	9.3
Cumulative since 2005 (after fees)	1,369.4	369.7

*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.*

### General Investment Thoughts

- I have been reflecting on the Horse and Cart analogy and how it relates to the stock market. The cart is the share price; the horse is the business. It is important to remember that the horse drives the cart and not think it's the other way around. The business drives the share price in the long run. In the current market environment, the cart grabs the attention, and at times I need to remind myself - because I am human - that the horse should always remain the focus.
- *"I'd rather lose half my clients than half my clients' money"*  
*Jean-Marie Eveillard First Eagle Funds*

*"People think they're hiring a manager to make them money, but they are also hiring a manager to keep them out of trouble and maybe fight their own (get rich) instincts sometimes. "*  
*Seth Klarman*

As a fiduciary, my priority is wealth preservation, not to be confused with volatility aversion. Over the fund's lifetime it has never had a blow up, it got close during Covid but to date the fund has been blow up free. By blow up, I mean suffering a material permanent loss of capital. Personally, I have had two blow ups - once during the GFC and then during Covid. I wish I never had a personal account, a remnant of having personal investments before the fund's inception in 2005. In hindsight, (isn't hindsight wonderful) I would have been a lot better off if I had transferred my equities over to the fund. I can be a slow learner as it wasn't until 2021 that I woke up and ceased all personal domestic stock holdings. All my domestic equity exposure is via this fund, and it has been the best decision. It has also made my life simpler as I only have one portfolio to manage and grow. I have always treated the money inside this fund differently to my own personal money. Managing other people's money has for me made me a better investor. It has forced me to be more disciplined, diligent and I like the feeling of having trust from others and the responsibility that carries. It's a fuel for me and has helped shape my identity.

- An investor friend I bush walk with said to me while we were descending a very steep eroded mountain side that Marines have a saying - *“Slow is smooth and smooth is fast”*. In other words, take the right amount of time to descend, watch your step as any misjudgement has a large consequence when you are in the middle of nowhere - plus, I’m not 21 anymore. I think this saying equally applies in investing once you have wealth and less time left to compound it. *“Slow is smooth and smooth is fast.”*

Thank you for your continued support, patience and trust.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Victor Velkov', with a checkmark-like flourish at the start.

**Victor Velkov**

Director | Portfolio Manager

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