



**PrimeValue**

Building Wealth Together

# PRIME VALUE ENHANCED INCOME FUND

## Product Disclosure Statement

15 December 2020

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## Important Information

This Product Disclosure Statement (PDS) is a summary of significant information about the Prime Value Enhanced Income Fund (ARSN 605 114 323) (APIR Code: PVA0009AU) (Fund) and it contains references to important additional information contained in the Prime Value 'Additional Information to the PDS' dated 30 September 2016 (Additional Information). The Additional Information forms part of this PDS and you should consider the whole PDS including it before making a decision to invest. The Additional Information and the PDS are available at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds) or you can request a copy by calling us on 03 9098 8088. The information provided in the PDS is general information only and does not take into account your personal investment objectives, financial situation or needs.

You should obtain professional financial advice tailored to your personal circumstances.

Prime Value Asset Management Ltd (ABN 23 080 376 110) (AFSL 222 055) (Prime Value) has prepared and issued this PDS. Information in this PDS is subject to change of a type that is not materially adverse from time to time. You can obtain any updated information by contacting Prime Value on 03 9098 8088. A paper copy of the updated information will be provided free of charge on request.

All amounts in this PDS are in Australian dollars unless stated otherwise. All fees are inclusive of goods and services tax (GST) and take into account reduced input tax credits (RITCs) if applicable.



Standard & Poor's Fund Manager Awards - Winners

## 1. About Prime Value Asset Management Limited

Prime Value is a multi-award winning boutique Australian investment manager with an impressive history of building wealth with investors since 1998.

As Responsible Entity of the Prime Value Enhanced Income Fund, it holds an Australian Financial Services License that authorises it to operate managed investment schemes.

Prime Value is responsible for the management and administration of the Fund and sets the investment policies and objectives.

### Track record and Investment style

Prime Value, established in 1998, has a long and successful history in funds management, gaining a reputation as a prudent investment manager.

Prime Value has successfully navigated many market cycles and a wide variety of investment situations including the Asian Currency Crisis, the early 2000's tech boom and bust, the 2008 GFC, the resource boom and subsequent slow down and the rise of China as an economic power.

This experience has taught us that investment is more than just science, mathematics and statistics. Instinct and intuition, which comes from experience and skill, also play an important role.

Prime Value's unique style is not easily replicated. We believe our willingness to follow our own path, combined with our strong culture and sense of stewardship, has driven our consistent record of performance and capital preservation.

### Alignment of interest

Prime Value's investment team invests in Prime Value Funds and there is true alignment of interest with other investors. In this way, "Building Wealth Together" is more than a slogan; it is the heart and soul of Prime Value. So too is our strong belief in stewardship.

## 2. How the Prime Value Enhanced Income Fund works

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The Prime Value Enhanced Income Fund is an Australian registered managed investment scheme and unit trust. The Fund is governed by its constitution. In a unit trust structure, when you invest your money it is pooled with other investor funds. The total value of the assets in the Fund is divided into “units” and a “unit price” is calculated each Business Day. Investors receive units when they invest in the Fund. The unit price will generally change daily as the market value of assets in the Fund rises or falls. The Fund invests primarily in cash and income securities in Australia.

### Classes of units

Units may be offered in the Fund in one or more classes, and Prime Value has the discretion from time to time in the future to issue more classes. Classes do not constitute separate trust funds. Units of the same class confer equal interest and rights and units of different classes are treated fairly.

### Investing in the Fund

To invest in the Fund you will need to complete an application form. You can also add to your investment at any time. For further information, please see Section 8 ‘How to apply’.

The following minimum investment amounts apply:

Minimum initial investment: \$50,000

Minimum additional investment: \$5,000

We may accept lower amounts at our discretion and reserve the right not to accept an application to invest for any reason.

### Withdrawing from the Fund

Investors can withdraw some or all of their investment by completing a withdrawal form. Withdrawals are generally processed daily within 10 Business Days, however in certain circumstances, such as when there is a suspension on redemptions or where the Fund becomes illiquid (as defined in the Corporations Act), you may not be able to withdraw your investment within the usual period and alternative withdrawal procedures may apply.

You should read the important information about withdrawals before making a decision. Go to section 2 of the Additional Information at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds). The material relating to this matter may change between the time when you read this PDS and the day when you acquire the product.

### Income Distributions

The net income of the Fund is distributed to investors throughout the year. The Fund generally pays distributions quarterly as at 31 March, 30 June, 30 September and 31 December. The amount of distributions will vary from period to period. Distributions are paid to investors based on the number of units held as at the end of each distribution period and are calculated in accordance with the Fund’s constitution.

If the number of units on issue increases before the end of a distribution period, this could decrease the level of distributable income per unit that might otherwise have been payable.

You can choose to have your distributions automatically reinvested into additional units in the Fund or paid directly into your nominated bank account. There is no buy-sell spread on distributions that are reinvested.

## 3. Benefits of investing in the Prime Value Enhanced Income Fund

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- 1 STEWARDSHIP** – Prime Value has been co-investing with its investors since 1998. Managing our investors’ money is our primary purpose, a role we treat with utmost responsibility and prudence.
- 2 INDEPENDENCE** – Prime Value’s ownership is open and transparent. Freedom from institutional constraints allow us to act in our investors’ best interests with an eye to the long term, rather than short term performance measures.
- 3 RISK MANAGEMENT** – Prime Value has a strong history of protecting investors’ capital in difficult markets. We believe the Investment professional who makes the least mistakes generally produces superior results over time – the goal is satisfactory returns whilst minimising the risk of permanent capital loss.
- 4 CULTURE** – Prime Value has developed a culture which is inclusive and collaborative. Ideas are shared across the team and this approach is reflected in the longevity and stability of the investment team.

### 3. Benefits of investing in the Prime Value Enhanced Income Fund (continued)

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#### Investment philosophy

Significant features of the Fund is our investment philosophy. The following are the four pillars of our investment philosophy:

**Stewardship:** We take our role as stewards earnestly and value our responsibility to investors – putting our clients first. Co-investing alongside our investors ensures a true alignment of interest.

**Quality investing requires a balance between Art and Science:** When evaluating investment opportunities, we assess an investment's fundamentals while also taking into account macro economic data, corporate financial reports, industry data and comments from corporate officers.

Prime Value believes all economic and financial tests require flexibility, depending on the phase in the economic cycle or the type of stock. Experience and common sense dictate how the formula must be adapted to determine the appropriate investment decision for each investment.

Analysis is the first step in investing; however interpretation and judgment are equally important.

**Minimising mistakes:** Minimising mistakes is our number one imperative so as to meet the Fund's benchmark return and protect investor capital. We must remember investment decisions are based on market views and intelligence that is often faulty, and on research that is never complete and error-free. In practice the Investment Manager who makes the fewest mistakes usually produces superior results.

Our research efforts are focused as much on investments that may in the future detract from the overriding objective for the Fund to meet its benchmark return and protect investor capital.

**Benchmarks are inefficient:** Benchmarks are a good way to get a feel for how well the market in general has performed, but they are not necessarily a good model for building a portfolio of securities. At Prime Value our main focus for this Fund is to strategically invest in a range of securities (issuers, tenors) that will deliver a level of return commensurate to the risk.

*You should read the important information about significant benefits of the Fund before making a decision. Go to section 3 at the Additional Information at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds). The material relating to this matter may change between the time when you read this PDS and the day when you acquire the product.*

### 4. Risks of managed investment schemes

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Before investing, each potential investor should consider whether the Fund is a suitable investment given their personal investment objectives.

When considering any investment in a managed investment scheme, it is important that you understand:

- All investments carry risk;
- The value of investments will go up and down;
- The level of returns will vary, and future returns may differ from past returns;
- Returns are not guaranteed, and investors may lose some of their money;
- Laws affecting registered managed investment schemes may change in the future;
- Assets with the highest long-term returns may also carry the highest level of short-term risk
- The level of risk for each investor will vary depending on a range of factors, including age, investment time frames, where other parts of the person's wealth are invested, and the investor's risk tolerance.

Every investment involves varying degrees of risk and different investment strategies may carry different levels of risk, depending on the assets that make up the strategy. While there are many factors which may impact on the performance of any investment, the summary below details the key risks that investors should be aware of when investing in the Fund:

**Risks associated with an investment-** The Fund may be invested in a range of instruments including cash held in interest-bearing bank accounts, cash-equivalent securities, bank term deposits, bank-accepted bills of exchange, both listed and unlisted senior bonds/ floating rate notes, subordinated debt and preference shares/hybrid securities. Risks associated with these investment formats involve risks associated with the market concerned, whether a listed market such as the ASX, or an unlisted market such as the fixed income market. Over time, markets rise but may also sometimes produce falls in the value of investments in the Fund. Prime Value cannot assure investors of returns at or above the Fund's benchmark in any financial year because markets can take unexpected turns and the value of individual investments may fluctuate accordingly.

**Market risk -** The market price of listed and unlisted investments in which the Fund will invest will be affected by numerous factors including changes in interest rates, credit ratings and market attitude to credit risk, exchange rates, inflation, market sentiment and the rate of growth of domestic and foreign economies. War between significant countries and acts of terrorism on a large scale can have a significant adverse direct and indirect effect on both the Australian and global stock markets. It is not possible to eliminate market risk, and many of the components of market risk cannot be controlled by Prime Value. The value of such listed and unlisted investments in which the Fund invests will also be affected by the risks that may adversely affect the units in the Fund.

## 4. Risks of managed investment schemes (continued)

**Interest rate risk** - The risk that arises with changes in market yields that change the value of interest rate investments. An increase in interest rates leads to a reduction in the value of a fixed interest investment and vice versa. This risk is usually greater for fixed interest investments that have longer maturities.

**Credit risk** - The risk of suffering loss owing to another party defaulting in its financial obligations. To mitigate, the Fund seeks only to invest with highly rated institutions.

**Liquidity risk** - The risk that an asset may not be readily sold or sold for a reasonable price.

**Investing in a managed fund** - There are some risks inherent in the operation of a managed fund. These include that the Fund could terminate, or fees and expenses could change. The ability of the Fund to pay distributions is dependent upon the Fund having sufficient cash resources and distributable income.

**Changes in Government Policy and Taxation** - An investment in the Fund may be affected by changes in government policy and legislation in relation to taxation. Changes to the tax system may impact both the performance of investments in which the Fund invests and the manner in which income and capital profits (or losses) are treated.

**Investment selection risk** - Performance may be lower than the return on the market due to poor investment decisions. This risk is reduced by the employment of a highly qualified, experienced and stable investment team, with a proven performance track record.

**Portfolio risk** - Investing in a portfolio with a smaller number of investments (typically 10 to 30 securities) may lead to more volatile returns than investing in a fund with a more diversified portfolio. The Fund will be managed in a way that produces diversification benefits and constrains risk to a specific investment or market segment in keeping with the key objectives of the Fund.

**Derivative risk** - Prime Value may use derivatives for risk management purposes.

The derivative may not move in exactly the same way as the underlying physical security (basis risk) and so may not provide exactly the same exposure.

**Force majeure events** - Force majeure generally refers to an event beyond a party's control, including acts of God, fire, flood, earthquakes, war, acts of terrorism, and labour strikes. A force majeure event may adversely affect the normal operations of financial markets, or the ability of Prime Value, the companies into which the Fund invests or counter-parties utilised by Prime Value.

You should consider the likely investment return, risk and your investment time frame when choosing to invest into the Fund.

## 5. How we invest your money

Before choosing to invest in the Fund, you should consider the likely investment return, the risks of investing and your personal investment time frame.

<b>Investment Objective</b>	The Fund aims to provide a regular income with capital stability (i.e. low variability in the Fund's unit price). Variations in the unit price can occur from time to time due to market factors and other factors influencing the prices of securities in the portfolio. The Fund targets a return to investors in excess of the 3 month Bank Bill Swap Rate (BBSW) as published by the ASX on its website (until 15 December 2020 the Benchmark rate was the Reserve Bank of Australia's cash rate). Our aim is for minimal risk of capital loss in the medium term.
<b>Minimum Suggested Time Frame</b>	1 year
<b>Authorised investments</b>	<p>The Fund may be comprised of the following investment categories:</p> <ul style="list-style-type: none"> <li>• Cash (cash held in interest-bearing bank accounts, bank accepted bills of exchange, negotiable certificate of deposits, corporate promissory notes) (up to 20%);</li> <li>• Corporate/bank issued floating rate notes listed on an Australian securities exchange; and</li> <li>• Corporate/bank bonds or notes issued by an Australian exchange listed entity (or wholly owned subsidiary of the Australian listed entity) or investment grade<sup>1</sup> rated Australian corporate bonds or notes rated by an AFS licensed debt rating agency.</li> </ul> <p>The Fund:</p> <ul style="list-style-type: none"> <li>• is not constrained by index weightings or sector limits;</li> <li>• is not permitted to borrow; and</li> <li>• can use derivatives for risk management purposes.</li> </ul> <p>The Fund may also invest in other managed funds that invest in accordance with these authorised investments and guidelines, including funds managed by Prime Value. It is currently the intention that the Fund invest in a Prime Value wholesale investment fund which invests in the above authorised investments and meets the Fund's objective.</p>

<sup>1</sup> Investment grade is defined as the security being rated at least BBB- by S&P (or equivalent by an AFS licensed rating agency).

## 5. How we invest your money (continued)

<b>Investor profile</b>	The Fund is designed for investors seeking a quarterly income and a return above the 3 month BBSW rate from a diverse portfolio of securities with an emphasis on capital preservation, appreciating that market and other factors can cause variations in the unit price from time to time. The Fund may be appropriate for the following investors: individuals, family trusts, self-managed superannuation funds (SMSF), companies or businesses, foundations, charities or Not-For-Profit organisations.
<b>Typical number of securities</b>	Approximately 10-30
<b>Duration guidelines – Interest rate risk</b>	The Fund will normally limit the portfolio modified duration to 2 years or less, which will reduce interest rate risk. The Fund will invest in both floating rate instruments that reset their base interest rate frequently, eg. monthly, quarterly or semi-annually, and fixed rate instruments.
<b>Credit risk</b>	The maximum exposure to any individual security will generally be 15% of the portfolio.
<b>Risk Level</b>	Low The likelihood of the value of your investment going down in value and investors thereby experiencing permanent capital loss over the medium term is low. However, it is important to note that prices of securities in the investment portfolio of the Fund can vary from time to time due to market and other influences, causing variations in the unit price of the Fund. These variations can persist for some time however over the medium term period the variations should eventually smooth out. We cannot guarantee this eventuality but this is our strong belief and understanding based on years of market and fund experience
<b>Fund Performance</b>	For up-to-date information on the performance of the Fund, including performance history, please visit <a href="http://www.primevalue.com.au">www.primevalue.com.au</a> and click on 'Our Funds' or call us on 03 9098 8088. Past performance is of course not an indicator of future performance.

Your Prime Value Enhanced Income Fund investment is monitored daily to ensure ongoing compliance with the mandatory investment framework. Where an investment limit is exceeded, we will rebalance the portfolio within 10 business days as required by the regulatory authorities.

### Ethical Considerations

The subject of ethical investing is highly complex and there are often contradictions and difficulties in its application. While the Fund is not classified as an ethical fund, Prime Value is a socially conscious investor and examines each investment on a case by case basis. Prime Value is committed to the concept of "responsible investing" and applies a "negative screen" to avoid companies whose behaviour or activities are considered, in its opinion, to be highly unethical or not responsible. For instance, the Fund will not invest in companies which directly derive a significant proportion of their income from tobacco, gaming, armaments or pornographic activities.

## 6. Fees and costs

The information in the following box is a standard consumer advisory warning and does not provide specific information on the fees and charges that you may be charged.

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This section shows fees and other costs (unless otherwise stated, inclusive of GST and less any RITC, where applicable) that you may be charged in respect of your investment in the Fund. These fees and charges may be deducted from your investment monies, your account, from the returns of your investment or from the Fund's assets as a whole.

You should read all the information about fees and costs before making a decision because it is important to understand their impact on your investment. The information in the table below can be used to compare costs between different simple managed investment schemes.

## 6. Fees and costs (continued)

Transaction Costs - Fees when your money moves in or out of the Fund	
Establishment Fee	Nil
Contribution Fee	Nil
Withdrawal Fee	Nil
Exit Fee	Nil
Management Costs - The fees and costs of managing your investment	
Management Fee	0.60% pa The fee is calculated and accrued daily on the net asset value of the Fund at the end of each day, and payable from the Fund's assets within five (5) Business Days of the end of each calendar month. Management fees charged will be reduced to take into account fees charged by managed funds in which the Fund invests so that the total fees effectively charged will not exceed 0.60% p.a..
Indirect Costs	Nil fees and costs arising from underlying funds and strategies.

Go to section 6 of the Additional Information at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds). The material relating to this matter may change between the time when you read this PDS and the day when you acquire the product.

### Example of Annual Fees and Costs

This table gives an example of how the fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

### Additional Explanation of Fees and Costs

#### Fund Expenses and Transaction Costs

Prime Value will meet all Fund expenses unless otherwise advised. These include fees and expenses payable to the auditor and custodian, as well as customary professional fees incurred by the Fund.

However, under the Constitution of the Fund, Prime Value is indemnified and entitled to be reimbursed out of, or paid from, the assets of the Fund for all costs (which includes all charges, fees, expenses, liabilities, and losses) incurred at law or in connection with the proper performance of its duties under the trust deed, the exercise of its powers, the course of its office, or in relation to the marketing, administration, management and termination of the Fund.

In addition, management costs do not include transactional and operational costs, being costs associated with the buying and selling of investments for the Fund. Costs such as brokerage, settlement costs, clearing costs, stamp duty and implicit trading costs are generally incurred in connection with day-to-day trading for the Fund or when there are applications into or redemptions from the Fund. Transactional costs are reflected in the Fund's unit price.

During the financial year ended 2017, the total transaction costs for the Fund were estimated to be 0.06% of the NAV of the Fund, of which 0.04% was recouped via the buy/sell spread, resulting in a net transactional cost to the Fund of 0.02%

#### Example – Balance of \$50,000 with total contributions of \$5,000 during the year

Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management costs		
Management fees	0.60%	And, for every \$50,000 you have in the Fund you will be charged approximately \$300 <sup>+</sup> each year.
<b>EQUALS</b> Cost of Fund		If you have an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of approximately \$300 <sup>^</sup> . What it costs will also depend on the fees you negotiate with your financial adviser, if applicable.

+ The management fees example is based on the actual ICR of the Fund of the 2017 financial year, to give a better indication of the amount that could be paid. In practice, fees charged will differ from the above due to fluctuations in the value of your investment, and the timing of contributions.

<sup>^</sup> This example assumes the \$5,000 contribution occurs at the end of the first year, therefore management costs are calculated using the \$50,000 balance only.

The example does not capture all fees and costs which may apply such as the buy/sell spread.

ASIC provides a fees calculator on its website [www.moneysmart.gov.au](http://www.moneysmart.gov.au), which you could use to calculate the effects of fees and costs on your investment in the Fund.

**Warning:** Additional fees may be paid to a financial adviser if you consulted a financial adviser. Where you receive financial advice, you should refer to your Statement of Advice for full details of these fees.

## 7. How managed investment schemes are taxed

Investing in managed funds is likely to have tax consequences. Managed funds generally distribute all of their income each year so that they are not subject to tax. Managed funds do not pay the tax liability on behalf of Australian resident investors. Australian resident investors will be assessed for tax on their share of the income and capital gains generated by the Fund. In normal circumstances, you should expect that some income and/or capital gains will be generated each year.

Because the Australian taxation system is complex and different investors have different circumstances, you are strongly advised to seek professional tax advice before investing in the Fund.

*You should read the important information about tax before making a decision. Go to section 7 of the Additional Information at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds). The material relating to this matter may change between the time when you read this PDS and the day when you acquire the product.*

## 8. How to apply

### Initial applications

1. Complete and return an application form accompanying this PDS. As part of the application process we are required by law to verify your identity before accepting your application. Please refer to the Anti-Money Laundering and Counter Terrorism Financing Act information included in the Additional Information booklet for further information.
2. Arrange payment. Refer to the application form for payment options. The minimum initial application is \$50,000.

### Additional applications

You can add to your investment at any time by simply notifying us in writing and sending payment. An additional application form may be used. This form is available at [www.primevalue.com.au/forms](http://www.primevalue.com.au/forms) or upon request. The minimum additional investment is \$5,000.

### Issue price and cut offs

Units will be allocated at the relevant issue price. An issue price is the net asset value of the Fund, plus an allowance for transaction costs divided by the number of units on issue in the Fund. Unit prices will be calculated daily on the basis of the most recent valuation of the assets of the Fund.

You should read the important information about the buy-sell spread before making a decision. Go to section 6 of the Additional Information at [www.primevalue.com.au/pds](http://www.primevalue.com.au/pds). The material relating to this matter may change between the time when you read this PDS and the day when you acquire the product.

This price is available by contacting us on 03 9098 8088 or visiting [www.primevalue.com.au](http://www.primevalue.com.au).

When we receive your forms and payment by 3.00pm (Melbourne time) on a Business Day, the issue price applied is the price at the close of business on that day. If they are received after 3.00pm, the issue price for the following Business Day is used.

### Cooling off rights

Retail investors (as defined by the Corporations Act) have a 14 day cooling-off period to ensure that the investment meets your needs. If exercised, the investor is entitled to receive their application money back adjusted for any market movements and deductions for reasonable transactions costs.

To exercise this right, an investor must notify the Responsible Entity in writing or by email within 14 days from the earlier of:

- The time when the confirmation of the investment is made; or
- The end of the fifth day after the day on which the units were issued to the Investor.

### Complaints resolution

If you have any concerns or complaints, as a first step please contact us and we will do our best to resolve your concern quickly and fairly. Our contact details are on the front cover of this PDS. If you believe that your matter has not been dealt with satisfactorily, you can contact:

Financial Ombudsman Service (FOS)  
GPO Box 3 Melbourne Vic 3001  
Phone: 1300 780 808  
Website: [www.fos.org.au](http://www.fos.org.au)

Please note that different procedures to the above may apply for Indirect Investors investing via an IDPS including a master trust or platform.

### Further enquiries

If you require further information about the Fund or have any questions about this PDS, please contact our Client Services Team on 03 9098 8088 or email ([info@primevalue.com.au](mailto:info@primevalue.com.au)).