

Prime Value Enhanced Income Fund

Monthly Update – December 2020



By Matthew Lemke, Fund Manager

- Fund performed well in December, with an after-fees return for the month of 0.28% and 0.72% for the December quarter. Both these returns are pleasingly above our targets
- Distribution for the December quarter of 0.62 cents/unit will be paid in early January, consistent with our quarterly distribution target
- We continue to manage the Fund conservatively. We expect the Fund to earn its target after-fees return of 2.5% per annum in 2021

	Net Return*	Net Return including Franking Credits**	3-month Bank Bill Rate (BBSW)
Since inception (p.a.)	2.88%	3.42%	1.68%
5 Years (p.a.)	2.96%	3.59%	1.45%
3 Years (p.a.)	1.86%	2.29%	1.18%
1 year	(1.15%)	(0.93%)	0.26%
6 Months	1.31%	1.36%	0.03%
3 Months	0.72%	0.72%	0.01%
1 Month	0.28%	0.28%	0%

* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. **Returns grossed up for Franking Credits are estimates.

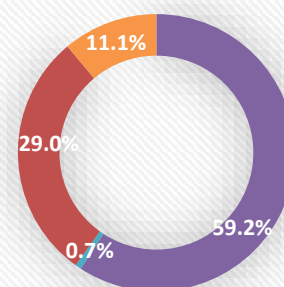
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 59.2% of the portfolio.

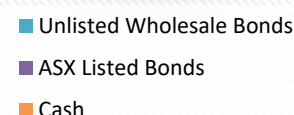
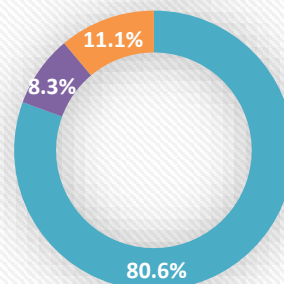
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (appreciating that the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio). The Fund targets a return to investors of around 2.25% - 2.50% over the 3 month BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate).
Benchmark	3 month BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate). The benchmark rate was changed to better reflect the Fund's objectives.
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.25 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$0.9904
Withdrawal Price	\$0.9900
Distribution (31/12/20)	\$0.0062

¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

Holdings by Sector



Holdings by Category



Fund review and strategy

The Fund performed well in December, with an after-fees return for the month of 0.28% and 0.72% for the December quarter. Both returns are pleasingly above our targets.

Global credit markets continued to recover from the losses in the first half of 2020.

The Fund will pay a distribution of 0.62 cents/unit in early January for the December quarter, being the target quarterly distribution of the Fund.

The Fund is mainly influenced by events in credit markets, both locally and internationally. This is because the Fund is invested exclusively in debt securities, plus the Fund maintains a conservative cash balance. Credit markets have been performing well over the past six months as investors have become increasingly persuaded that the fiscal and monetary stimulus introduced by governments in Australia and around the world are helping to manage the economic fallout from the pandemic. The availability of new vaccines over the coming months is also helping investors to gain confidence.

We are managing the Fund in a cautious manner, aware that global markets may again become fragile should economies under-perform expectations. The eventual withdrawal in the first half of 2021 of the massive government fiscal and monetary stimulus introduced in 2020 might also prompt a re-think among investors. For example, we note that JobKeeper in Australia is due to finish in March. We expect this to place pressure on employers and households/ employees alike.

The other factors that we are watching closely are the uncertainties concerning the two US Senate seats in Georgia (and whether Democrat victories in early January in the two runoff positions will give the Democrats control of the Presidency, House of Representatives and the Senate), uncertainty concerning the new President's policies and actions once inaugurated, and the various geo-political and economic factors involving China.

We are also very alert to the pandemic issues in the United States and Europe with the large increase in the number of cases. We truly hope that these numbers can be significantly reduced, and that the vaccines are effective and can be rolled out quickly. The human tragedy behind these numbers is truly unfathomable, and our wishes are for all those involved in, or have relatives affected by, the pandemic.

Short term wholesale interest rates in Australia are extremely close to zero. There is the possibility the RBA will move the Official Cash Rate below. We are managing the Fund with this risk in mind, and in a way that will ensure the continuation of the target 2.5% p.a. return (net of fees).

We are conscious of recent tendencies in global markets to buy high-risk or speculative investments, as seen in the meteoric rise of the prices of a number of cryptocurrencies in the last month or so. Speculation often drives markets to become "over-bought" with often precipitous falls occurring that may extend to the more traditional markets in which we are invested.

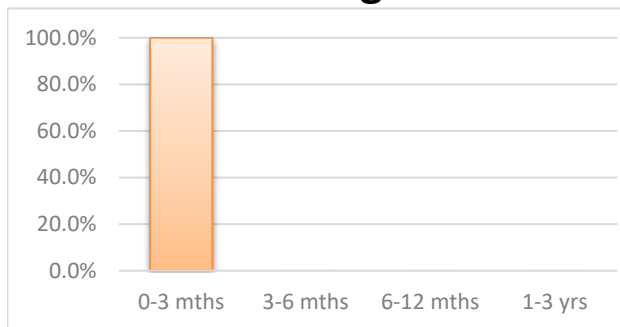
We continue to adopt a cautious management approach to the Fund. Our selection of investments for the portfolio remains cautious, with our focus very much still on investing in the debt securities of the major banks.

We continue to target a return after-fees for the Fund of 2.5% per annum.

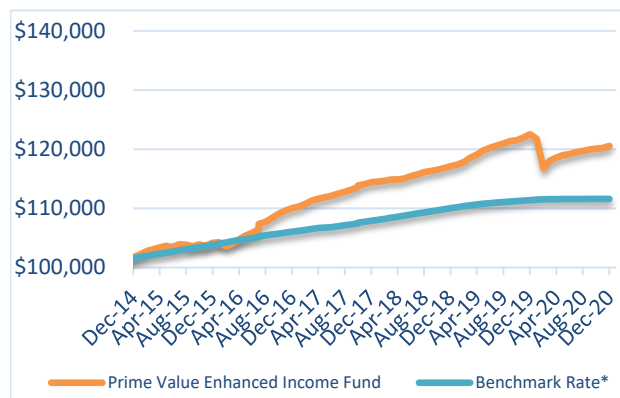
We sincerely wish all our investors a very joyful and prosperous New Year.

We remind investors that the name of the Fund changed from "Prime Value Cash Plus Fund" to "Prime Value Enhanced Income Fund" in December.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.25 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$120,560 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$111,600 over the same period.

*the Benchmark Return was calculated by reference to the RBA Official Cash Rate until December 2020 but thereafter by reference to the 3-month BBSW rate

* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

Contact details:

Brittany Shazell, Riza Crisostomo,
Julie Abbott, Dora Grieve
and Angela Ly

Client Services Team

Phone: 03 9098 8088

Email: info@primevalue.com.au

Web: www.primevalue.com.au

Mail:

Prime Value Asset
Management Ltd
Level 9,
34 Queen Street
Melbourne
VIC 3000

The information contained in this Fund Update is general in nature and has no regard to the specific investment, or the investment objectives, of the Fund. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Enhanced Income Fund must obtain and read the PDS dated December 2020 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Enhanced Income Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.