

Prime Value Enhanced Income Fund

Monthly Update – January 2021



By Matthew Lemke, Fund Manager

- The Fund continued its good performance earning 0.30% for January which is above its target monthly return
- The Fund's next distribution will be in early April for the March quarter. We expect the distribution to be again 0.62 cents/unit with any excess return reflected in a higher Fund unit price
- We expect that the Fund will perform well over 2021, and meet its target return after fees of 2.5% per annum. We note that this return target is subject to market conditions
- We wish our Chinese investors a very safe and prosperous New Year

	Net Return*	Net Return including Franking Credits**	3-month Bank Bill Rate (BBSW)
Since inception (p.a.)	2.89%	3.42%	1.66%
5 Years (p.a.)	3.01%	3.64%	1.41%
3 Years (p.a.)	1.86%	2.29%	1.13%
1 year	(1.31%)	(1.09%)	0.18%
6 Months	1.47%	1.51%	0.03%
3 Months	0.81%	0.81%	0%
1 Month	0.30%	0.30%	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.

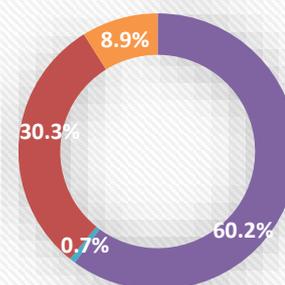
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 60.2% 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	\$0.9959
Withdrawal Price	\$0.9955
Distribution (31/12/20)	\$0.0062

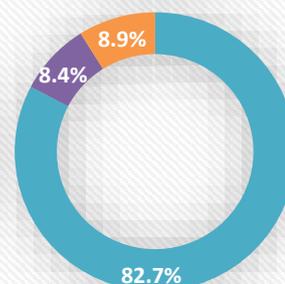
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

Holdings by Sector



■ Banks
■ Non Financial Institution
■ Other Financial Institution
■ Cash

Holdings by Category



■ Unlisted Wholesale Bonds
■ ASX Listed Bonds
■ Cash

Fund review and strategy

The Fund continued its good performance earning 0.30% which is above its target monthly return. The Fund's next distribution will be in early April for the March quarter. We expect the distribution to be again 0.62 cents/unit with any excess return reflected in a higher Fund unit price.

Markets were reasonably benign in January as the Australian government and RBA continued their financial and monetary support in the wake of the pandemic. Fortunately, coronavirus cases have significantly eased back in Australia with only minor outbreaks. Hence, conditions for economic growth have picked up in the last few months. It is hoped that the rollout of vaccinations in Australia and globally will further improve economic conditions.

It will be interesting whether the Australian government removes the JobKeeper support at the end of March. We believe the support may well be extended, especially as the Morrison government begins to move into election mode (with the possibility of an early election). We have also seen the extension of monetary stimulus by the RBA, with the RBA Governor recently reiterating that the official cash rate will not be raised over the next 2-3 years.

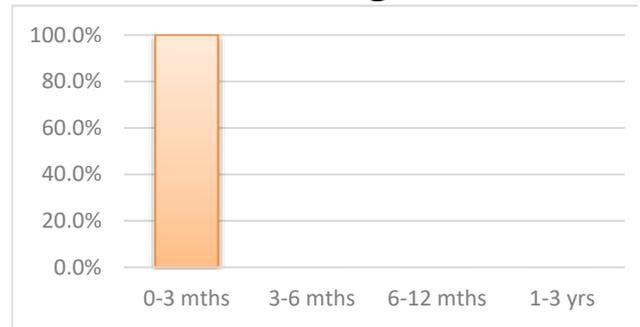
We are, however, very alert to any deterioration in domestic or global economic conditions. Equity, property and credit markets have performed very well over recent times. There is no reason to believe that the economic and market conditions will deteriorate. However we continue to be very conservative in our portfolio asset allocations, and are monitoring all securities very carefully.

We are very alert also to any rise in inflation given the amount of money that has been printed in Australia and globally as part of the quantitative easing and liquidity measures, which is being reflected in the sell off in bond markets as investors fear over-stimulus particularly in the US with the latest massive stimulus package. We do not see any case for an outbreak of inflation, although an uptick in inflation is likely. This will create pressure on fixed interest markets. Please note that the Fund is invested in "floating rate" securities, not fixed rate bonds, so is insulated from any rise in interest rates.

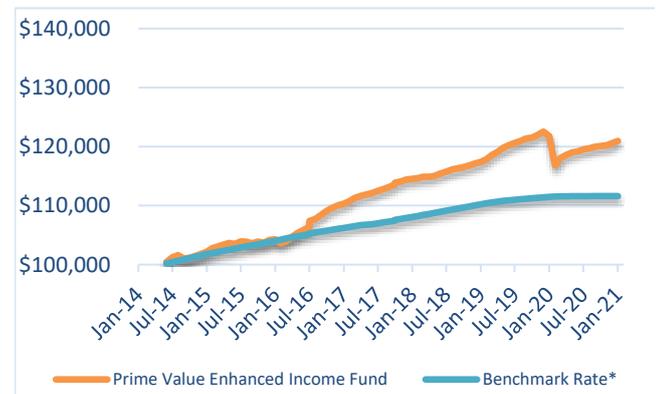
Despite the dramatic fall in interest rates, we continue to expect that the Fund will perform well over 2021, and meet its target return after fees of 2.5% per annum. This return could even be exceeded if current market conditions persist. We note that this return target is subject to market conditions.

We wish our Chinese investor a very safe and prosperous New Year.

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 \$120,930 (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

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