

Prime Value Enhanced Income Fund

Monthly Update – February 2021



By Matthew Lemke, Fund Manager

- The Fund earned after-fees 0.51% in February (before franking credits), one of its strongest performances since inception in 2014 and well above its target monthly after-fees return of 0.21% (2.5% on an annualised basis).
- The Fund is on track to pay its normal quarterly distribution of 0.62 cents per unit in early April. Any additional return over this distribution will be reflected in a higher unit price. Future returns of the Fund will of course depend on market conditions
- We are alert to the bond market selloff. The Fund is not affected by the sell off or the rise of the A\$ to nearly 80 cents.

	Net Return*	Net Return including Franking Credits**	3-month Bank Bill Rate (BBSW)
Since inception (p.a.)	2.93%	3.47%	1.64%
5 Years (p.a.)	3.25%	3.89%	1.38%
3 Years (p.a.)	2.00%	2.46%	1.08%
1 year	(0.18%)	0.12%	0.11%
6 Months	1.71%	1.83%	0.02%
3 Months	1.10%	1.17%	0%
1 Month	0.51%	0.51%	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.

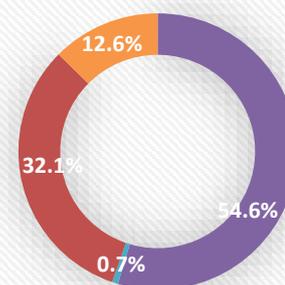
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 54.6% 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	\$1.0001
Withdrawal Price	\$1.0006
Distribution (31/12/20)	\$0.0062

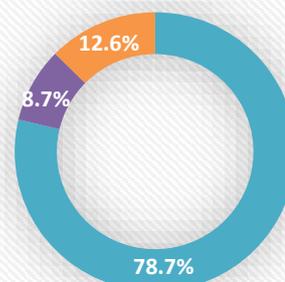
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

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 earned after-fees 0.51% in February (before franking credits) one of its strongest performances since inception in 2014 and well above its target monthly after-fees return of 0.21% (which is 2.5% on an annualised basis). This performance was due to careful selection of assets in the portfolio over recent months. Credit markets have also been favourable over recent months. Future returns of the Fund will of course depend on market conditions.

With this performance it is pleasing that the Fund's unit price has risen to around \$1/unit. We thank investors who have shown confidence in the Fund over recent months and in particular following the market rout in March 2020.

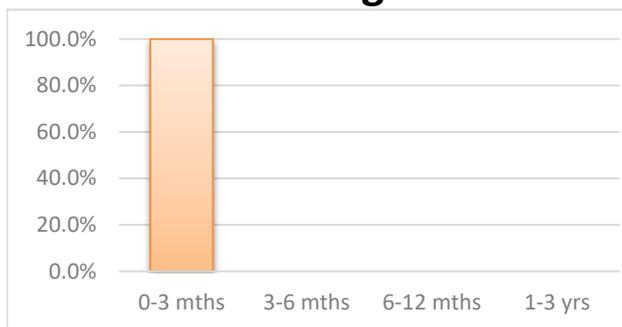
The Fund is on track to pay its normal quarterly distribution of 0.62 cents/unit in early April. Any additional return over this distribution will be reflected in a higher unit price.

Although credit markets have been very strong, we continue to monitor the market very carefully given the large number of factors in the markets. We are particularly alert to the major selloff in the bond market in the US and Australia. This occurred due to inflation concerns given the amount of stimulus introduced by governments and central banks and the anticipated better GDP growth numbers as vaccines are rolled out. We do not believe the bond selloff will continue unless inflationary expectations are justified by the data, and the RBA eases back on its bond purchases - the RBA is showing no signs of "tapering" its bond purchases.

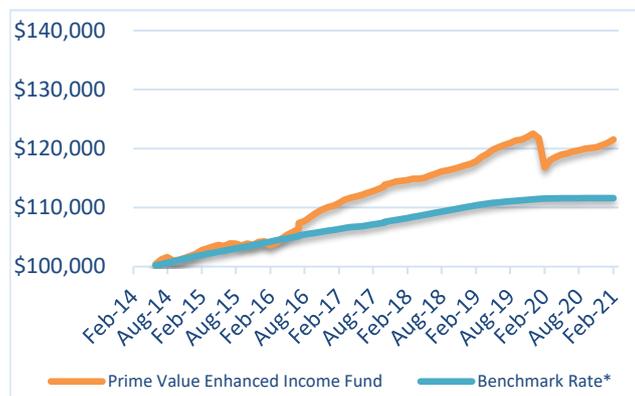
We mention that the Fund is relatively immune to the bond selloff because the interest rate reset cycle ("duration") is very short, approximately 3 months. This means that the Fund is not suffering any losses due to the bond market sell off.

We also mention that the rise of the A\$ to nearly 80 cents is not having any impact on the Fund at all.

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 \$121,550 (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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