Prime Value Enhanced Income Fund Monthly Update – March 2021

By Matthew Lemke, Fund Manager

- After its substantially above-target performance in both January and February, the Fund was slightly below-target in March. The overall after-fees return in the March quarter was 0.98%, well above the target of 0.62%
- The Fund will pay its normal 0.62 cents/unit quarterly distribution to investors in early April. As the Fund is distributing less than it earned in the 3 months, the extra return has resulted in a higher unit price of the Fund.
- We expect that the Fund will perform well over the remainder of 2021 and meet its target return after fees of 2.5% per annum. We note that this return target is subject to market conditions.

	Net Return*	Net Return including Franking Credits**	3-month Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.92%**	3.45%	1.62%
5 Years (p.a.)	**3.21%**	3.81%	1.34%
3 Years (p.a.)	**2.02%**	2.41%	1.03%
1 year	**4.22%**	4.46%	0.07%
6 Months	**1.70%**	1.77%	0.01%
3 Months	**0.98%**	0.98%	0.01%
1 Month	**0.16%**	0.16%	0%

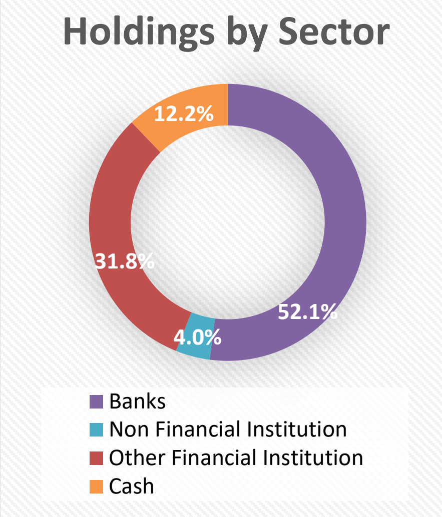
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

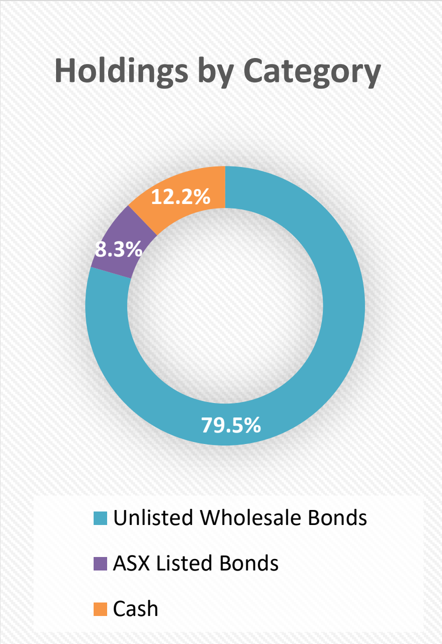
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 52.8% 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	$0.9964
Withdrawal Price	$0.9960
Distribution (31/03/21)	$0.0062

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





Fund review and strategy

After its substantially above-target returns in both January and February, the Fund was slightly below-target in March with an after-fees return of 0.16% against a target of 0.21%. The Fund's after-fees return in the March quarter was 0.98%, well above the target after-fees return for the quarter of 0.62%. Past returns are of course no indication of the future returns which the Fund may earn. We expect that the Fund will perform well over the remainder of 2021 and meet its target return after fees of 2.5% per annum. This return is of course subject to market conditions.

The Fund will pay its normal 0.62 cents/unit quarterly distribution to investors in early April. As the Fund is distributing less than it earned in the quarter, the extra return has resulted in a higher unit price of the Fund.

Credit markets were reasonably buoyant, taking comfort from the stabilisation of global bond markets after the recent sell off as inflation expectations are wound back. Lower crude oil prices also helped, along with the resilience of equity markets.

At the end of March, the Government's JobKeeper support programme finished. During the peak of the pandemic crisis the programme supported 1 million businesses employing 3.8 million workers. At a cost of around $90bn, it was the single largest economic assistance measure any Australian government has ever undertaken.

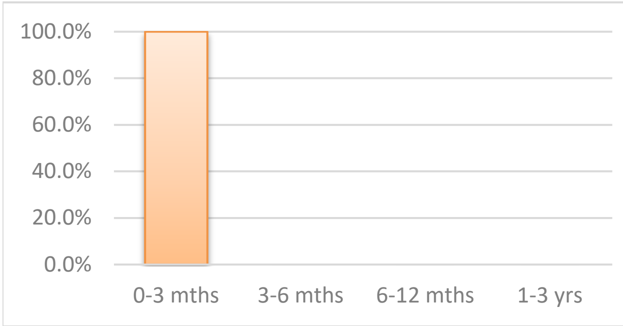
The question for markets at the moment is whether the Australian economy is sufficiently robust to press forward on its own momentum without JobKeeper. Markets will be keenly looking at all the economic data releases in coming weeks. The Labour Force and GDP numbers released in March indicate there is good momentum. The unemployment rate dropped from 6.3% in January to 5.8% in February. Around 88,700 jobs were created in the month - mainly full time. Importantly the participation rate remains at a record high while the level of employment is now back at pre-pandemic levels. Real GDP increased in the December quarter by 3.1%, above the median market expectation of 2.5%. For the first time since records began more than 60 years ago, GDP growth is above 3% for two consecutive quarters.

Of course, markets are also looking to see how the various vaccination programmes around the world fare. Coming weeks will be crucial in this regard, especially as Australia heads into the cooler months. There is some evidence such as in the UK that vaccines are helping to bring down coronavirus cases. However significant government support is still required and any "normalisation" of economies and markets in Europe, Asia and North America is a long way off.

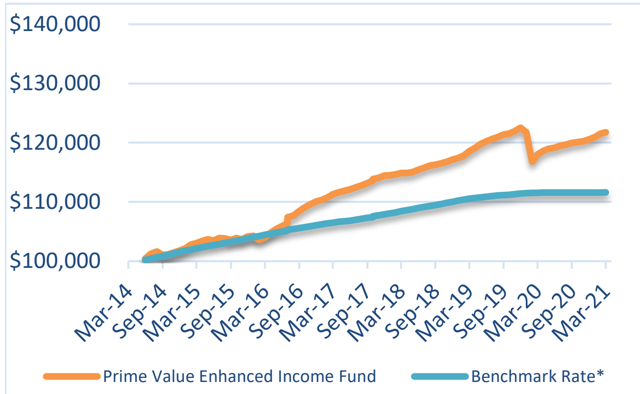
The good news is that the growth signals from the US are strong with employment booming, the passage of President Biden's $US1.9 trillion stimulus package and the promise of a further $US2 trillion plus in infrastructure spending still to come. Central banks in Japan, Australia, Europe and the US have all reiterated their commitment to low interest rates and bond-buying support for fiscal stimulus programs. The main spoiler of the strong growth outlook remains COVID-19 flare-ups and possible issues with vaccination programmes.

We continue to carefully monitor markets and select assets within the portfolio only if they meet strict criteria. We do not take the current strength of credit, equity and property markets for granted.

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 $121,740 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $111,610 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