

Prime Value Enhanced Income Fund

Monthly Fund Update – April 2021



By Matthew Lemke, Fund Manager

- The Fund performed well with a 0.37% after-fees return in April. The 12-month return is 3.52% p.a. after-fees. This returns is above our target 2.0% p.a. annual after-fees return over the benchmark.
- Credit markets were well-behaved in April with the vaccination programmes being the most important influence on markets. We do not expect the Federal Budget to be handed down on 11 May to have any major significance for the Fund. Inflation data is a key indicator of when interest rates might move higher in Australia.
- We have reduced the % of hybrids in the Fund's investment portfolio. The Fund's next distribution is in early July.

	Net Return*	Net Return including Franking Credits**	3-month Bank Bill Rate (BBSW)
Since inception (p.a.)	2.94%	3.46%	1.60%
5 Years (p.a.)	3.13%	3.74%	1.30%
3 Years (p.a.)	2.07%	2.47%	0.97%
1 year	3.52%	3.76%	0.6%
6 Months	1.86%	1.93%	0.01%
3 Months	1.05%	1.05%	0.01%
1 Month	0.37%	0.37%	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.

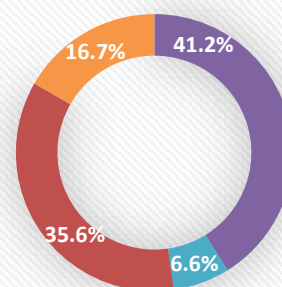
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 41.2% 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 2.0% over the 90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate).
Benchmark	90 day 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	\$0.9997
Distribution (31/03/21)	\$0.0062

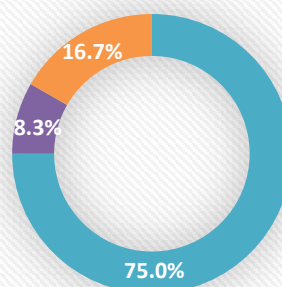
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

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 run of good performances with a 0.37% after-fees return for the month of April. The 12-month return is 3.52% p.a. after-fees. This return is above our target 2.0% p.a. annual after-fees return above the benchmark. Of course, past performance is no indicator of future performance.

Credit markets were well-behaved in April as were bond, equity, property, commodity, and foreign-exchange markets. A range of economic indicators show that Australia is faring quite well at the moment. However, whilst there are no dark storm clouds on the horizon, we remain vigilant to the success of the vaccination programmes being rolled out in Australia and globally. Our hope is that these programmes will be successful and underpin the economic conditions.

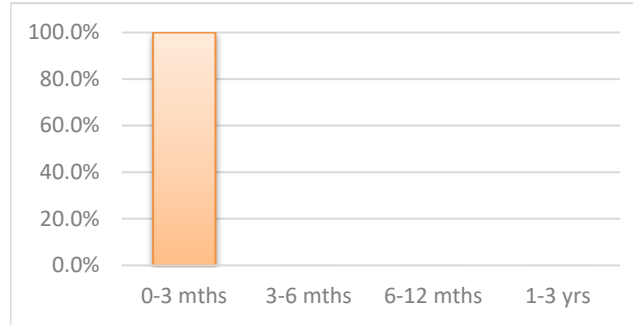
We do not expect the upcoming Federal Budget (11 May) to have any major significance for the Fund.

We are very conscious of the extremely low level of interest rates in Australia which has been creating an ongoing demand for fixed interest products and assisting the rally in property prices. We do not see any near-term change to this dynamic (often called the “the hunt for yield”). However, at some stage, there will be a move higher in interest rates. In this regard, we will be particularly monitoring the inflation data. The March quarter CPI result announced at the end of April did not suggest any sign of a worrisome move higher in inflation although we do expect an uptick in the June quarter CPI. Overall, we believe CPI in Australia will not move to a level where the Reserve Bank of Australia will feel the need to raise rates for quite some time.

We have been managing the investment portfolio very carefully and have been reducing the percentage of hybrids. Even though these instruments provide a franking credit, we feel that these instruments can from time to time produce unnecessary volatility. As prices of hybrids have rallied significantly, we feel it is a good time to take profit on these instruments and reduce our holding of them.

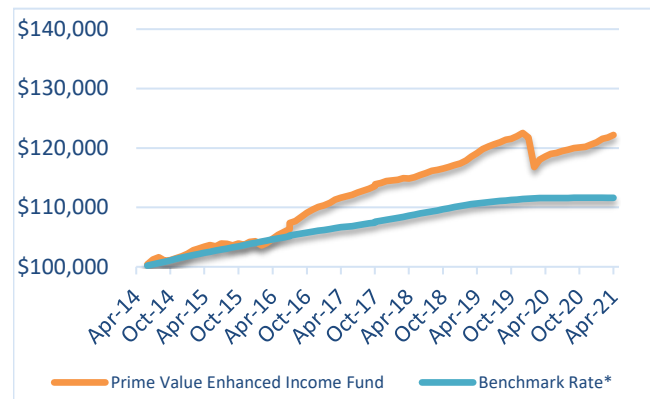
Although markets are well-behaved at the moment, we remain very alert to market conditions. The Fund is on track to pay its next quarterly distribution for the June quarter at the beginning of July.

Interest Rate Reset Management



The Fund’s portfolio weighted average interest rate reset duration is approximately 0.21 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.

Fund Performance



This graph shows how \$100,000 invested at the Fund’s inception has increased to \$122,190 (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 90 day 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

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