

Prime Value Enhanced Income Fund

Monthly Fund Update – May 2021



By Matthew Lemke, Fund Manager

- The Fund performed well in May delivering a return after-fees of 0.23%. The Fund's 1-year after-fees return is 3.26%. This return is above our benchmark return of the 90 day BBSW rate plus 2%
- The next quarterly distribution is for the June quarter and will be paid in early July.
- Markets have been quite buoyant, supported by low interest rates, government support and RBA stimulus. Although inflation will tick higher due to supply shortages, we expect inflation to ease back, with the RBA sitting on its 0.1% official cash rate for quite some time. The big question for markets revolves around the success of the vaccination programme

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.94%	3.45%	1.58%
5 Years (p.a.)	3.05%	3.65%	1.27%
3 Years (p.a.)	2.16%	2.56%	0.92%
1 year	3.26%	3.51%	0.05%
6 Months	1.87%	1.94%	0.01%
3 Months	0.76%	0.76%	0.01%
1 Month	0.23 %	0.23%	0.00%

* 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.

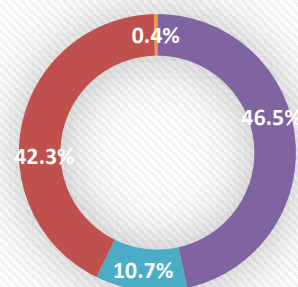
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 46.5% 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	\$1.0024
Withdrawal Price	\$1.0020
Distribution (31/03/21)	\$0.0062

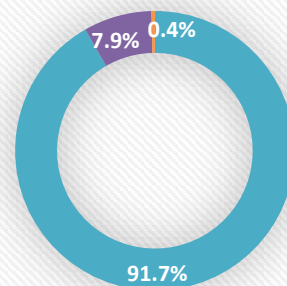
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

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 again performed well in May, delivering a return after-fees of 0.23%. The Fund's 1-year after-fees return is 3.26%. This return is above our benchmark return of the 90 day BBSW rate (0.036% on 31 May) plus 2%. Of course, past performance is not indicative of future performance.

The next quarterly distribution is for the June quarter and will be paid in early July.

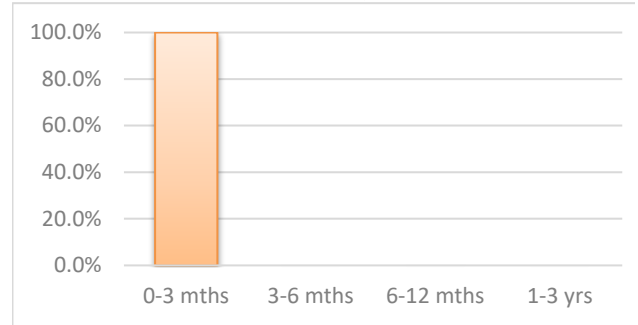
Markets have generally been quite buoyant, with equity markets in Australia following the US to near all-time highs. Property and credit markets have also been well supported. The Australian economy continues to recover strongly with data showing +1.8% in the March quarter. Australian GDP is now back to its pre pandemic level. However, uncertainties remain - including the latest coronavirus outbreak in Victoria. The market's overall optimism is being supported by the GDP recovery in Australia and in western developed economies, strong consumer spending and investment; and the fiscal stimulus is continuing.

The very low interest rates in Australia, as in all western developed countries, are helping to support markets, together with the RBA providing extensive liquidity through its quantitative easing programme. Equity, commodity, property, and credit markets are all quite nervous whether the higher inflation data that we are seeing will bring forward an early rate hike from the RBA. This would have an extremely unsettling effect on all markets. The RBA's rhetoric to date is that there will be no rate hikes until 2024 but in recent statements they have modified this language to now say it is "likely" there will be no rate hikes until 2024 leaving the door open for an earlier rate hike. Clearly the inflation data would need to justify any rate hike but also there would need to be a sustained return to normal economic activity.

In this regard, the big question is whether vaccinations will eradicate or lower the incidence of coronavirus cases and allow the Australian economy to continue its recovery along with the rest of the world. Although the inflation data will almost certainly blip higher in coming months due to the supply shortages and bottlenecks, the clear expectation is that inflation will settle back to levels which will not prompt an RBA rate hike. Although we do not expect a hike for 2 years at least and probably 3 years, we are not relaxing, and actively assessing whether an earlier hike might occur as this will clearly have an extremely unsettling effect on all markets.

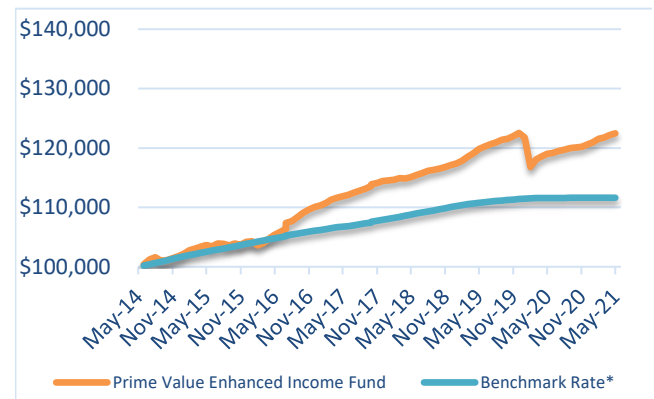
We continue to monitor markets very closely and make asset allocation and investment decisions in keeping with our stringent investment criteria. We highly value the trust you have placed in us to manage and steward your funds.

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.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$122,470 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$111,620 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.

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