Prime Value Enhanced Income Fund
Monthly Fund Update – June 2021

By Matthew Lemke, Fund Manager

- The Fund had a good month in June earning 0.31% on an after-fees basis. For the past 12 months the Fund earned 3.24% after-fees, well above its benchmark return of 90 day BBSW rate + 2%. Of course, past performance is not indicative of future performance
- A quarterly distribution of 0.77 cents/unit will be paid in mid July. This is above our normal quarterly distribution of 0.62 cents/unit
- The Fund has been performing extremely well according to the independent Morningstar survey

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.95%**	3.47%	1.56%
5 Years (p.a.)	**3.02%**	3.60%	1.24%
3 Years (p.a.)	**2.16%**	2.61%	0.86%
1 year	**3.21%**	3.44%	0.05%
6 Months	**1.90%**	1.98%	0.01%
3 Months	**0.91%**	0.95%	0.01%
1 Month	**0.31%**	0.35%	0.00%

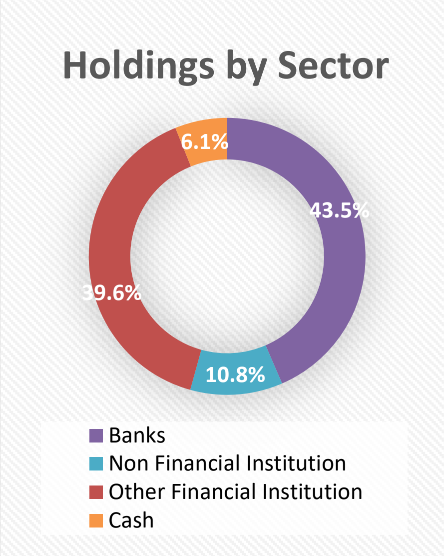
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

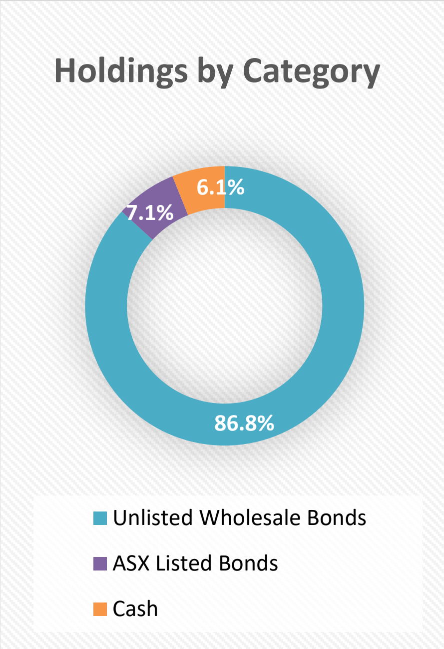
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

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	$0.9978
Withdrawal Price	$0.9974
Distribution (30/06/21)	$0.0077

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





Fund review and strategy

The Fund had a good month in June earning 0.31% on an after-fees basis. For the past 12 months the Fund earned 3.24% after-fees, well above its benchmark return of the 90 day BBSW rate + 2%. Of course, past performance is not indicative of future performance.

A quarterly distribution of 0.77 cents/unit will be paid in mid July. This is above our normal quarterly distribution of 0.62 cents/unit.

The Fund has been performing extremely well according to the independent Morningstar survey of similar income funds on a national basis.

Equity, property, commodity and credit markets were again solid in June. Investment markets generally are looking to the CPI data and the success of the various vaccination programs to decide whether to allocate significant new funds to markets.

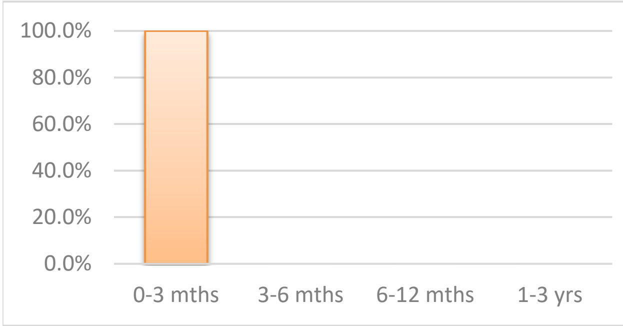
With the RBA maintaining the official cash rate at an all-time low of 0.10%, and ongoing commentary from the RBA that it will likely not be raising rates for the next three years, there is a growing "hunt for yield" in the market to achieve requisite returns to support income with a return above the inflation rate. This dynamic is creating demand for income-producing assets which do not expect to ease over the next two years. It has been a major reason for investors placing money into the Fund.

The big question for investment markets is when central banks around the world will withdraw the monetary stimulus provided over the last 12-18 months. There is an ongoing debate amongst Fed members in the US about the timing of the withdrawal of the quantitative easing measures and rate hikes. The RBA has not openly discussed this issue, however commentary from the RBA suggests that it is an active discussion point. To date, the RBA has said it will not hike rates until late-2024. However recent comments indicate that it is giving itself "legroom" to hike rates earlier. This has caused the interest rate curve to steepen as investors build rate hikes into their forecasts. Of course, the timing of interest rate hikes in Australia and globally is of paramount importance to equity, property, commodity and property markets because the extremely low rates have supported these markets significantly in the last few years and particularly the last 18 months since the pandemic began.

There have been no significant changes to the investment portfolio of the Fund in the last month. We continue to reduce our holding of hybrids feeling these instruments have too much volatility in their prices, and also the prices for these instruments have rallied to the point where they do not represent good value to continue to hold them.

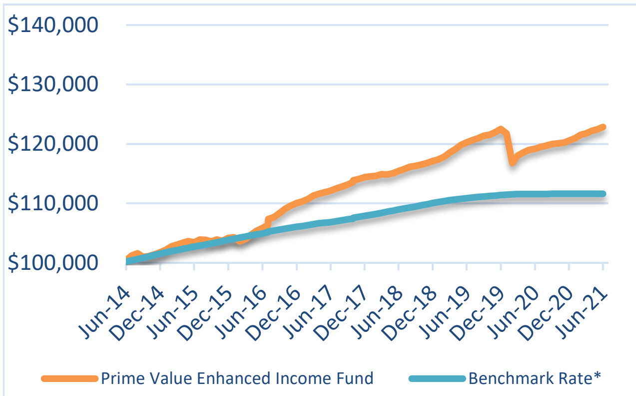
We continue to monitor markets very closely. Recent GDP data and comments from the Federal Treasurer indicate the economy is going well. However, we remain vigilant as the pandemic is not over and we do not yet know the success of the vaccination program that is underpinning economic forecasts. Our goal always is to steward investor capital diligently and continue to produce a return at or above the benchmark return.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.23 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 $122,850 (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.

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