

Prime Value Enhanced Income Fund

Monthly Fund Update – September 2021



- The Fund's September quarter after-fees return of 0.21% was lower than the benchmark return for the quarter. The after-fees returns for the last 12 months and since inception are 2.85% and 2.88% p.a. respectively; both are ahead of our benchmark returns for these periods. Of course, past returns are not an indicator of future returns.
- The September quarter return was lower than recent quarters. This is a function of a further lowering of wholesale interest rates in the market, plus our cautious approach of sitting on a higher cash level than recent months.
- Consequently, the Fund's quarterly distribution will be lowered to 0.40 cents/unit in the September quarter. The Fund is being managed with a potential increase in market volatility in mind.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.88%	3.38%	1.51%
5 Years (p.a.)	2.71%	3.24%	1.15%
3 Years (p.a.)	1.96%	2.31%	0.70%
1 year	2.85%	3.00%	0.03%
6 Months	1.13%	1.16%	0.01%
3 Months	0.21%	0.21%	0.00%
1 Month	0.09%	0.09%	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.

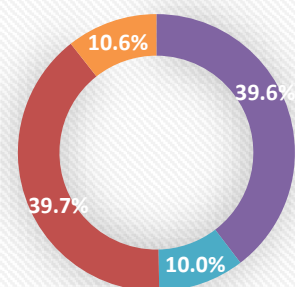
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 39.7% 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	\$0.9959
Withdrawal Price	\$0.9955
Distribution (30/09/21)	\$0.0040

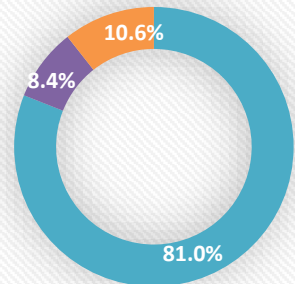
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

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's September quarter after-fees return of 0.21% was lower than the benchmark return for the month. The after-fees returns for the last 12 months and since inception are 2.85% and 2.88% p.a. respectively; both ahead of our benchmark returns for these periods. Of course, past returns are not an indicator of future returns

In the past year, the Fund's return was significantly more than its benchmark return. This September quarter the Fund returned less than its benchmark return. This was due mainly to a build-up in the cash position of the Fund as we believe market risks are increasing and we are being conservative in our management approach to safeguard investor capital.

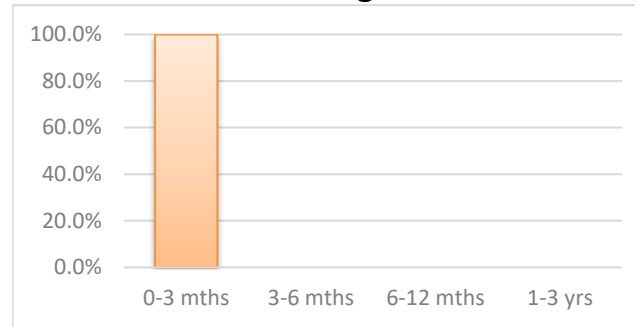
Over past quarters we have been distributing 0.62 cents/unit each quarter (an annualised equivalent of 2.5% net of fees). **As a result of the lower earnings, the distribution this quarter will be 0.40 cents/unit, with the distribution to be made in early October.** We hope to hold this distribution rate steady for the next few quarters. However, the distribution rate for FY2022 may be higher or lower depending on the market and the Fund's earnings. **Our goal is to provide a steady income to our investors whilst protecting and stewarding their capital.**

We have been taking active measures to reduce the Fund's exposure to market risks and protect investor capital by selling some securities and reducing the credit duration (average time to maturity of securities in the Fund). This has produced an overall increase in the cash balance of the Fund.

We do not see these market risks dissipating in the near future. Markets have been quite strong in the past few quarters but now appear more fragile, **especially credit spreads which have been rallying very strongly for some time**, but now appear to be softening.

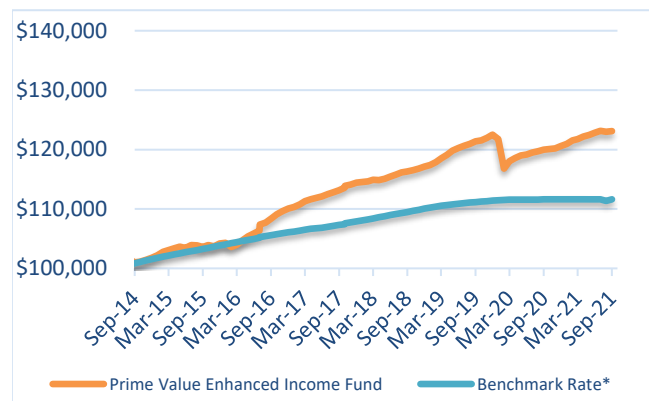
We are taking active steps to reduce the Fund's exposure to any untoward increase in credit spreads to ensure we maintain a healthy distribution rate, at the same time ensuring the unit price of the Fund is stable thereby protecting investor capital.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.22 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 \$123,110 (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:

Alyssa Hennessy, Riza Crisostomo,
Julie Abbott, Angela Ly and Dora
Grieve

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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Enhanced Income Fund must obtain and read the PDS dated December 2020 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Enhanced Income Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.