Prime Value Enhanced Income Fund
Monthly Fund Update – October 2021

- The Fund had a flat month in October after market volatility continued, coupled with the unexpected absence in the last two trading days of October of RBA buying support for the April 2024 Commonwealth Government Bond - RBA support for this bond has been a key part of the RBA's Quantitative Easing (QE) program. This was unexpected, producing a large reaction in the money market and bond market, one of the biggest on record, impacting the prices of some securities in the Fund's portfolio. It is likely market volatility will continue for the next 3-4 months as markets have lost some confidence in the RBA.
- Our focus is on capital preservation, rather than distributions in this volatile period.
- The Fund's after-fees return for the past 12 months is 2.63% (excluding franking benefits) and 2.78% (including franking benefits).

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.84%**	3.34%	1.49%
5 Years (p.a.)	**2.57%**	3.10%	1.12%
3 Years (p.a.)	**1.91%**	2.26%	0.65%
1 year	**2.63%**	2.78%	0.02%
6 Months	**0.75%**	0.79%	0.01%
3 Months	**-0.03%**	-0.03%	0.00%
1 Month	**0.00%**	0.00%	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.

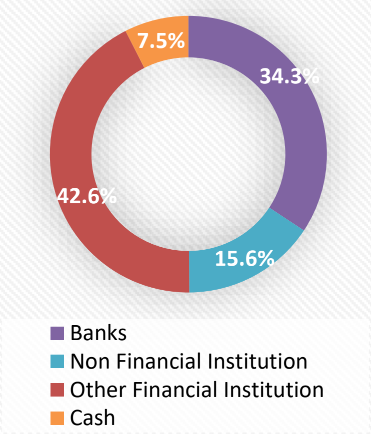
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 36.83% of the portfolio.

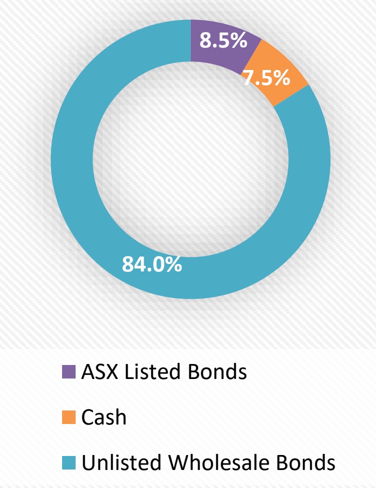
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (appreciating that the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment 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 (31/10/21)	$0.0000

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

Holdings by Sector



Holdings by Category



Fund review and strategy

The Fund had a flat month in October with credit and bond markets continuing to be extremely volatile and unpredictable as investors grapple with the higher inflation data both at in CPI retail prices and PPI producer prices. Markets are wrestling with whether the recent move higher in inflation in Australia and western economies will last longer than previously thought bringing forward rate hikes by the RBA and other central banks. Markets have begun to price in rate hikes in the interest rate futures market. The Reserve Bank of New Zealand hiked rates 0.25% to 0.50% in October. Many central banks in their official publications are indicating that tapering of the Quantitative Easing programs is underway and are beginning to flag the prospect of rate hikes at some stage in the future.

In addition, markets were extremely volatile in the last two trading days of October as a result of the market yield of the April 2024 Commonwealth Government Bond moving higher but the RBA not entering the market to buy this bond as part of its Quantitative Easing program to anchor rates at 0.1% out to 3 years (the same rate as the official cash rate). This unexpected lack of buying support was met with a very strong market reaction, one of the biggest on record. We have lost some confidence in the RBA's management of monetary policy and we therefore expect investor unease and market volatility to continue.

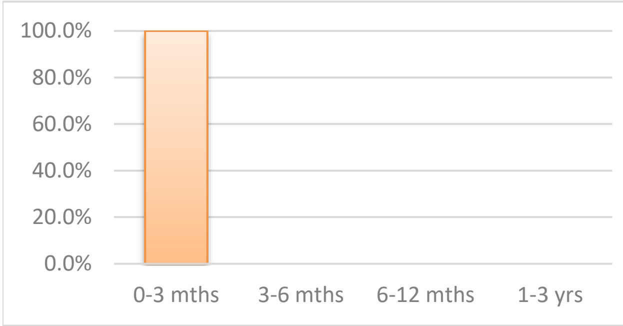
Philip Lowe, Governor of the RBA indicated in a Statement on 2 November 2021 after the RBA's normal monthly policy meeting that the RBA is sticking to its view that inflation and wage growth will not justify rate hikes until at least 2023. However, the RBA has commenced to "taper" the Quantitative Easing program by discontinuing the price target for the April 2020 Cwth Government Bond (this was previously set at a rate of 0.1% which the RBA had maintained through buying this bond in the market). The RBA did however commit to buying the same volume of bonds in the market as part of the QE program but only until February 2022.

Markets will therefore continue to be unsettled and rates under pressure in the wake of the RBA announcement for two reasons - tapering has now commenced and the RBA is clearly wavering on its commitment to "no rate hikes until 2024" by bringing this timeframe in to 2023. The RBA also did not make any mention of why it chose not to disclose to the market that it would not be buying the April 2024 Government bond at the end of October.

These developments through October and especially the last two trading days of the month had a strong impact on the prices of several securities in the Fund's portfolio, causing the Fund to have a flat return for the month. We are monitoring markets closely. We believe market volatility will continue through the Christmas/New Year period as market grapple with a sea-change in official monetary policy and the way the policy is being managed by the RBA.

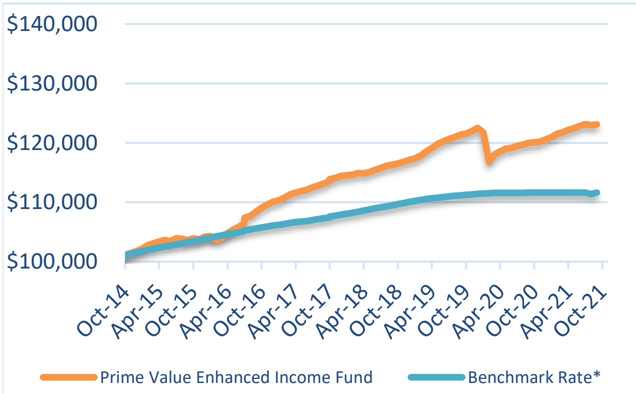
Pleasingly, the Fund's after-fees return for the past 12 months is 2.63% (excluding franking benefits) and 2.78% (including franking benefits), well above the benchmark return. Past returns, however, are not an indicator of future returns of the Fund.

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 $111,630 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 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