

Prime Value Enhanced Income Fund

Monthly Fund Update – December 2021



- The Fund ended 2021 well, earning 0.30% after-fees for the month of December. The Fund earned 2.35% after-fees over the course of 2021. These returns are well above the target benchmark returns
- The distribution for the December quarter of 0.40 cents per unit was paid in early January.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.81%	3.30%	1.46%
5 Years (p.a.)	2.39%	2.87%	1.06%
3 Years (p.a.)	1.85%	2.15%	0.54%
1 year	2.35%	2.43%	0.03%
6 Months	0.44%	0.45%	0.02%
3 Months	0.23%	0.23%	0.01%
1 Month	0.30%	0.30%	0.01%

* 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.

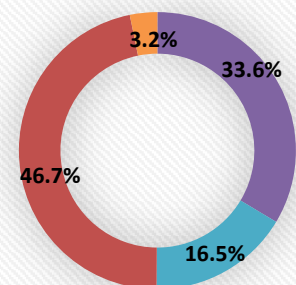
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 37.08% 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 1.5% 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	\$0.9942
Withdrawal Price	\$0.9938
Distribution (31/12/21)	\$0.0040

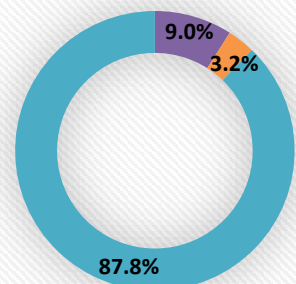
¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

Holdings by Sector



■ Banks
■ Non Financial Institution
■ Other Financial Institution
■ Cash

Holdings by Category



■ ASX Listed Bonds
■ Cash
■ Unlisted Wholesale Bonds

Fund review and strategy

The Fund ended 2021 on a very good note. The return for the month of December was 0.30% after-fees, well above the target benchmark return of 0.13%. The overall return for the 2021 calendar year was 2.35% after-fees, also well above the target benchmark annual return of 1.78%. Of course, past performance is not an indicator of future performance.

Markets in 2021 were overall less volatile than in 2020 which saw the onset of the global pandemic. Perhaps the biggest surprises in 2021 were the strength of investment markets, the robustness of the economy, and the rise in inflation globally and in Australia.

The rise in inflation is partly the result of three interconnected factors:

- supply-side bottlenecks due to the pandemic
- maintenance by central banks around the world, including the RBA, of official rates near zero which has led to price rises in goods/services and also assets like property and equities
- the rise in industrial output which has put pressure on prices of base metals and crude oil

The rise in inflation at times had a very negative impact on markets and created market volatility. We remain very guarded and vigilant about the prospects for inflation over the next couple of years.

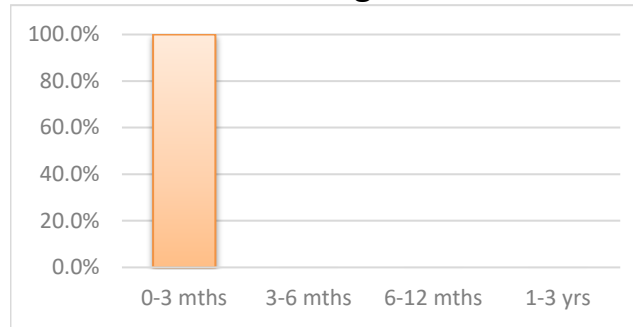
The RBA has been stating for some time that Australian CPI will stay within its 2-3% target band over the medium-term and that they do not expect to raise interest rates in Australia until 2023 when wage pressure might eventually force rate hikes. It is far more likely that the US will raise rates before Australia, even as early as 2022. The Enhanced Income Fund benefits from rate increases as the base interest rate on the securities in its portfolio resets on average every 3-4 months. However, indirectly, rate rises might cause a rise in credit spreads which may have negative implications for the prices of securities in the portfolio.

We are still in the midst of a global pandemic and many countries like Australia are experiencing significant and unprecedented changes due to the pandemic. Many of the changes in 2022 and 2023 will not be capable of forecasting accurately, and in this regard, we mention the incredibly rapid increase in people around the world getting the Omicron coronavirus variant, even though the rate of severe cases and hospitalisations is nowhere near the number of cases. No doubt, vaccine improvements and the rollout of booster shots will alleviate the spread and consequences of this variant. However other variants may emerge and we need to be ready. As well, the Australian Federal Election is due by May 2022, probably some time after Easter. No doubt, markets also will produce, at times, large price movements and volatility.

Given the unpredictability of markets in these unusual and unprecedented times, we remain highly vigilant to market and economic circumstances. Our main objective is to manage risk, not base our performance on trying to predict markets.

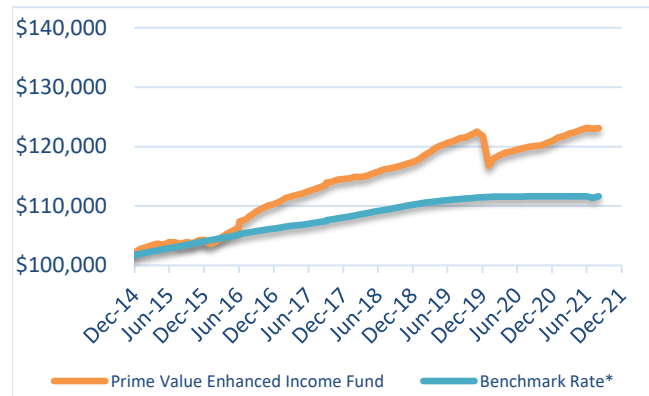
We would like to thank all of our investor clients for their support during the year. We hope the holiday period allows everyone to relax and provide time with families. We wish everyone a safe and prosperous 2022.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.24 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 \$123,390 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$111,640 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

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.