

Prime Value Enhanced Income Fund

Monthly Fund Update – August 2022



- The Fund performed very well in August, earning 0.70% after-fees, well above the target benchmark return.
- We expect the Fund to continue to perform well in coming months, mainly due to the de-risking of the Fund's investment portfolio over the past 3 months which has significantly reduced the Fund's risk to ongoing volatility in the fixed interest markets. All assets in the Fund's portfolio are performing to expectation.
- The Fund will pay a quarterly distribution for the September quarter in early October.

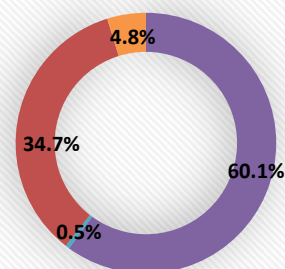
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.38%	2.83%	1.42%
7 years	2.26%	2.78%	1.24%
5 Years (p.a.)	1.49%	1.89%	0.96%
3 Years (p.a.)	0.23%	0.46%	0.41%
1 year	-1.26%	-1.20%	0.66%
3 Months	0.28%	0.34%	0.50%
1 Month	0.70%	0.70%	0.20%

* 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
Australian Unity	Financial Institution	ASX Listed Notes

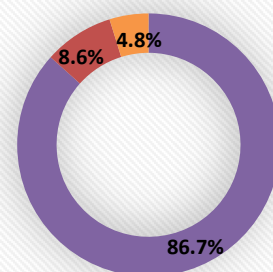
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (appreciating that the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio. The Fund targets a return to investors of a reasonable margin over the 90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate). The return will vary over time depending on the market and economic outlook.
Benchmark	90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate. The benchmark rate was changed in December 2020 to better reflect the Fund's objectives).
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.3-0.4 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$0.9761
Withdrawal Price	\$0.9757
Distribution (30/06/22)	\$0.0012

Holdings by Sector



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

Holdings by Category



■ Unlisted Wholesale Securities
■ ASX Listed Bonds
■ Cash

Fund review and strategy

The Fund performed very well in August, earning 0.70% after-fees, well above the target benchmark return. This was due to two factors: (i) the rise in interest rates across the market (the Fund benefits from rising rates), and (ii) the strategy we adopted 3-4 months ago to de-risk the portfolio to reduce risk to market volatility.

Fixed interest markets are generally trying to assess how far the RBA will hike rates. At the recent meeting of central banks and finance ministers at Jackson Hole in the US, the US Fed Chair indicated that the Fed would hike rates “more and longer” (i.e. hike further and hold rates higher for longer than expected). The RBA has not been quite as vociferous in its comments, but it has said that they will keep hiking to reduce the inflation threat. The economists of the four major banks in Australia are expecting another 1.0%-1.5% of rate hikes whilst implied rates in the swap and bond market suggest rates will move even further, possibly another 2% higher. Mortgage rates and consumer and business loan interest rates will continue to be pressured for some time and there is no prospect of a quick turnaround. The RBA will only pause rate hikes once the inflation rate looks to be dropping and/or if its employment and economic growth outlook deteriorates. The RBA meets Tuesday 6 September with another 50bp rate hike widely expected. More rate hikes are highly likely beyond this hike.

Credit spreads in the wholesale fixed interest market have stabilised which benefits the Fund as we are predominantly invested in debt securities in this market. Due to the de-risking strategy, we adopted 2-3 months ago the securities in the portfolio now consist mainly of the senior-ranking debt securities of the four major Australian banks. We now only have a very minor percentage invested in subordinated securities, so the Fund is far less prone to any deterioration in credit spreads.

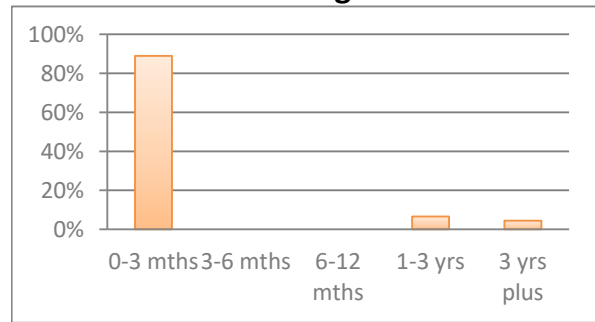
We continue to monitor the inflation and economic growth outlook, and the actions and statements by the RBA. The situation is very fluid and, as we saw in late 2021/early 2022, the RBA is quite capable of changing its views and outlook quite quickly. We are also monitoring the global situation and how far the major central banks, particularly the US Fed, will persist with their tightening cycles. The major question for markets is whether the central banks around the world will hike rates to the point which itself causes a significant slowdown in economic growth or even a recession.

We are also monitoring the situation in China where there is a pronounced economic growth slowdown occurring related to the Covid lockdowns across the country. Australia has significant trade and investment flows with China, and any slowdown in China will affect Australia and financial markets in Australia. At this stage, we do not see any major economic fallout from the China slowdown occurring in Australia.

We expect the Fund to continue to perform well, and we will be paying the next distribution in early October for the September quarter.

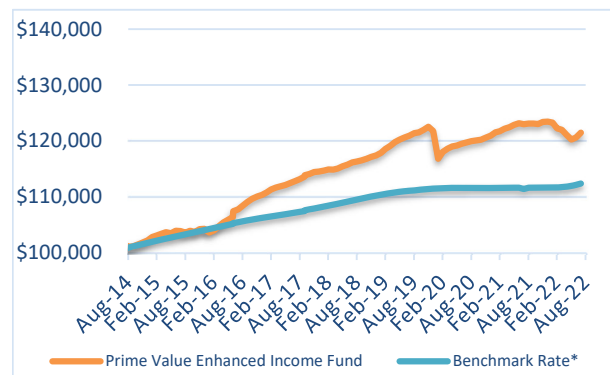
We welcome any questions or observations that you may have, and we would be more than happy to organise a meeting or conference call with the Fund Manager, Matthew Lemke to discuss the Fund or the overall economic and financial environment.

Interest Rate Reset Management



The Fund’s portfolio weighted average interest rate resets duration is approximately 0.3-0.4 years. The majority of interest rates are reset every quarter. Securities with interest rates resets 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 \$121,450 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$112,350 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

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