

# Prime Value Enhanced Income Fund

## Monthly Fund Update – September 2022



- The Fund had a very good performance in the September quarter with a 0.95% after fees return, well above the benchmark return.
- The Fund will distribute 0.25 cents per unit in early October.
- We continue to watch markets very carefully given the volatility in markets globally and in Australia as central banks including the RBA continue to hike rates to combat inflation.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	<b>2.35%</b>	2.80%	1.43%
7 years	<b>2.29%</b>	2.79%	1.25%
5 Years (p.a.)	<b>1.42%</b>	1.76%	0.97%
3 Years (p.a.)	<b>0.12%</b>	0.33%	0.46%
1 year	<b>-1.40%</b>	-1.34%	0.88%
3 Months	<b>0.95%</b>	0.95%	0.59%
1 Month	<b>-0.05%</b>	-0.05%	0.22%

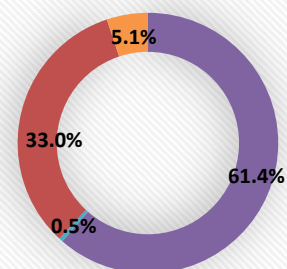
\* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are 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. 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% <sup>1</sup> p.a.
Issue price	\$0.9731
Withdrawal Price	\$0.9727
Distribution (30/09/22)	\$0.0025

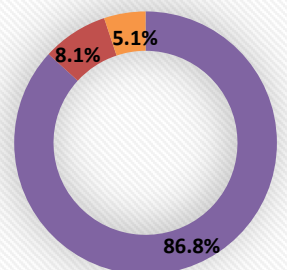
<sup>1</sup> Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

### Holdings by Sector



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

### Holdings by Category



■ Unlisted Wholesale Securities  
■ ASX Listed Bonds  
■ Cash

## Fund review and strategy

The Fund had a very good performance in the September quarter with a 0.95% after-fees return, well above the target benchmark return. Of course, past returns are not an indicator of the future performance or returns of the Fund.

The Fund will distribute 0.25 cents per unit in early October. This distribution is over twice the distribution of each of the previous two quarters.

The Fund's strong performance was mainly the result of the strategy adopted 3-4 months ago to de-risk the investment portfolio and switch into floating-rate senior-ranking debt securities issued primarily by the four major banks. These securities are all rated "AA-" by Standard & Poor's, one of the highest credit ratings scores available.

This strategy to de-risk the portfolio has benefitted the Fund because it largely insulates the investment portfolio from the high levels of volatility seen in global markets particularly the equity, bond and credit markets. These markets are responding to the heightened level of concern of central banks to the strong inflation data and consequent tightening of monetary policy through a series of aggressive rate hikes. It is highly likely that the RBA along with many other western-developed central banks will continue to hike rates for the foreseeable future and possibly into the New Year. Along with the rate hikes has been the complicating factor of a deterioration of the forecasts by many senior economists for Australian economic growth in 2023. This also is unsettling markets.

We continue to invest the portfolio primarily in floating-rate (also known as "variable-rate") securities which means the Fund directly benefits from rate hikes by the RBA.

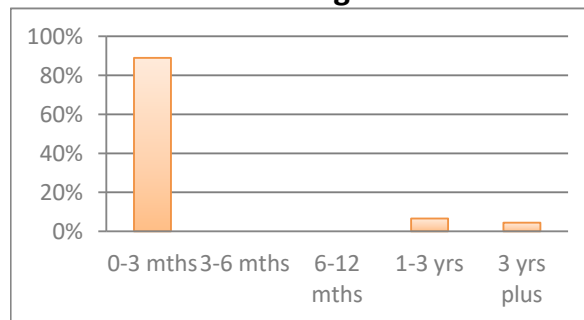
It is also worth mentioning that the Fund is precluded from investing in overseas markets. Hence, the Fund has not experienced the extreme volatility in markets seen overseas.

We continue to monitor markets carefully and invest in securities that meet our strategic objectives and investment criteria. Discipline in investment approach is extremely important in these difficult and volatile markets.

It is expected that markets will continue to be volatile through the remainder of this calendar year. In particular, we will be reviewing carefully the all-important September quarter CPI data released on 26 October, the Federal Budget on 28 October, followed by the RBA meeting on 2 November. We will also be watching carefully the 20th National Congress of the Communist Party of China (CPC) to be convened in Beijing on 16 October for any potential ramifications for Australia.

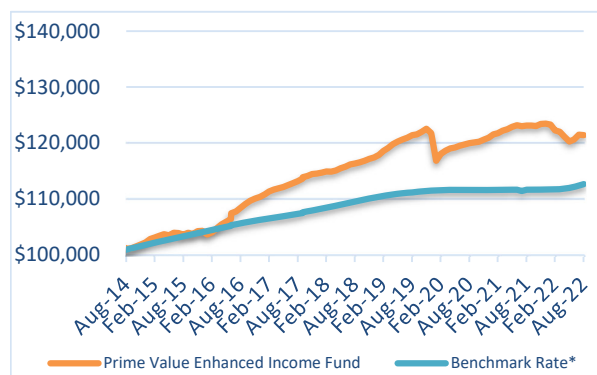
We thank all investors for your continued loyalty to the Fund and your patience through the difficult markets of the past few months. We would welcome a call or meeting with you if you wanted to discuss the Fund or markets in more general with Matthew Lemke, the Fund Manager.

## 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 rate 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 \$121,380 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$112,610 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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### Contact details:

Andrew Russell - Director, Investor Relations  
arussell@primevalue.com.au

Daniel Leong – Director, Investor Relations  
daniel.leong@primevalue.com.au

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

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