

# Prime Value Enhanced Income Fund

## Monthly Fund Update – October 2022



- The Fund performed well in October with an after-fees return of 0.22%, above its target monthly return.
- The Fund benefits from the rate hikes by the RBA and the higher interest rates in the wholesale markets. Rates are likely to track higher over coming months as CPI and employment remain strong.
- The Fund is on track to pay its December quarterly distribution in early January.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	<b>2.36%</b>	2.80%	1.45%
7 years	<b>2.28%</b>	2.78%	1.26%
5 Years (p.a.)	<b>1.38%</b>	1.73%	0.99%
3 Years (p.a.)	<b>0.07%</b>	0.28%	0.52%
1 year	<b>-1.19%</b>	-1.13%	1.13%
3 Months	<b>0.87%</b>	0.87%	0.68%
1 Month	<b>0.22%</b>	0.22%	0.25%

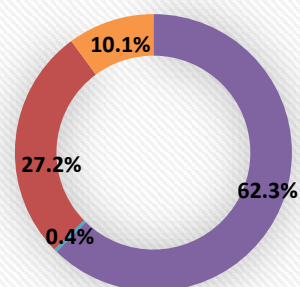
\* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are 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	\$0.9752
Withdrawal Price	\$0.9748
Distribution (30/09/22)	\$0.0025

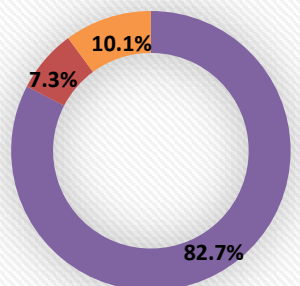
<sup>1</sup> Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC

### 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 performed well in October with an after-fees return of 0.22%, above its target monthly return. Of course, past performance is not an indicator of future performance.

The Fund is on track to pay its December quarterly distribution in early January.

The performance was largely due to the de-risking of the portfolio in the last 4 months. This has meant that the percentage weighting of senior-ranking major bank securities in the portfolio has increased. The Fund is therefore far more insulated from any negative moves in equity markets or other markets that may negatively impact credit spreads in the debt and credit markets.

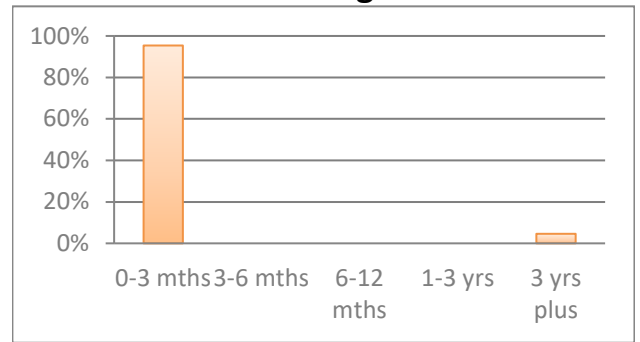
The Fund largely benefits from the rise in wholesale interest rates, most recently in early October and early November with the RBA increasing the cash rate by 25bp at each of its meetings. The rate rises are by no means over with the RBA talking strongly about the need to contain inflation and indicating quite clearly that more rate hikes will occur. The September quarter CPI result was very strong, and this is certainly laying the groundwork for further rate hikes by the RBA. Employment data has also continued to be strong, with low unemployment, along with the weak A\$, both factors also supporting further rate hikes. Most economic forecasters have moved up their interest rate forecasts after the strong CPI and employment data last week.

The Fund is predominantly invested in traded securities. However, the percentage of securities held in the portfolio traded on the ASX is now very minor. This avoids the volatility often evident on the ASX, especially when markets are struggling. There are significant issues in the liquidity of fixed income securities on the ASX, which is another reason for us to avoid the ASX as far as possible.

All assets in the Fund's portfolio are performing well and meeting target income and capital requirements. We continue to monitor markets very closely given the wide range of factors influencing global economies and markets at the moment.

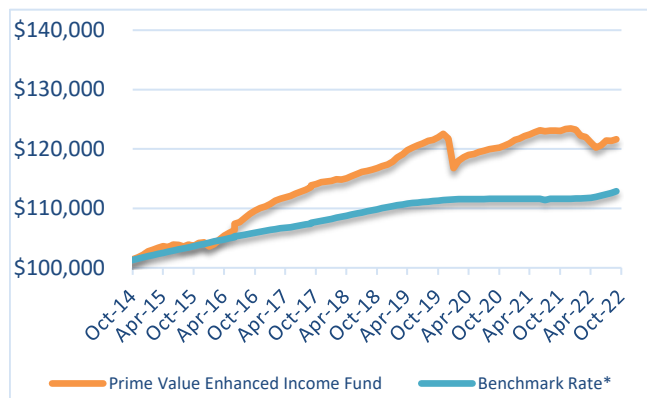
We thank you for your continued loyalty to the Fund and would welcome any questions or comments that you may have. We would also like to make available a meeting or phone call with the Fund Manager, Matthew Lemke.

## 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 on average every quarter or so benefit from interest rate increases, unlike fixed rate investments.

## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$121,650 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$112,890 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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