

Prime Value Enhanced Income Fund

Monthly Fund Update – January 2023



- The Fund again performed well with a return of 0.45% after-fees. This return is above the target return for the Fund.
- The Fund is directly benefiting from the quality of assets in its portfolio and the rise in wholesale interest rates due to RBA rate hikes.
- The interest rate, credit spread and market outlook are all favourable for the Fund but we are constantly assessing market conditions.

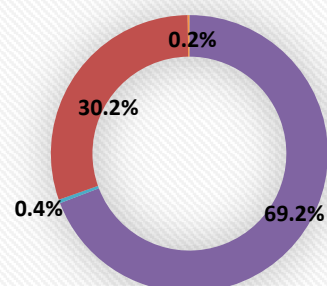
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.44%	2.87%	1.50%
7 years	2.41%	2.89%	1.29%
5 Years (p.a.)	1.49%	1.80%	1.06%
3 Years (p.a.)	0.19%	0.34%	0.71%
1 year	-0.18%	-0.12%	1.91%
6 Months	2.18%	2.18%	1.48%
3 Months	1.30%	1.30%	0.79%
1 Month	0.45%	0.45%	0.29%

* 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

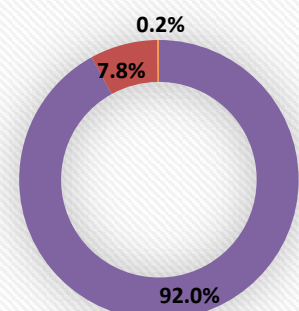
Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio). The Fund targets a 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.
Target Market	The Fund is designed for investors seeking a regular return above the 90 day BBSW rate from a diverse portfolio of investments with an emphasis on capital preservation.
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	\$0.9845
Withdrawal Price	\$0.9841
Distribution (31/12/22)	\$0.0025

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 again performed well in January with a return of 0.45% after-fees for January. This return is above the target return for the Fund. Of course, past performance is not a reliable indicator of future performance.

The Fund is directly benefiting from the quality of the assets in its portfolio and the rise in interest rates in the wholesale market due to RBA rate hikes.

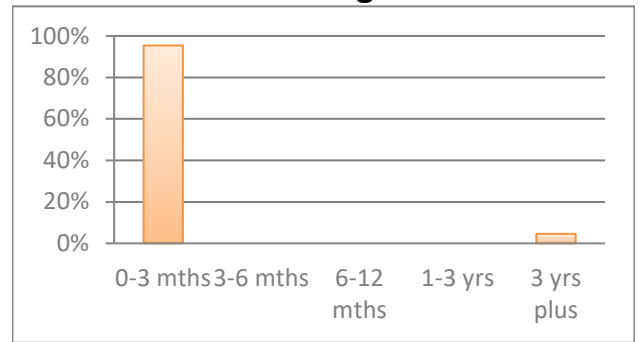
We are keeping a very watchful eye on credit spreads in the wholesale market. Any move higher in credit spreads will reduce the benefit of the higher interest rates on the securities in the portfolio, and may even potentially impact their prices. At this stage, it appears that the stability in credit spreads seen over recent months will continue for the time being, especially for the very high quality securities in the Fund's portfolio. The only factor that may detrimentally impact credit spreads would be if the RBA hiked rates beyond what the economy can bear. This 'threshold' is widely regarded as another 0.75% of rate hikes before the economy may begin to falter. The market view, and the forecasts of the senior economists of the major Australian banks, is that the RBA will not hike beyond another 0.50%-0.75%. Hence, credit spreads are unlikely to come under pressure for the foreseeable future, which is favourable for the Fund.

In terms of interest rates, in 2020-2021 there was a very significant easing cycle globally and in Australia due to the COVID-19 outbreak. With the rise in inflation globally and in Australia, in 2022 there was a very significant tightening cycle effectively unwinding the previous rate cuts. The market is now coming to the view that the tightening cycle is nearing the end, especially as central banks around the world, and the RBA in Australia, need to balance the much tighter monetary conditions with the potential detrimental effect of the rate hikes on the general economy. Hence, the growing market view that further rate hikes in Australia will be quite limited. However, due to inflation likely to stay above the RBA's 2-3% policy band, an easing cycle is not imminent either. Hence, interest rates could simply plateau at or near current levels for quite some time. Hence, the general interest rate outlook looks favourable for the Fund.

The assets in the Fund's portfolio are performing well. Nonetheless, we are constantly assessing market conditions and the assets in the Fund's portfolio. In our risk management of the Fund, we are very alert to the potential for market volatility affecting the prices of the securities in the Fund's portfolio. Fortunately, the volatility that the Fund's portfolio may experience is greatly reduced as the vast majority of securities in the portfolio (ca. 92%) are only traded in the professional wholesale market, and the securities are all high quality and very carefully selected.

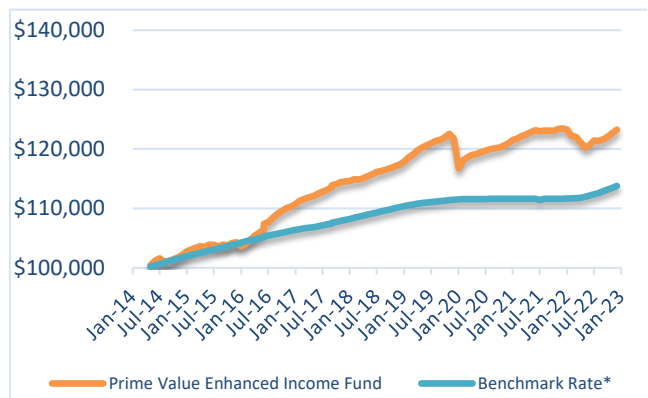
We welcome any comments or any questions you may have and would be very pleased to organise a meeting or call with the Fund Manager, Matthew Lemke.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.3-0.4 years. The majority of securities in the Fund's portfolio have interest rates that reset every quarter, and therefore 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 \$123,230 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$113,780 over the same period.

*The Benchmark Return was calculated by reference to the RBA Official Cash Rate until December 2020 and 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.primvalue.com.au

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000

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