

# Prime Value Enhanced Income Fund

## Monthly Update – June 2024

- This is the last Update for this Financial Year. Over the 12 months to 30 June 2024, the Fund's return was 3.60% after-fees (excluding franking credits) and 3.90% after-fees (including franking credits).
- In early July, the Fund distributed \$0.0211 per unit to investors for the June 2024 quarter being higher than the distributions for each of the March 2024 and December 2023 quarters of \$0.01 per unit.
- Markets over the past Financial Year remained stable - we expect markets continue to remain relatively stable in the new Financial Year. However, there are several risks that remain unresolved and so we will continue to manage the Fund conservatively to ensure it meets its key objectives of capital preservation and quarterly distributions.

	Net Return*	Net Return including Franking Credits**	Benchmark Return - 90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.55%	2.97%	1.87%
5 Years (p.a.)	1.47%	1.71%	1.69%
3 Years (p.a.)	1.61%	1.79%	2.58%
1 year	3.60%	3.90%	4.30%
6 Months	1.06%	1.21%	2.15%
3 Months	0.06%	0.21%	1.08%
1 month	-0.59%	-0.45%	0.33%

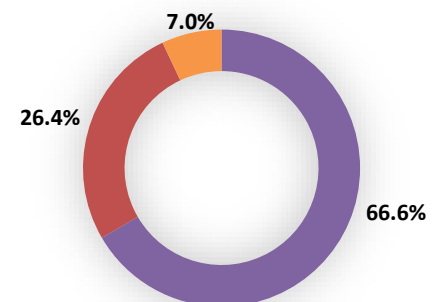
\* Performance figures have been calculated in accordance with Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated 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
Bendigo and Adelaide Bank	Banks	Wholesale Notes

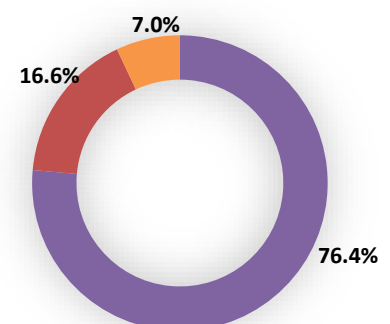
Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Responsible Entity	Prime Value Asset Management Ltd (ABN 23 080 376 110; AFSL 222 055)
Investment Objective	To provide regular income with low risk of capital loss in the medium term (the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio). The Fund targets a return to investors of the benchmark. The return will vary over time depending on the market and economic outlook
Target Market	The Fund is 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 Return	90-day BBSW rate
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.3 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% p.a. <sup>1</sup>
Issue price	\$0.9816
Withdrawal Price	\$0.9812
Distribution (30/06/2024)	\$0.0211

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

### Holdings by Sector



### Holdings by Category



## Fund review and strategy

This is the last Update for this Financial Year. Over the 12 months to 30 June 2024, the Fund's return was 3.60% after-fees (excluding franking credits) and 3.90% after-fees (including franking credits). In early July 2024, the Fund distributed \$0.0211 per unit for the June 2024 quarter, higher than the \$0.01 per unit distributed for the previous two quarters. The higher distribution this quarter is due to the Fund's good performance and Australian taxation law requirements. The distribution rate for the Financial Year was 4.42% after-fees. The Fund has paid a distribution every quarter since inception in June 2014 (40 consecutive distributions). Past performance is not a reliable indicator of future performance.

In June 2024, the Fund's performance was affected by the price of an ASX-listed security in the Fund's portfolio falling due to the company unexpectedly announcing an Entitlement Offer – we expect the price of this security to recover over time as the Entitlement Offer has now been successfully completed.

Market conditions through the Financial Year remained relatively stable as seen in the performance of global equity markets, the property market in general, and the low level of the widely-used VIX index (which measured volatility in the equity market), and traded credit spreads. The Fund's main risk is to a significant weakening of the Australian economy. This did not occur in the Financial Year, with the economy supported mainly by continuing strong exports. We are monitoring the economy given the GDP growth of only 1.1% for the 12 months to 31 May 2024. However, we are not unduly concerned given the RBA, Federal Treasury and the IMF each forecasts GDP to improve in 2025 and 2026.

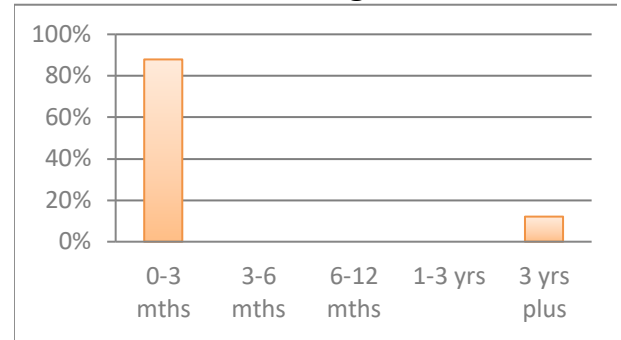
Headwinds to Australia's economic performance from the RBA's rate hikes - taking the cash rate from 0.1% in May 2022 to 4.35% in November 2023 - appear to have been weathered. However, we are monitoring this situation given the market now expects a further rate hike as early as August 2024 after the recent higher-than-expected inflation data. Overall, inflation has been trending down - the Financial Year began with CPI running at 6% (annual, June 2023) down from the cycle high of 7.8% (December 2022). However, with the decline in inflation slowing, and still above the RBA's target 2-3% band, the RBA is likely to retain its "tightening bias" hoping to dampen, first, the inflation 'escalator' effects in rents and wages, and secondly, the significant spending proposed by Federal and State governments, particularly infrastructure spending, which is seen as a major cause of inflation staying high. The RBA is acutely aware of the impact of rate hikes on the Australian economy; hence we do not see the RBA's monetary policy as a major stumbling block for the Australian economy.

Internationally, over the Financial Year, there have been several conflicts – the Russia/Ukraine conflict (which began in February 2022), the Hamas/ Israel conflict (which began in October 2023), and the more recent Israel/Hezbollah conflict and border skirmishes between South Korea and North Korea. However, each of these conflicts is not considered sufficiently widespread to create problems for Australia or the major global economies. China's economy has improved over the Financial Year with the policy changes and stimulatory measures implemented by the authorities. The economies of the US and other major OECD countries continue to perform well – the major debate continues to be around the timing of rate cuts, rather than further rate hikes. The European Central Bank and the central banks of Switzerland, Sweden and Canada have all cut rates recently. We therefore do not see any major 'storm clouds' for Australia's economic performance coming from the international context, although we will stay very alert to developments as many situations are fluid.

Given the various uncertainties, we will continue in the new Financial Year with our conservative strategy of investing the Fund's portfolio mainly in floating (variable) rate securities which benefit from the high interest rates, and in 'AA-' rated securities issued by the major Australian banks and 'AAA' rated securities – these securities have very low credit risk, strong liquidity, and an attractive yield. This strategy is a major reason for the Fund continuing to perform well and being able to meet its objectives of capital preservation and quarterly distributions.

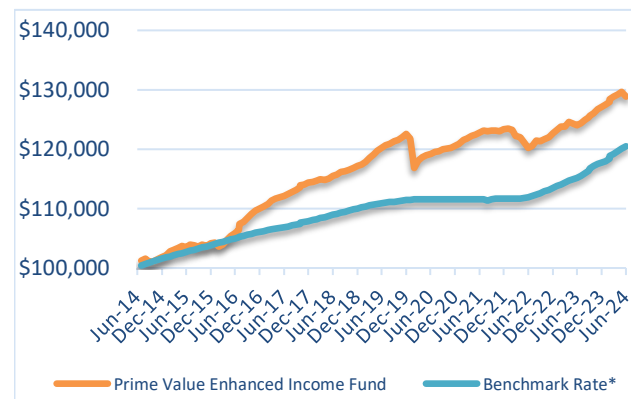
If you have any questions, please do not hesitate to arrange a call through your Investor Relations contact with the Fund Manager, Matthew Lemke, or Prime Value's CEO, Yak Yong Quek.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 3 months. The vast majority of securities in the Fund's portfolio have interest rates that reset every quarter, and therefore benefit from the higher interest rates in the market.

## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$128,880 (net of fees). This compares with the Fund's benchmark return, where a \$100,000 investment would have increased to \$120,490 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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