# Prime Value Enhanced Income Fund Monthly Update – August 2024

- The Fund performed well in August 2024 with a return of 0.45% after-fees. This return is above the Fund's benchmark return. For the past 12 months, the return was 4.61% after-fees (excluding franking credits) and 4.91% after-fees (including franking credits). These returns are also above the Fund's benchmark return.
- Markets in early August experienced volatility but then settled down particularly after the US Fed indicated it could cut rates soon. Overall market volatility has generally been low. Our strategy for managing the Fund's investment portfolio builds in the potential for higher market volatility going forward. Given the market, economic and geopolitical risks, we will continue to manage the Fund conservatively to ensure it meets its key objectives of capital preservation and quarterly distributions.

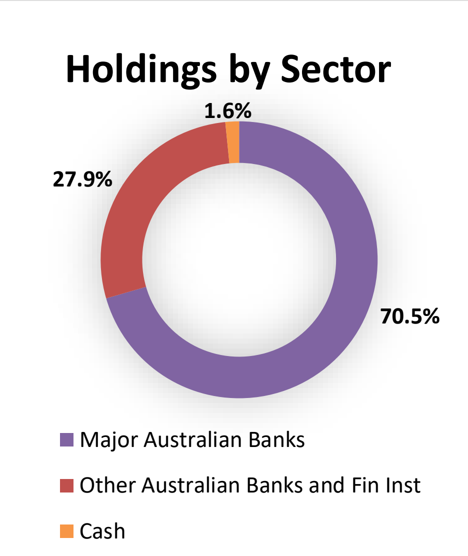
| | Net Return* | Net Return including Franking Credits** | Benchmark Return - 90 Day Bank Bill Rate (BBSW) |
|---|---|---|---|
| Since inception (p.a.) | **2.68%** | **3.09%** | 1.91% |
| 5 Years (p.a.) | **1.68%** | **1.92%** | 1.81% |
| 3 Years (p.a.) | **2.16%** | **2.34%** | 2.84% |
| 1 year | **4.61%** | **4.91%** | 4.34% |
| 6 Months | **2.16%** | **2.31%** | 2.17% |
| 3 Months | **1.14%** | **1.28%** | 1.08% |
| 1 month | **0.45%** | **0.45%** | 0.35% |

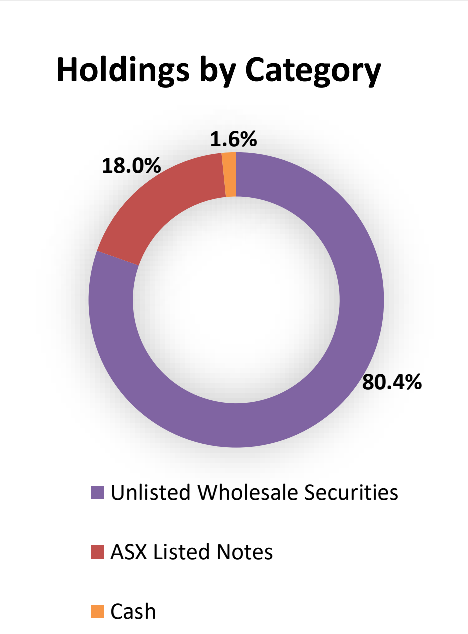
* Performance figures have been calculated in accordance with Financial Services Council (**FSC**) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees.
**Returns grossed up for Franking Credits are estimates.

| Major Holdings | Sector | Category |
|---|---|---|
| NAB | Banks | Unlisted Wholesale Securities |
| Westpac | Banks | Unlisted Wholesale Securities |
| CBA | Banks | Unlisted Wholesale Securities |
| ANZ | Banks | Unlisted Wholesale Securities |
| Australian Unity | Financial Institution | ASX Listed Notes |

| Feature | Fund Facts |
|---|---|
| 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 Return. 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.[1] |
| Issue price | $0.9987 |
| Withdrawal Price | $0.9983 |
| Distribution (30/06/2024) | $0.0211 |

[1]Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC



## Fund review and strategy

The Fund performed well in August 2024 with a return of 0.45% after-fees. This return is above the Fund's benchmark return. For the past 12 months, the return was 4.61% after-fees (excluding franking credits) and 4.91% after-fees (including franking credits). These returns are also above the Fund's benchmark return. Past performance is not a reliable indicator of future performance.

The main risk to the Fund’s performance is a significant deterioration in the Australian economy. The recent GDP release by the ABS showed only +1.0% growth over the June 2023 quarter to the June 2024 quarter. Whilst a pick-up in growth is forecast by markets, the RBA, and the IMF, we will be monitoring future data releases carefully for signs of any further deterioration in the economy.

Markets were stable during August albeit the month began with significant volatility after the Bank of Japan hiked rates, followed by "hawkish" comments about additional rate hikes. This coincided with weak employment data in the US. Nonetheless, markets settled down particularly after the US Fed Chair Jerome Powell indicated the Fed was likely to cut rates soon. The US market is now pricing in 0.75% of rate cuts this year and another 1.75% in 2025 taking their cash rate to 3%. The expected rate cuts in the US are a major pillar of support for investment markets and shows how important central banks and their monetary policy settings are to the health of investment markets. This is important at this juncture where most western developed countries are already, or on the verge of, moving to easier monetary conditions after the rapid series of rate hikes over 2022-2023 from the near zero rates in 2021 following the onset of the COVID-19.

Several factors are currently relevant to the RBA’s monetary policy and the Australian economy. *Firstly*, central banks in many countries expect inflation to continue to fall – as acknowledged by the European Central Bank, the US Fed, and central banks of Canada, Switzerland, Sweden, the UK, and New Zealand (which cut their official cash rate in August). However, in Australia the fall in inflation has, for the moment at least, stalled in the high-3% area, above the RBA's target inflation band of 2-3%. Indeed, the CPI for the June quarter 2024 was higher than for the March quarter 2024, the first increase since the December quarter 2022. *Secondly*, the RBA's official cash rate (4.35%) is still 0.50%-1.0% below the official cash rates of the central banks mentioned except the European Central Bank. This situation resulted from the RBA not hiking the cash rate as far as the other countries in the 2022-2023 period – the RBA may therefore be slower to cut rates. *Thirdly*, unemployment in Australia has edged higher, but at the same time there has been a significant increase in the number of jobs being generated by the economy. *Fourthly*, data indicates China's economy is still struggling, reducing Australia’s export volumes to China, Australia’s largest overall export market. Prices for metallurgical coal, iron ore and petroleum gas, Australia's largest exports, have also fallen in the last month, as commodity demand has softened.

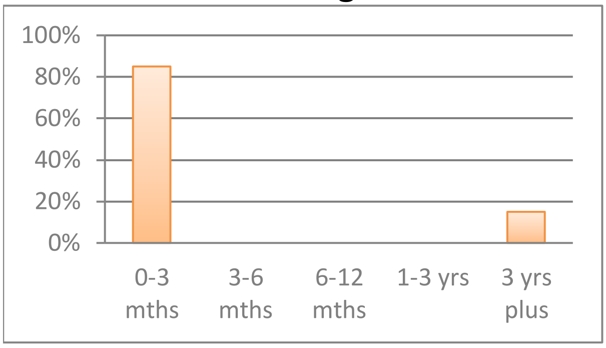
The RBA is retaining its "tightening bias" however the market considers a further rate hike is unlikely. The RBA wants governments (Federal and State), unions and businesses to play their part in curbing inflation through lower spending and limiting wage, rent and price increases. While the market is not expecting a rate cut this year there is an expectation of 0.75% of rate cuts in the first 6 months of 2025, consistent with forecasts of the major Australian banks. The RBA has tried to ‘water down’ these expectations and has left the door open to further rate hikes. We remain very alert to ongoing economic data and RBA statements.

Internationally, markets globally are still not reacting to the Middle East or Russia/Ukraine conflicts, nor the US Presidential election. However, we remain alert to developments as these situations are quite fluid. We are also very alert to the potential for further market volatility as seen in the first week of August.

Given these uncertainties, we will continue to invest 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 low credit risk, strong liquidity, and an attractive yield. This strategy is allowing the Fund to perform well and meet its key objectives of capital preservation and quarterly distributions.

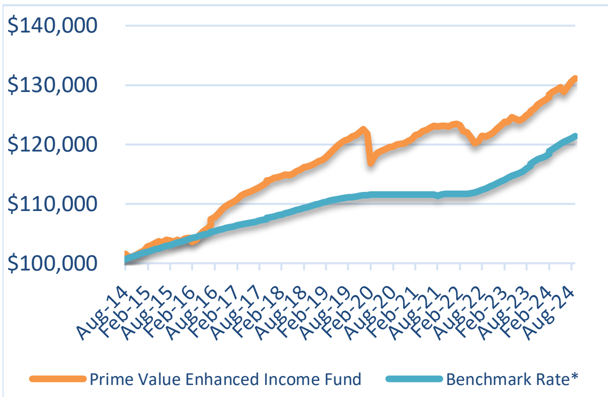
If you have any questions, please do not hesitate to arrange a call through your Investor Relations contact.

### 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 $131,130 (net of fees). This compares with the Fund’s benchmark return, where a $100,000 investment would have increased to $121,400 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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