

# Prime Value Enhanced Income Fund

## Monthly Update – December 2024

- The Fund's return for December 2024 was 0.31% after-fees. For the 2024 calendar year, the return was 4.80% after-fees (excluding franking credits) and 4.96% after-fees (including franking credits). These 12 month returns are above the Fund's benchmark return. A distribution of \$0.01 per unit for the December quarter 2024 was paid to investors in early January 2025.
- Markets through 2024 were broadly stable. However, the year ended with several areas of market, economic and geopolitical uncertainty which may create volatility in markets in the New Year. In 2025, we will continue to manage the Fund's portfolio within a risk-management framework so as to ensure the Fund meets its key objectives of capital preservation over the medium term and pay ongoing quarterly distributions to investors.
- We thank you for your support during 2024. We wish you a restful holiday season, and a healthy and prosperous 2025.

	Net Return*	Net Return including Franking Credits**	Benchmark Return - 90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.78%	3.18%	1.99%
5 Years (p.a.)	1.85%	2.03%	2.05%
3 Years (p.a.)	2.70%	2.88%	3.33%
1 year	4.80%	4.96%	4.43%
6 Months	3.71%	3.71%	2.23%
3 Months	0.77%	0.77%	1.10%
1 month	0.31%	0.31%	0.38%

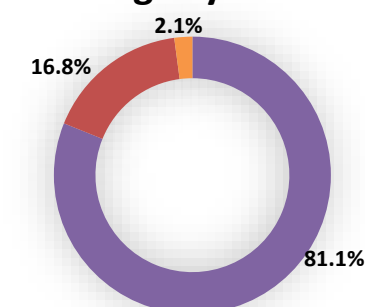
\* Performance figures have been calculated in accordance with Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated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

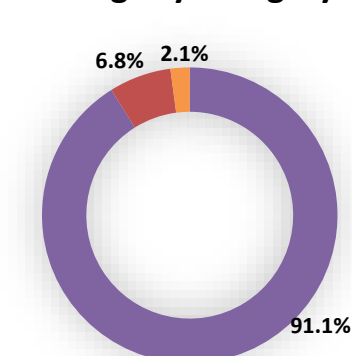
Feature	Fund Facts
Responsible Entity	Prime Value Asset Management Ltd (ABN 23 080 376 110; AFSL 222 055)
Investment Objective	The Fund aims to provide a regular income with capital stability (i.e. low variability in the Fund's unit price). Variations in the unit price can occur from time to time due to market factors and other factors influencing the prices of securities in the portfolio. The Fund targets a return to investors in excess of the 90 day Bank Bill Swap Rate (BBSW) as published by the ASX on its website (until 15 December 2020 the Benchmark rate was the Reserve Bank of Australia's cash rate). Our aim is for minimal risk of capital loss in the medium term.
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. 0.25 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	\$0.9979
Withdrawal Price	\$0.9975
Distribution (31/12/2024)	\$0.01

### Holdings by Sector



- Major Australian Banks
- Other Australian Banks and Fin Inst
- Cash

### Holdings by Category



- Unlisted Wholesale Securities
- ASX Listed Notes
- Cash

## Fund review and strategy

The Fund's return for December 2024 was 0.31% after-fees. For the 2024 calendar year, the return was 4.80% after-fees (excluding franking credits) and 4.96% after-fees (including franking credits). These 12 month returns are above the Fund's benchmark return. A distribution of \$0.01 per unit for the December quarter 2024 was paid to investors in early January 2025. Past performance is not a reliable indicator of future performance.

The two main risks faced by the Fund through 2024 were a major setback in the Australian economy, or a large selloff in the major asset markets. Neither event occurred. Neither event appears likely in 2025, however we remain very vigilant to market, economic and geopolitical developments.

Inflation was the most 'talked about' economic factor in 2024, having been so consistently low since the early 1990s before rising sharply after the onset of the COVID pandemic in 2020. The RBA responded by hiking the cash rate over the 2022/2023 period by 4.25%. Inflation fell from the cyclical peak of 7.8% in December 2022, to finish 2024 at 2.8% (annual 'headline' CPI, ABS data). However, the RBA's preferred inflation measure, the 'trimmed mean' (which excludes volatile/ one off items), only fell to 3.5%, still above the RBA's 2-3% target. Unemployment surprised the RBA and many economists ending 2024 at 3.9%, which is historically very low, despite the fall in Australia's economic growth rate to 0.8% (annual), a rate well below Australia's historical trend rate. The RBA did not move the cash rate at all in 2024 – neither further hikes or rate cuts. However, it retained a 'tightening bias' albeit with a softer tone in its December meeting. Markets ended 2024 expecting a mild easing cycle to begin by mid-2025. However, any rate cuts will depend on the economic data in the New Year. RBA monetary policy in 2025 is therefore quite unclear at this stage.

A complicating factor for markets in 2025 is President-elect Donald Trump's economic agenda – measures announced so far, notably higher import tariffs and lower personal and business and income taxes, are potentially reflationary, coming at a time when the fall in US inflation appears to have stalled, whilst employment conditions remain tight. The US Fed has downplayed market expectations for further rate cuts (having cut rates by 1% in 2024). The expectation of further rate cuts has been an important part of the stability of global markets in 2024, including the performance of markets in Australia.

A further important factor for the Australian economy has been the fall in China's economic growth rate, with no major improvement yet from the stimulus measures introduced through 2024. China's response to higher import tariffs imposed by the US will be important. The prospect of a 'trade war' looms large in 2025 with major currency realignments in 2025 a distinct possibility.

The year 2024 ended with the Middle East and the Russia/Ukraine conflicts still unresolved. For global markets, these conflicts so far have had not any material effect. However, both conflicts along with other potential geopolitical events may be a source of market volatility in 2025.

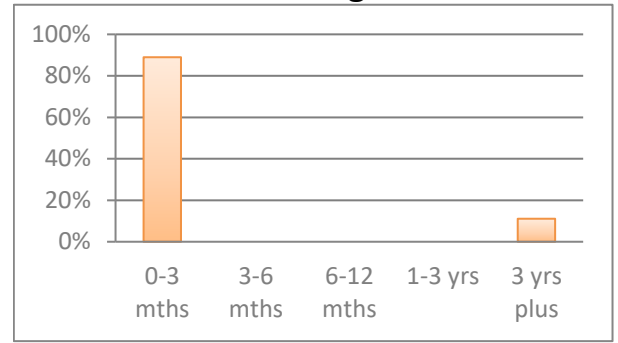
By May 2025 the Federal Election will be held in Australia. We will be watching as policies of political parties are announced, and potential market influences.

The year 2024 was a year of quite stable markets, although ending with several areas of uncertainty, which may produce higher market volatility in 2025, although not to the point of a major market selloff. Our portfolio approach is centred on risk management, making allowance for potentially higher volatility, and not trying to predict markets. 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 very low credit risk, strong liquidity, and an attractive yield. This strategy is allowing the Fund to meet its objectives of capital preservation and ongoing quarterly distributions.

We thank our investors for their support over 2024 and wish them and their families a restful holiday period, and a healthy and prosperous 2025.

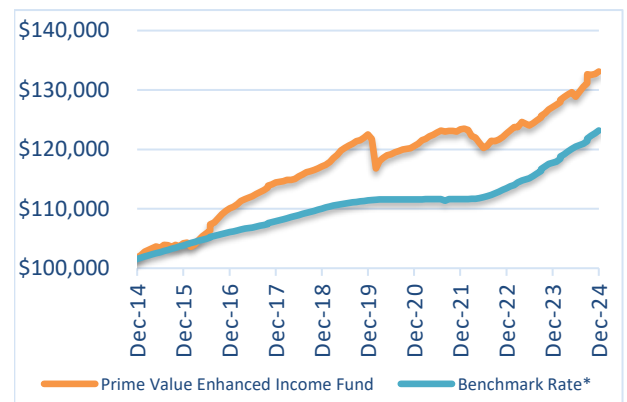
If you have any questions, please do not hesitate to arrange a call through your Investor Relations contact.

## 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 \$133,110 (net of fees). This compares with the Fund's benchmark return, where a \$100,000 investment would have increased to \$123,180 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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