Prime Value Enhanced Income Fund
Monthly Fund Update – January 2022

- The Fund was performing well but late-month volatility due to the unexpectedly strong December CPI caused the Fund to only register a modest return for the month. The Fund is above its target benchmark return for the past 12 months
- Markets continue to grapple with the direction of interest rates, and this is causing market volatility. The RBA is sticking with its position that it won't hike the cash rate until the end of 2023 despite rate hikes in the UK and NZ and very likely next month in the US. The Fund benefits from higher interest rates.

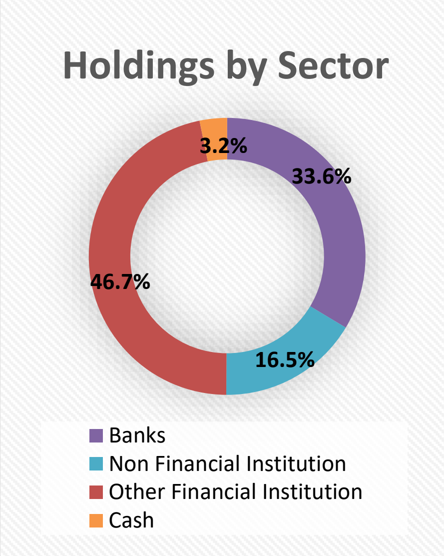
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.79%**	3.27%	1.45%
5 Years (p.a.)	**2.33%**	2.80%	1.03%
3 Years (p.a.)	**1.77%**	2.07%	0.48%
1 year	**2.09%**	2.17%	0.04%
6 Months	**0.25%**	0.25%	0.02%
3 Months	**0.28%**	0.28%	0.02%
1 Month	**0.05%**	0.05%	0.01%

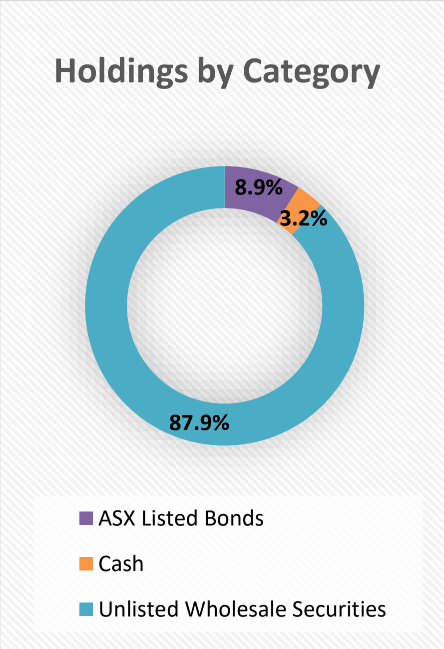
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are 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
Bank of Queensland	Banks	Wholesale 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 1.5% over the 90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate).
Benchmark	90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate). The benchmark rate was changed to better reflect the Fund's objectives.
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%[1] p.a.
Issue price	$0.9947
Withdrawal Price	$0.9943
Distribution (31/12/21)	$0.0040

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





Fund review and strategy

The Fund was performing well but late-month volatility due to the unexpectedly strong December CPI caused the Fund to only register a modest return for the month. The Fund is above its target benchmark return for the past 12 months

Markets were volatile in January. The Fund was performing well throughout the month until the strong investment sell-off in the last few days in illiquid holiday markets - and particularly the strong December quarter CPI data released at the end of January indicating a year-on-year inflation level above 3%. This surprise caused the Fund to only register a modest return for the month. The Fund is above its target benchmark return for the past 12 months. Of course, past returns are not an indicator of the Fund's future performance.

The Australian bond and credit markets are volatile as they try to reach a conclusion about the direction of interest rates. The market is trying to reconcile two factors that seem incongruent with the RBA's position that it will not hike the cash rate until the end of 2023:

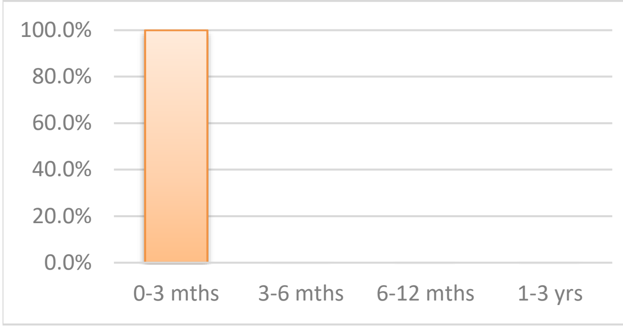
- Headline CPI in Australia remains above 3% which is higher than the RBA's 2-3% target band for inflation;
- Both the Bank of England and the Reserve Bank of New Zealand have hiked rates recently with US Fed widely expected to hike rates shortly, possibly as early as next month.

Of course, the RBA is quite at liberty not to follow other countries as our economic situation is different to other countries and the pandemic is still with us. Further Covid variants are quite possible. As well, it is worth remembering that the RBA's statutory role is to keep inflation within a 2-3% band over the medium-term and not respond merely to quarterly CPI data.

Against this uncertain background, we can expect markets to continue to show periods of volatility throughout 2022. However, our broad conclusion is that as we are gradually entering a new cycle of higher interest rates. Longer-term bond yields in Australia have risen with international bond yields, but short-term money market rates are following the RBA cash rate and remain near all-time lows. These low interest rates have been supporting equity and property markets. Certainly, the next step for short-term rates is up, not down, but the major questions are 'when?' and "how far?'. The RBA does not believe the rise in inflation above 3% is structural (long term) and its central forecast is that it will fall back to the mid- to low- 2% area later this year and next. This forecast on inflation is echoed by many bank and other economists. However, if the RBA does hike rates this year, which is not out of the question, we only see a very modest cycle with the cash rate not moving much above 1% and not to the 1.75% level seen in 2017-2019 before the precipitous fall in rates once the pandemic began in late-2019.
The Fund is well-positioned for any increase in interest rates as the coupon or interest rate of the securities in the portfolio resets on average every 3-4 months. Hence, the Fund will participate in, and benefit from, any increase in rates.

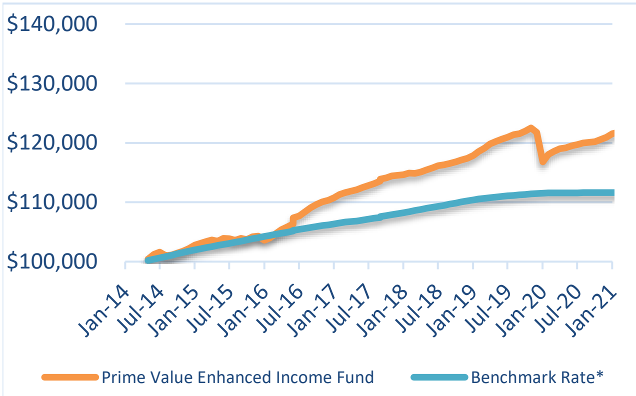
The Australian Federal Election must be held some time before May this year. We do not expect any major impacts to the Fund from the Election. However, we will be carefully reading all policy announcements from the political parties contesting the Election as the policies are announced.
We continue to approach very cautiously any new investments in the Fund, and apply very rigorously our strict investment criteria to all assets in the Fund on an ongoing basis.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.25 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.

Fund Performance



This graph shows how $100,000 invested at the Fund's inception has increased to $123,460 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $111,640 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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