Prime Value Enhanced Income Fund
Monthly Fund Update – May 2022

- The Fund had a difficult month in May as traded debt markets remain unsettled
- Debt markets are showing some signs of stabilising, however further volatility can be expected as the market tries to form a view on future inflation and the degree of central bank rate hikes around the world including Australia.
- The Fund's next distribution will be in early-mid July for the June quarter.

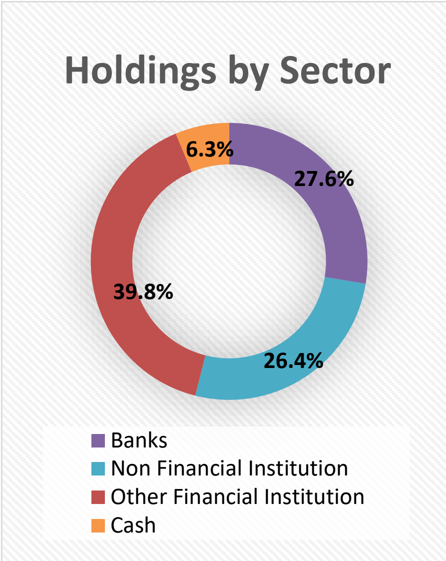
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.42%**	2.88%	1.40%
7 years	**2.25%**	1.24%	1.24%
5 Years (p.a.)	**1.64%**	2.08%	0.94%
3 Years (p.a.)	**0.56%**	0.82%	0.34%
1 year	**-1.11%**	-1.07%	0.16%
3 Months	**-1.75%**	-1.75%	0.13%
1 Month	**-0.75%**	-0.75%	0.08%

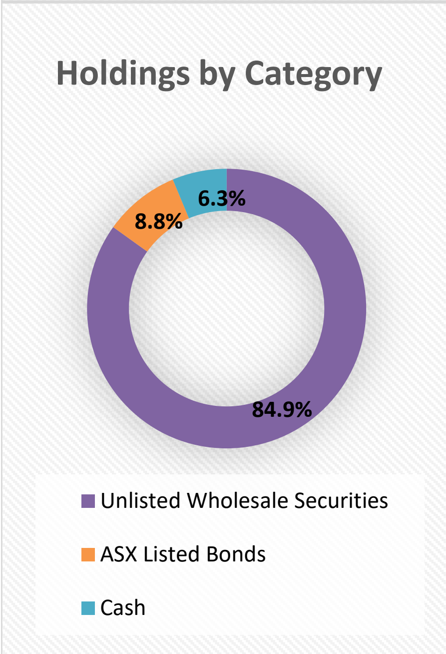
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are 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	$0.9746
Withdrawal Price	$0.9742
Distribution (31/03/22)	$0.0012

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





Fund review and strategy

The Fund had another difficult month in May as traded debt markets remained very unsettled. All securities in the portfolio are performing well in terms of interest payments and any redemptions that occurred in the month. The credit quality of the portfolio remains very good. The Fund's performance is purely a result of the volatility in prices in the traded debt markets. As set out in the PDS, the Fund is required to be primarily invested in these securities markets. The key benefits of holding securities in the traded markets is, firstly, the liquidity that they provide to the Fund (the securities can generally be quite readily sold), and secondly, their credit quality.

It was pleasing to see the Government bond market starting to show signs of stabilising. The traded markets for all other debt securities nevertheless remains unsettled with traded prices in the market resisting any noticeable improvement. This will only occur once the market is convinced that inflation is settling down and that inflation expectations are being fully reflected in the prices of debt securities.

The main issue for debt securities is the market's inability to form a consensus view on the future path of inflation and how far and fast central banks will need to hike rates.

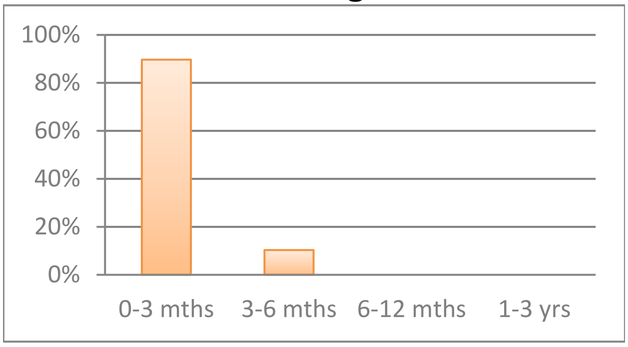
The next important data in Australia is the June quarter CPI reading due late July. Like the March quarter CPI (5.2% year on year), the June quarter CPI is expected to be high. The US, the market is pricing in another 2% of rate hikes over the next 12 months. Likewise, the Australian market is also pricing in a slew of rate hikes by the RBA over the next few months. This is based on expectations of inflation staying above the RBA's 2-3% band, spurred in May by the Australian employment data showing the unemployment rate staying low, currently 3.9%, its lowest since 1974. The RBA's preferred measure of inflation, the "trimmed mean" inflation rate is not as high as the "headline" CPI rate, but rising. The trimmed mean inflation rate is expected to rise from 2.6% to 3.7%, with housing, food, transport costs the main drivers.

We continue to manage the portfolio very carefully and monitor all securities in the portfolio on a daily basis according to very strict investment criteria. We continue to hold a larger cash balance than usual given the difficult market conditions. Holding this cash balance tends to lower the return of the Fund. We will only re-deploy this cash once we are convinced that debt markets are settling down. As mentioned in previous Updates, the Fund generally benefits from RBA rate hikes and moves higher in general market interest rates. However, there are other factors influencing the prices of securities that are held by the Fund. There are also "leads and lags" in the way higher market interest rates translate to the performance of securities in the portfolio and the Fund's overall performance.

The Fund's next distribution will be in early-mid July for the June quarter. As per the March quarter distribution, given the market conditions, it is likely this distribution will be lower than usual.

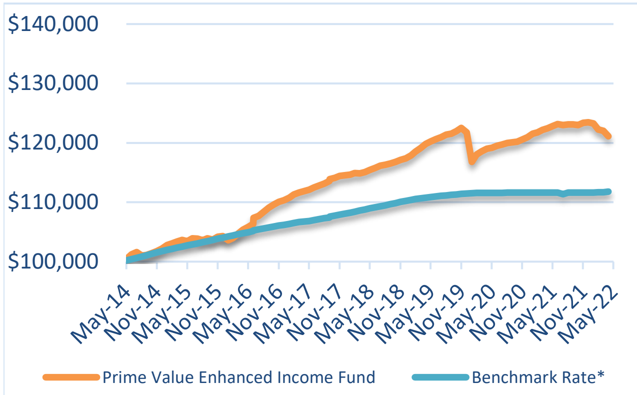
We thank you for your support of the Fund and would welcome any questions or comments that you may have. As always, we are more than happy to arrange a conversation with the Fund Manager, Matthew Lemke, at any time if you thought this would be worthwhile.

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 $121,110 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $111,790 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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