Prime Value Enhanced Income Fund
Monthly Fund Update – June 2022

- Markets were again difficult in June impacting the Fund's performance. The Fund's longer-term returns are above the benchmark return.
- The RBA delivered a large 0.50% rate hike in June after the 0.25% rate hike in May with more hikes imminent as inflation continues to move higher. The Fund benefits from higher rates, however current performance is being impacted by the excessive volatility and illiquidity in the traded fixed interest markets, and the consequent move out in credit spreads.
- We have taken active steps in June to 'de-risk' the portfolio by switching some subordinated securities to senior-ranking major bank FRNs. This is to re-position the portfolio against any economic downturn that may be caused by the RBA's rate hikes and any further moves higher in credit spreads.
- The Fund will be distributing 0.12 cents/unit in early July.

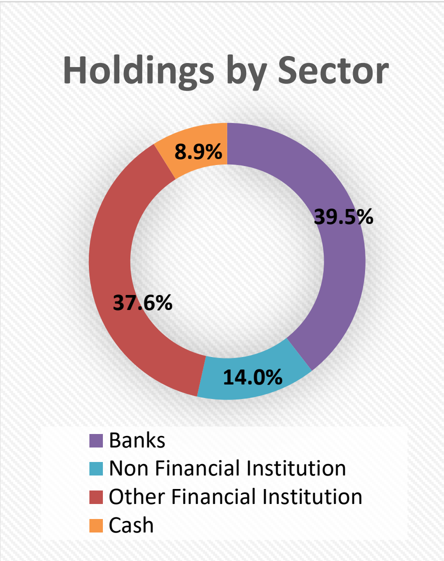
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.31%**	2.76%	1.41%
7 years	**2.17%**	2.68%	1.24%
5 Years (p.a.)	**1.41%**	0.62%	0.94%
3 Years (p.a.)	**0.12%**	0.33%	0.35%
1 year	**-2.13%**	-2.12%	0.29%
3 Months	**-1.63%**	-1.63%	0.27%
1 Month	**-0.72%**	-0.72%	0.13%

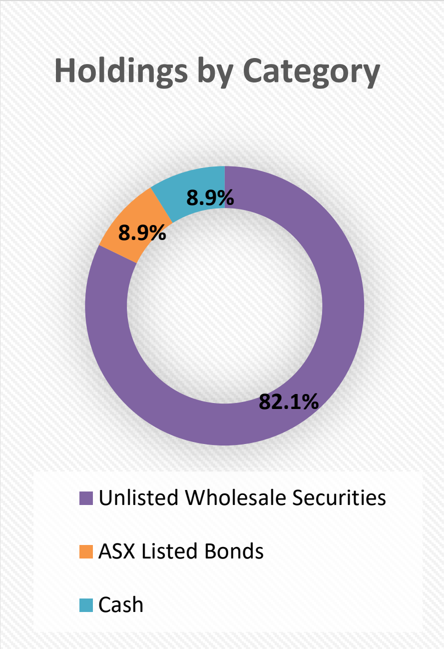
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are 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	$0.9664
Withdrawal Price	$0.9660
Distribution (30/06/22)	$0.0012

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





Fund review and strategy

Fixed interest markets in Australia were again difficult in June with the market digesting the RBA's 0.50% rate hike in early June with the likelihood of further rate rises, the next likely to be on Tuesday 5 July. The concern of the market is that inflation in Australia, as in the US and other western developed countries, will push to 7% or even higher. The worry that has come into markets in the last 2 months is whether the various countries around the world can adequately handle the extent of interest rate hikes forecast by the market by the RBA, the US Fed, Bank of Canada, Bank of England, and the Reserve Bank of New Zealand to name a few The US market is actively talking about the prospects of a recession in that country. The possible dilemma of higher rates but falling economic growth is seen in New Zealand which has posted a negative GDP for the March quarter of -0.2% yet the Reserve Bank of New Zealand is proposing to still hike rates to combat inflation. A further negative GDP reading would technically mean that New Zealand is in recession.

The next CPI reading in Australia in due late-July for the June quarter. This inflation number is again likely to be high, and possibly higher than the 5.1% year-on-year result for the March quarter released in late-April. The RBA has warned that inflation is trending higher and for the market to expect high inflation and more rate hikes. The four major banks in Australia are forecasting the cash rate in Australia will move to the 2.25% - 2.75% area so there are quite a few rate hikes coming if their forecasts prove true. These forecasts are keeping the fixed income market 'on edge' and suppressing any rally in fixed income securities. We seriously wonder how Australian consumers will fare with rate hikes impacting those with mortgages along with the higher petrol, food and the overall price increases being seen across the economy.

The Fund benefits from increases in interest rates because on average the interest rate on securities in the portfolio resets every 3-4 months so the Fund participates in rate increases. The rate that primarily drives the Enhanced Income Fund's interest rate resets is the 3 month BBSW and this rate has moved considerably higher in the last two months to 1.8% reflecting the RBA's anticipated rate hikes. The Fund is being negatively impacted by the heightened volatility in the fixed income markets, the illiquidity in the traded fixed income markets and the consequent move higher in credit spreads.

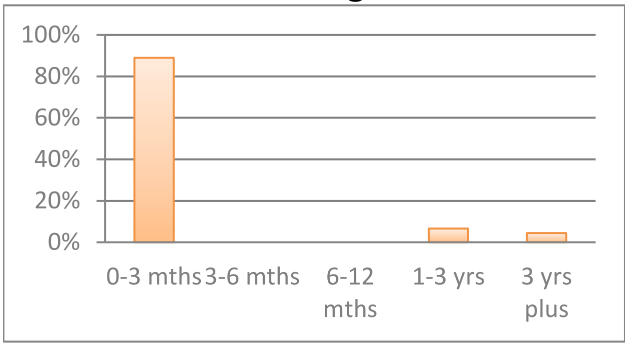
The portfolio is positioned to benefit from the higher interest rates once credit spreads stabilise. We took active steps in June to 'de-risk' the portfolio by switching some subordinated securities to senior-ranking major bank FRNs. This is to re-position the portfolio against any economic downturn that may be caused by the RBA's rate hikes and further moves out in credit spreads

We are monitoring markets very closely as we enter this new paradigm of higher interest rate globally and in Australia, having been at all-time interest rate lows in the last 2-3 years. We expect fixed interest markets to be volatile for a while given that the June quarter CPI to be released late-July can be expected to be another high number following on from the March quarter CPI (5.1% year-on-year).

We remind investors to look at the Fund's performance on a medium term basis as set out in the PDS, and not to judge the Fund on a monthly or quarterly basis. The Fund is performing well on a longer-term basis and above its return benchmark, and we expect this performance to continue.

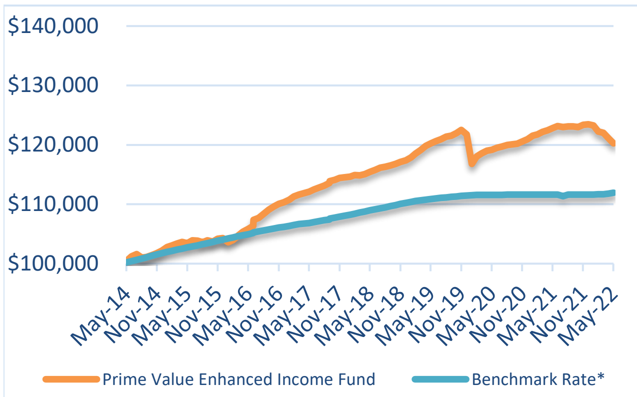
We again thank you for your support.

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 $120,240 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $111,940 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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