

Prime Value Enhanced Income Fund

Monthly Fund Update – July 2022



- Good performance in July, with the monthly return of 0.30% well above the Fund's target monthly return, principally due to the strategic "de-risking" of the Fund's portfolio over the last 2 months.
- Rate hikes in Australia are expected to continue as inflation tracks higher. The Fund benefits from rate increases.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	2.32%	2.78%	1.41%
7 years	2.15%	2.67%	1.23%
5 Years (p.a.)	1.41%	1.81%	0.94%
3 Years (p.a.)	0.10%	0.33%	0.37%
1 year	-2.07%	-2.00%	0.45%
3 Months	-1.17%	-1.11%	0.38%
1 Month	0.30%	0.30%	0.16%

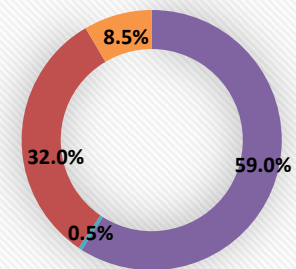
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

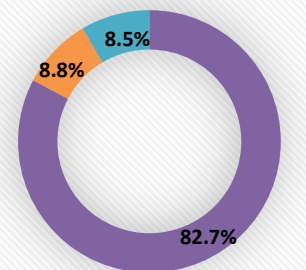
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (appreciating that the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio. The Fund targets a return to investors of a reasonable margin over the 90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate). The return will vary over time depending on the market and economic outlook.
Benchmark	90 day BBSW rate (this benchmark rate was previously the Reserve Bank of Australia's cash rate. The benchmark rate was changed in December 2020 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	\$0.9693
Withdrawal Price	\$0.9689
Distribution (30/06/22)	\$0.0012

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

Holdings by Sector



Holdings by Category



Fund review and strategy

The Fund recorded a good performance in July, with the monthly return of 0.30% well above the Fund's target monthly return. Of course, past performance does not indicate future performance.

The Fund's performance was due to markets somewhat stabilising, and more significantly the strategic realignment of the Fund's portfolio over the last 2 months to the investment environment where there is still significant uncertainty. This strategic realignment has primarily been to "de-risk" the portfolio driven by our view that there is still the potential for market uncertainty and volatility to continue for some time.

The market uncertainty is primarily driven by the move higher in inflation in Australia with the latest year-on-year CPI at 6.1%, a 20 year high.

The move higher in inflation is a global phenomenon. Central banks in a number of countries are responding to the higher inflation by initiating a cycle of monetary tightening. Their main intention is to prevent the 'secondary' effects of inflation, being to restrict the initial price shocks from the pandemic and global supply/logistics bottlenecks transferring into broad-based price increases across the economy (for example wages, utility costs such as gas and electricity are often linked directly to the CPI).

In Australia so far, the RBA has raised rates from 0.1% to 1.85%. The RBA hiked 0.50% in the months of June, July and August. The senior economists of the four major banks forecast an official cash rate in the range of 2.6%-3.1% so the rate hikes are by no means over.

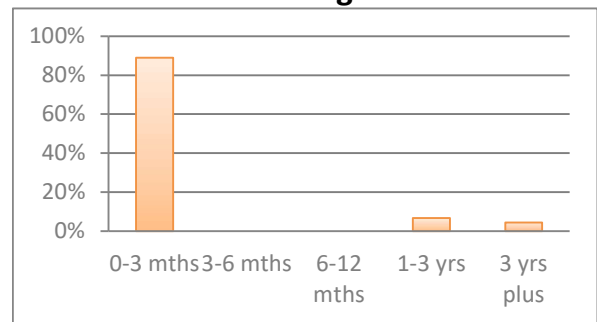
In the US, the situation is similar with the latest inflation numbers showing an annual inflation rate of 9.1%, a 40 year high. The US Fed is hiking aggressively as a result. Market-based rates such as the BBSW rate, business loan rates and mortgage rates have largely anticipated the rate hikes, however there is certainly room for these rates to rise further.

The Fund's portfolio is positioned to directly benefit from rate increases because the index for the floating rate securities in the Fund's portfolio is linked directly to the 3 month BBSW rate which tends to broadly move with the official cash rate, with leads and lags. The de-risking of the Fund's portfolio has meant that the Fund's exposure to rising credits spreads (in the event of, for example, an economic downturn) is significantly reduced. Hence, the Fund is prepared for any further volatility in the market and particularly an economic downturn should that occur in coming months.

The assets in the Fund's portfolio are performing well and meeting our expectations.

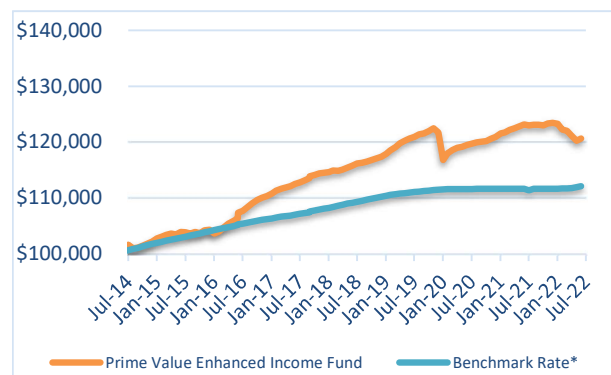
As always, we welcome your feedback and comments and we would be delighted to organise a meeting or a call with Matthew Lemke, the Fund Manager.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate resets duration is approximately 0.25 years. The majority of interest rates are reset every quarter. Securities with interest rates resets 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 \$120,600 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$112,130 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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