Prime Value Enhanced Income Fund
Monthly Fund Update – November 2022

- The Fund performed well in November with an after-fees return of 0.34%, above its target monthly return for the 2nd month in a row
- The 'de-risking' of the Fund's portfolio is assisting performance along with RBA rate hikes as the Fund benefits from higher interest rates
- The Fund is on track to pay its December quarterly distribution in early January.

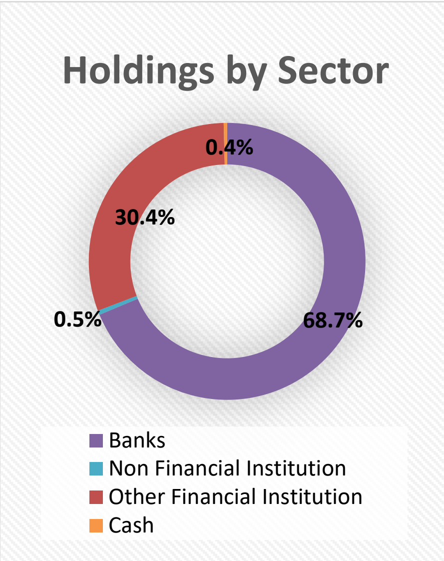
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.37%**	2.81%	1.47%
7 years	**2.36%**	2.86%	1.26%
5 Years (p.a.)	**1.40%**	1.75%	1.02%
3 Years (p.a.)	**0.15%**	0.35%	0.58%
1 year	**-0.79%**	-0.72%	1.37%
6 Months	**0.78%**	0.84%	1.23%
3 Months	**0.50%**	0.50%	0.72%
1 Month	**0.34%**	0.34%	0.25%

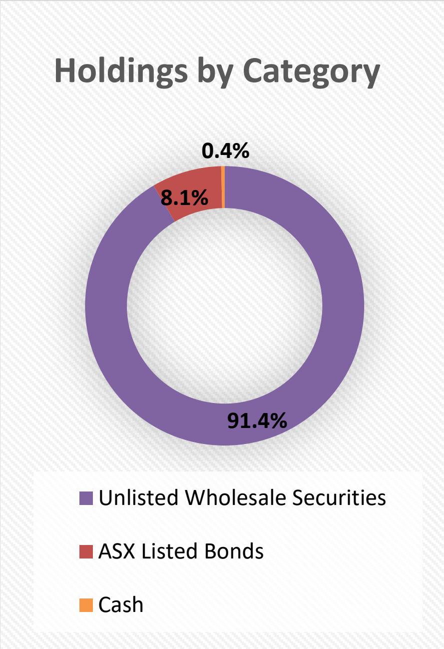
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income

Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Australian Unity	Financial Institution	ASX Listed 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. 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. 0.3-0.4 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$0.9783
Withdrawal Price	$0.9781
Distribution (30/09/22)	$0.0025

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





Fund review and strategy

The Fund performed well in November with an after-fees return of 0.34%, above its target monthly return. Of course, past performance is not a reliable indicator of future performance.

The Fund is on track to pay its December quarterly distribution in early January.

The Fund's good performance in November was largely due to the 'de-risking' of the Fund's portfolio mid-year, ensuring the Fund has very high-quality assets in its portfolio given the uncertain outlook for markets in 2023. The portfolio is now mainly invested in senior-ranking securities issued by the major Australian banks. This strategic move to high-quality assets will help insulate performance should market conditions deteriorate and any flow-on effect on credit spreads in the debt and fixed income markets. We will stay conservative and disciplined in our management of the Fund.

The outlook for RBA monetary policy is more uncertain than it has been in the last 3 months. The market had been pricing in 4 more rate hikes but had wound this back to 3 hikes after the October monthly CPI, released late-November, showed a decline with year-on-year CPI falling from 7.3% to 6.9%. The market was also taking into account several recent data releases suggesting weakness in the economy:

- The 0.2% fall in retail sales in October as an indicator that rate rises may be starting to impact consumers, especially after Australian retail sales have been performing so well in the past year (year-on-year retail sales have increased 12.5%);
- The weak building approvals for October 2022 – this showed total dwellings approved fell 6.0% in October; and
- The fall in Australia's Terms of Trade – the Terms of Trade has undoubtedly been supporting the economy and has been at historical highs driven by strong prices for key exports such as iron ore, coal and gas. However, 3rd quarter data shows the Terms of Trade decreased by just over 6% from the 2nd quarter. This decline is only marginal from a historically high base, but one to be watched especially with the continuing China lockdown.

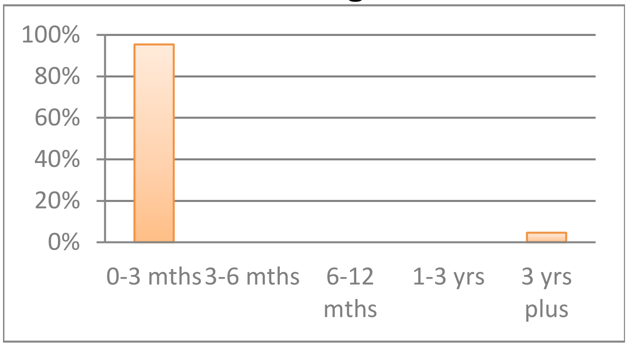
As expected, the RBA hiked 0.25% on 6 December –bringing the total rate hikes this year to 3% - and the RBA statement after the rate hike suggests it is by no means finished. The RBA will clearly be watching for any signs of deterioration in the economy and very alert to wage increases as these may cause inflation to push higher, especially with unemployment still being so low (3.4%). The recent passage of the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 through Federal Parliament may be a catalyst to a raft of wage claims. Trade unions will now be pushing for wage increases across a wide variety of industry sectors.

In this environment, the RBA is expected to be conservative and not change tact, which is to hike rates further to contain inflation, especially with current inflation (6.9% year-on-year) well above its 2-3% medium-term policy objective, the passage of the Fair Work legislation, and the Terms of Trade remaining near historical highs and supporting the economy generally.

The Fund directly benefits from the RBA rate rises as these translate to higher BBSW rates in the wholesale interest rates – virtually all the securities in the portfolio are "floating rate notes" which means the base interest rate resets on average every 3-4 months (see chart top-right).

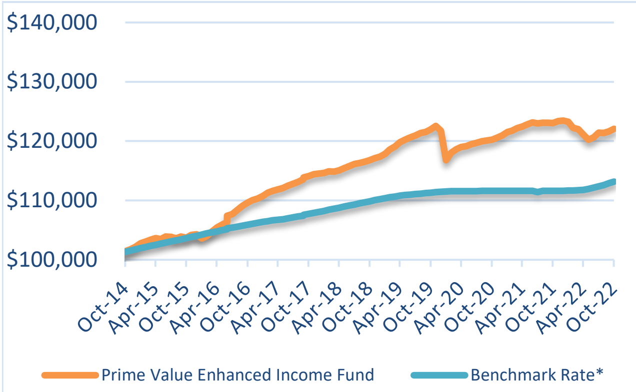
Assets in the Fund's portfolio are performing well and meeting target income and capital requirements. We continue to monitor markets very closely given the wide range of factors influencing global economies and markets at the moment. We thank you for your continued loyalty to the Fund and would welcome any questions or comments that you may have. We would also like to make available a meeting or phone call with the Fund Manager, Matthew Lemke.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate resets duration is approximately 0.3-0.4 years. The majority of interest rates are reset every quarter. Securities with interest rate resets on average every quarter or so benefit from interest rate increases, unlike fixed rate investments.

Fund Performance



This graph shows how $100,000 invested at the Fund's inception has increased to $122,060 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $113,170 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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