Prime Value Enhanced Income Fund
Monthly Fund Update – December 2022

- The Fund performed well in December with a return of 0.51% after-fees, above its target return for the 3rd month in a row.
- The Fund paid a distribution of 0.25 cents/unit in early January.
- Several factors may influence markets: we will stay alert to market developments to ensure investor capital is invested well.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.41%**	2.84%	1.48%
7 years	**2.36%**	2.84%	1.27%
5 Years (p.a.)	**1.46%**	1.77%	1.04%
3 Years (p.a.)	**0.20%**	0.34%	0.64%
1 year	**-0.58%**	-0.52%	1.63%
6 Months	**2.03%**	2.03%	1.35%
3 Months	**1.07%**	1.07%	0.76%
1 Month	**0.51%**	0.51%	0.26%

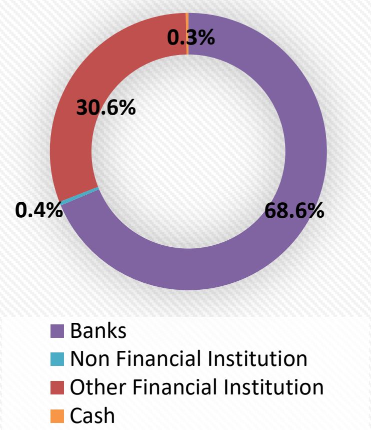
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

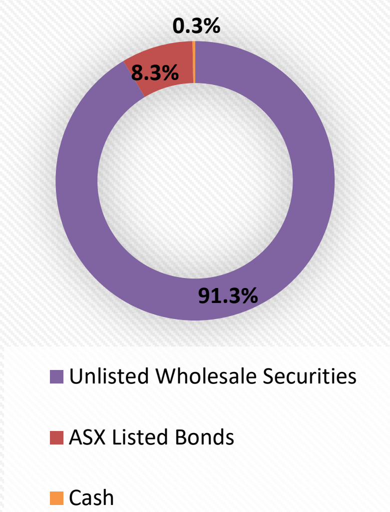
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (appreciating that the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment 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	$0.9810
Withdrawal Price	$0.9806
Distribution (31/12/22)	$0.0025

[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 performed particularly well in December achieving a return of 0.51% after-fees, above its target return for the 3rd month in a row.

The return for the 3 months ended 31 December was 1.07% after-fees, and 2.03% after-fees for the 6 months ended 31 December. These returns are above the target returns for the Fund. Of course, past performance is not a reliable indicator of future performance.

The Fund paid a distribution of 0.25 cents/unit in early January.

In 2023, our central view is that inflation will stay high for some time and the RBA will hike rates further, but that the Australian economy will continue to perform well, and better than many other western developed countries. The Fund directly benefits from higher interest rates and so the interest rate and economic environment are both supportive to the Fund.

We recognise, nonetheless, that markets are quite unpredictable and so we adopt a risk management approach to the portfolio, rather than predicting markets. The unpredictability of markets was seen last year when the RBA unexpectedly hiked rates 3%, starting in May, when even as late as January last year the RBA was holding to its view that rates would not be hiked until at least the end of 2023 and this was also the view of the major bank economists. The outbreak of inflation in Australia to 7% was the major catalyst to the hikes, especially when the initial surge in inflation did not abate and inflation in many western developed countries and our trading partners rose to 7%-10% and even higher. The RBA undoubtedly felt pressure to begin hiking early (May) and strongly (3% in 7 months) given the inflation rate was so far above its publicly-stated policy band of 2-3%.

The risk management approach basically means that we do not base the portfolio on market predictions, but moreover minimising the impact of market risks in the portfolio should they occur. Our goal is to ensure the Fund's capital is safe and that we can continue to pay investors a distribution every 3 months.

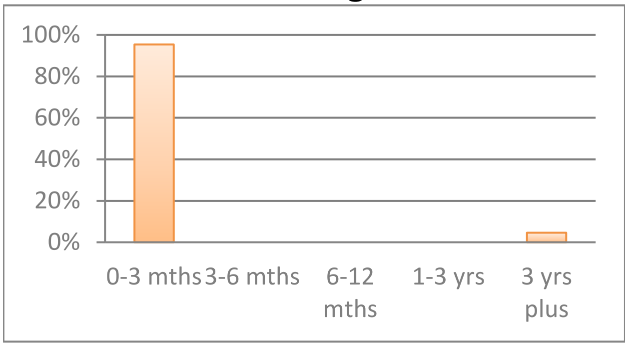
The major portfolio strategy that we have successfully adopted since mid-2022 to mitigate the risks and continue to benefit from rising interest rates, is to be invested in high-quality debt securities, that are "floating rate" (i.e. the interest rate is reset every 3 months) and primarily issued by the major Australian banks. These securities pay a regular and dependable income stream and have a very low credit risk. The portfolio is now predominantly invested in this way so no major changes are required.

This strategy in turn has two important risk management benefits, first, that the Fund's exposure to credit risk is greatly reduced, and secondly, the securities in the portfolio can be readily sold should market conditions deteriorate for whatever reason.

Our focus will be to stay very alert and use our market and fund management experience to ensure the portfolio is appropriate to market conditions as they change and evolve. Our major goals are to ensure credit risk is contained, investor funds are stewarded well, and that distributions continue to occur every 3 months.

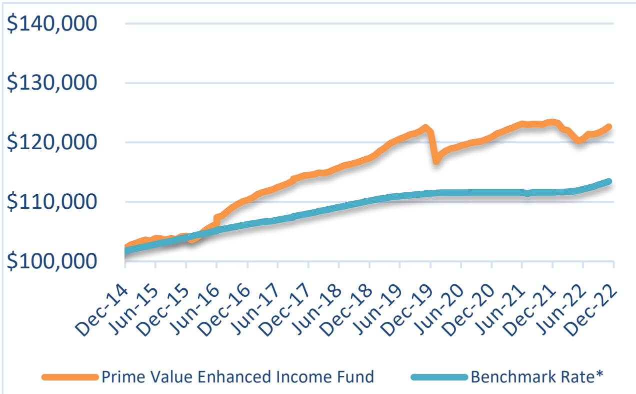
We welcome any comments or any questions you may have and would be very pleased to organise a meeting or call with the Fund Manager, Matthew Lemke or Prime Value CEO, Yak Yong Quek. We wish you and your family and friends a very safe holiday season.

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 $122,680 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $113,460 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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