Prime Value Enhanced Income Fund
Monthly Fund Update – February 2023

- The Fund again performed well in February with a return of 0.43% after-fees, above its benchmark return.
- The Fund's move to high-rated securities last year has had a very positive effect on the Fund's performance.
- Several local and offshore factors may influence Australian markets: we are staying very alert to market developments.
- We are fully focused on capital stability and paying a regular quarterly distribution to investors

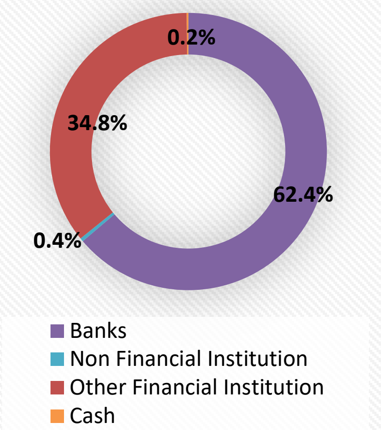
	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.47%**	2.89%	1.52%
7 years (p.a.)	**2.57%**	3.05%	1.30%
5 Years (p.a.)	**1.56%**	1.87%	1.09%
3 Years (p.a.)	**0.54%**	0.69%	0.77%
1 year	**0.39%**	0.46%	2.17%
6 Months	**1.90%**	1.90%	1.54%
3 Months	**1.39%**	1.39%	1.81%
1 Month	**0.43%**	0.43%	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.

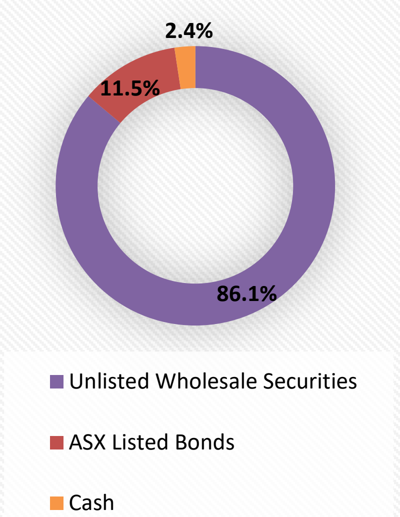
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Australian Unity	Financial Institution	ASX Listed Notes

Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (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.
Target Market	The Fund is designed for investors seeking a regular return above the 90 day BBSW rate from a diverse portfolio of investments with an emphasis on capital preservation.
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	$0.9896
Withdrawal Price	$0.9892
Distribution (31/12/22)	$0.0025

Holdings by Sector



Holdings by Category



Fund review and strategy

The Fund again performed well in February with a return of 0.43% after fees, continuing the good run of returns (January's return was 0.45% and December's return was 0.51%). The returns for the past 6 months are above the benchmark return for the Fund, and we are pleased with the Fund's performance. Of course, past performance is not a reliable indicator of future performance.

The RBA hiked in February by 0.25% taking the cash rate to 3.35% and hiked again on 7 March taking the cash rate to 3.60%. More rate hikes are highly likely and this has been stated by the RBA. The Fund is benefitting from the rise in interest rates as the vast majority of securities in the portfolio are linked to wholesale rates.

A key market risk to the Fund is if credit spreads increase. Credit spreads have been stable to falling. Credit markets are liquid and absorbing significant new debt highlighting the strong demand for debt securities. We believe the stability in credit spreads will continue especially for the high-grade securities in the Fund's portfolio. We have constructed the portfolio with a degree of "risk offset" in that, firstly, the benefit received by the Fund from the higher interest rates will offset some or all of any rise in credit spreads. and secondly, the high-grade securities in which the Fund is invested could actually trade at lower credit spreads in any market downturn as investors will tend to buy higher quality securities ("flight to quality").

Other more general factors that may influence the investment portfolio are set out below. None of the factors are a cause for concern at this stage.

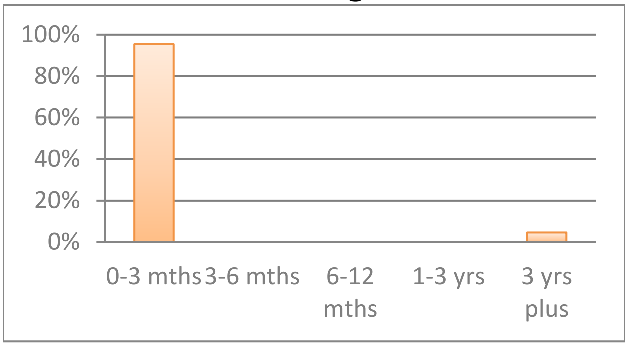
- Australian Labor Party policy: The new Government appears to be "floating" a number of policy measures. The May Budget is a key focus for the rollout of these Government measures, and we will be watching carefully for any statements by the Federal Government in the lead-up to the Budget;
- The potential for more rate hikes than expected should ambit wage claims being awarded with high wage increases;
- China's move from lockdown is positive for the Fund as it is likely to help our Terms of Trade (exports less imports) and cushion any negative effects of rate hikes on credit spreads; and
- The US situation, where many economic uncertainties exist. Developments in the US are important to Australia. The US market was convinced late last year and in January that the US Fed was only hiking twice more as inflation seemed to have plateaued. The latest data suggests inflation is not falling and price rises are in fact becoming more widespread. Markets and key economists now see the Fed hiking another 1%, but then followed by rate cuts in 2024 as the economy falters under the weight of the rate hikes. These developments could eventually unravel some of the equity market's good performance and have flow-on effects to Australia, and credit markets generally. There is no market consensus or guidance from the Fed on how far they will hike rates.

The above highlights the market uncertainties we live with, and the reason we adopt a risk-management approach to the way we manage the Fund, and not trying to predict markets or take undue risks to generate returns. The vast majority of the portfolio (currently ca. 90% of securities) are only traded in the professional wholesale market (not the listed ASX market), and all securities are all high-quality, so this minimises overall price volatility.

We are constantly assessing market conditions and all the securities in the portfolio. The Fund is fully focused on capital stability and paying a regular quarterly distribution to investors.

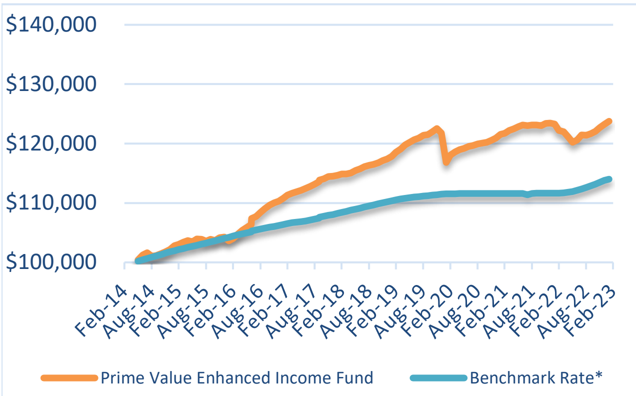
We welcome any comments or any questions you may have and would be very pleased to organise a call with the Fund Manager, Matthew Lemke.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.3-0.4 years. The majority of securities in the Fund's portfolio have interest rates that reset every quarter, and therefore 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 $123,760 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $114,008 over the same period.

*The Benchmark Return was calculated by reference to the RBA Official Cash Rate until December 2020 and thereafter by reference to the 90 day BBSW rate

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