

Prime Value Enhanced Income Fund

Monthly Fund Update – May 2023



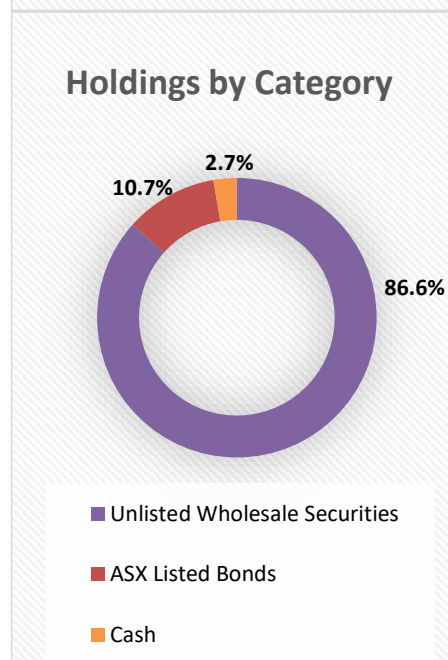
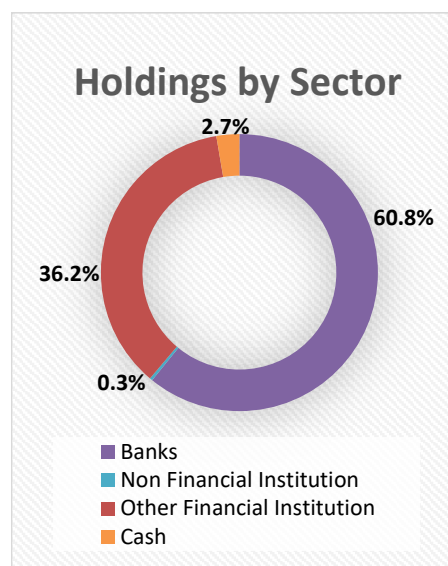
- The Fund had a difficult month in May due to the significant rise in interest rates in the market affecting the small percentage (approx. 8%) of fixed-rate securities in the Fund's portfolio. Over time, the higher interest rates will benefit the Fund given that over 90% of the Fund's portfolio is invested in floating-rate securities. Over April and May, the Fund's return was 0.23% after-fees. We encourage investors to look at longer periods than a single month when considering overall performance.
- We remain 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.)	2.42%	2.84%	1.58%
7 years (p.a.)	2.35%	2.80%	1.35%
5 Years (p.a.)	1.55%	1.81%	1.17%
3 Years (p.a.)	1.50%	1.63%	1.05%
1 year	2.41%	2.48%	2.97%
6 Months	1.62%	1.62%	1.73%
3 Months	0.22%	0.22%	0.91%
1 Month	-0.45%	-0.45%	0.33%

* 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
ANZ	Banks	Wholesale Notes
CBA	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. 0.5 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$0.9893
Withdrawal Price	\$0.9889
Distribution (31/03/23)	\$0.0025



Fund review and strategy

The Fund had a difficult month in May due to the significant rise in bond yields in the market impacting the small percentage (8.2%) of the Fund's portfolio invested in fixed-rate securities. The bond market selloff occurred due to:

- The Federal Budget, which was regarded as expansionary;
- Economic data releases in May such as the CPI for April showing that inflation rose 6.8% in the prior 12 months (up from 6.3% a month earlier) and the Minutes of the RBA Board meeting held in May which indicated the RBA is still inclined towards further rate hikes; and
- The global bond selloff in May, mainly due to inflation and employment data "surprises", and the debt ceiling debate in the US (which has since been resolved).

Over 90% of the Fund's portfolio is invested in floating-rate securities which have interest rate resets every 3 months. Over time, therefore, the Fund will progressively benefit from higher interest rates. We limit the percentage of securities that have interest rate resets longer than 3 months to mitigate the Fund's exposure to any rise in bond yields, even though the yields for longer resetting securities are higher.

Looking at the combined months of April and May, the Fund had a return of 0.23% after-fees. The good performance in April of 0.68% after-fees was partially offset by the 0.45% loss in May. We encourage investors to look at the Fund's returns over longer periods as market volatility can cause an individual month's performance to be misleading.

Of course, past performance is not a reliable indicator of future performance.

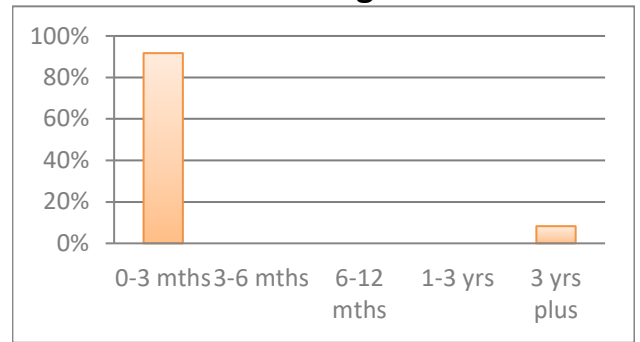
The Fund's main risk is credit or "counterparty" risk. This risk is mitigated in that currently approximately 70% of the Fund's portfolio is invested in "AAA" or "AA-" rated securities with the balance invested in investment-grade securities or securities issued by an investment-grade entity. The quality of securities is therefore very solid from a credit risk perspective. The portfolio is also very liquid given the credit quality with most of the securities held being issued by the four major banks – this liquidity materially assists portfolio management.

We are closely monitoring market and economic developments, particularly:

- Inflation - the data indicates inflation still remains stubbornly high;
- The prospect of RBA rate hikes - the statement issued by the RBA after hiking the cash rate on 6 June indicated an inclination to hike rates further to bring inflation back to their 2%-3% medium-term policy band;
- The "politicisation" of interest rates as the Federal Government looks for ways to fund its Budget and social initiatives, and the RBA seeks to use monetary policy to bring inflation down. The 'temperature' on the politics of interest rates has risen with the Government's proposed overhaul of the RBA, together with RBA Governor Philip Lowe's recent remarks to the Senate committee in which he suggested that politicians may need to rethink how Australia fights inflation; and
- Global share and bond markets - markets were volatile in May due to the upside surprises in inflation and employment data in several major countries, and the debt ceiling issue in the US (now resolved).

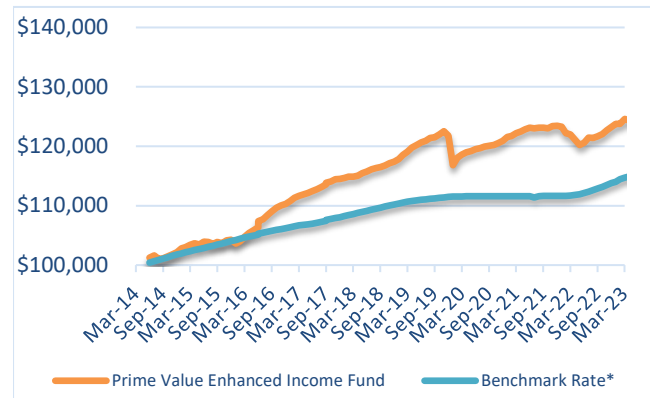
We welcome any comments or questions you may have and would be very pleased to organise a call with the Fund Manager, Matthew Lemke, or the CEO of Prime Value, Yak Yong Quek.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.5 years. The vast majority of securities in the Fund's portfolio have interest rates that reset every quarter, and therefore benefit from interest rate increases.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$124,030 (net of fees). This compares with the return of the benchmark rate, where a \$100,000 investment would have increased to \$115,120 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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