Prime Value Enhanced Income Fund
Monthly Fund Update – June 2023

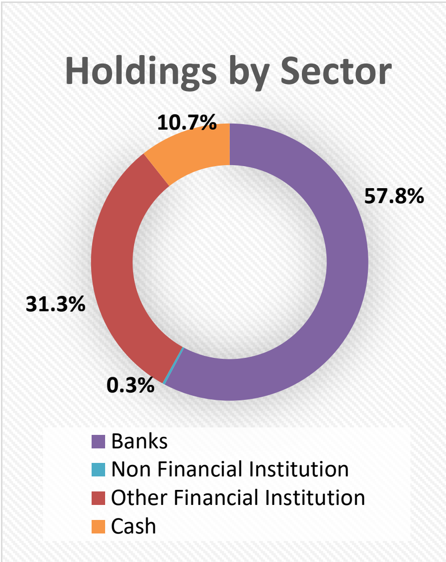
- The Fund performed well in June with a 0.30% return after-fees. For the last 3 months, the return was 0.53% after-fees. The return over the Financial Year just ended was 3.47% after-fees, which is 0.27% above the Fund's benchmark return.
- The Fund will shortly pay a distribution for the June quarter of $0.25 cents/unit.
- The main market event during the Financial Year was the extent of the RBA rate hikes. We believe the RBA is close to the end of its tightening cycle and this is supporting the credit market and securities in the Fund's portfolio. However, we remain alert to market and economic developments, and will continue to manage the Fund conservatively to provide capital stability and ongoing distributions.

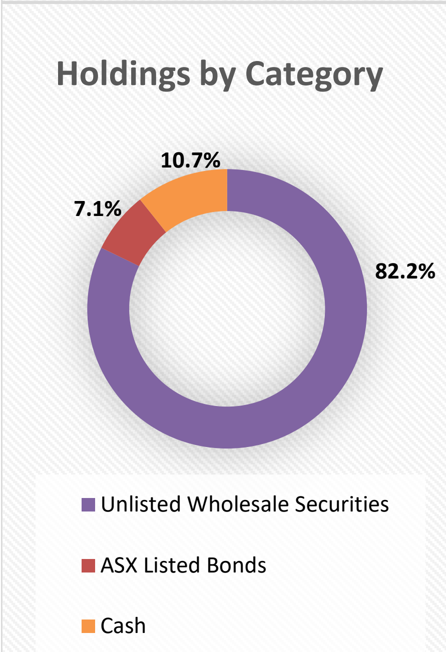
	Net Return*	Net Return including Franking Credits**	Average 90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.43%**	2.84%	1.60%
7 years (p.a.)	**2.33%**	2.75%	1.38%
5 Years (p.a.)	**1.58%**	1.83%	1.21%
3 Years (p.a.)	**1.49%**	1.58%	1.17%
1 year	**3.47%**	3.47%	3.20%
6 Months	**1.41%**	1.41%	1.83%
3 Months	**0.53%**	0.53%	0.96%
1 Month	**0.30%**	0.30%	0.36%

* 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. 0.5 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$0.9898
Withdrawal Price	$0.9894
Distribution (30/06/23)	$0.0025





Fund review and strategy

The Fund performed well in June with a 0.30% return after-fees. For the last 3 months, the return was 0.53% after-fees. The return over the Financial Year just ended was 3.47% after-fees, which is 0.27% above the Fund's benchmark return. Of course, past performance is not a reliable indicator of future performance.

The Fund will shortly pay a distribution for the June quarter of $0.25 cents/unit.

The burning question for markets is whether the RBA will hike rates beyond the 4% of hikes since May 2022. Our concern would be if the RBA hikes rates to the point where the economy began to falter. We are not at that point and the Australian economy is performing well with the pickup in net migration, unemployment at 3.5%, and the strong Terms of Trade all contributing. Historical context to the question of further rate hikes is important. In the 1970s and early 1980s, high inflation globally and in Australia led to a major tightening cycle, and then, a bad recession which was blamed on the severe rate hikes. Another recession followed in the early 1990s, again blamed on the rate hikes. Central banks such as the US Fed, Bank of Canada, and the Bank of England then adopted inflation targets in the 1990s, with 2% as the target. The RBA adopted a 2-3% target band. The inflation target adopted by the RBA and other central banks is designed to: (1) make sure interest rates are hiked early enough to prevent runaway inflation requiring much larger rate hikes which could potentially lead to a recession, (2) make inflation the key variable given its propensity to keeping rising, with effects on cost of living, exacerbating wealth disparities within society, and lessening Government control of the economy, and (3) allow the RBA to operate independently from government.

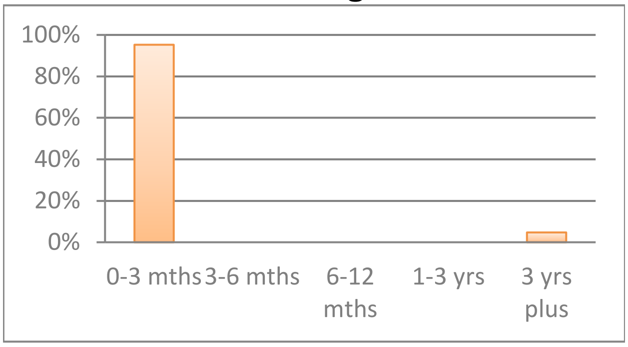
The onset of COVID in early 2020 saw rate cuts in Australia and many other countries to all-time lows together with "Quantitative Easing" (central banks buying bonds to lower interest rates) to avert a recession and bolster employment. Inflation then began to pick up, moving above the 2-3% band, and so the RBA commenced hiking rates in May 2022. Other central banks also hiked rates, for example the US Fed has hiked rates 5% since March 2022.

In hiking rates, the RBA is trying to bring inflation back to the 2-3% medium-term policy band. The question of more rate hikes therefore depends on actual inflation and the RBA's forecast for inflation. There are signs inflation is abating – the May inflation rate released late-June came in at 5.6% (annual) down from 6.8% in April. The official RBA forecast for inflation is for it to fall to 3% by mid-2025, which importantly, falls within the RBA's 2-3% medium-term policy band. The RBA may therefore be very close to the end of the rate hikes, and this is supporting the credit market and the securities in which the Fund is invested. This view is supported by the decision not to hike rates on 4 July. However, on July 12 the June quarter CPI is released - if higher than expected, the RBA could hike rates in August. Beyond that, we will probably need to wait for the new Governor (the Federal Treasurer is unlikely to extend Philip Lowe's tenure) and the new rate-setting committee, both to commence mid-September. With the Federal Government having control over the new Governor's appointment and selection of people on the rate-setting committee, there is a view that the RBA will be less inclined to hike rates. We expect the RBA's monetary policy to continue to be a vexed issue for economists, and 'headline' news in the media over coming weeks and months.

As we enter the new Financial Year, we will again be managing the Fund conservatively, by holding securities mainly issued by the major banks, with a high percentage (currently over 90%) of the Fund's portfolio in "floating-rate" securities which benefit from the higher interest rates, and by limiting the Fund's credit risk - currently with over 70% of the portfolio is invested in "AAA" or "AA-" rated securities, with the balance in investment-grade securities or securities issued by investment-grade entities. Our aim is to manage the Fund so as to provide capital stability and ongoing distributions every quarter.

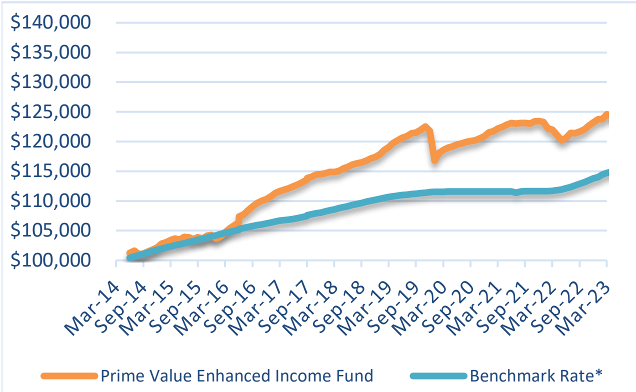
If you have any questions, please do not hesitate to arrange a call with Matthew Lemke, the Fund Manager or Prime Value's CEO, Yak Yong Quek.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.24 years. Over 90% 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 $124,410 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $115,530 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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