Prime Value Enhanced Income Fund
Monthly Fund Update – July 2023

- The Fund performed well in July with a 0.38% return after-fees, which is above its Benchmark return. For the past 12 months, the return was 3.55% after-fees (excluding franking credits), also above its Benchmark return.
- The RBA appears to be at or close to the end of its tightening cycle. However, we continue to manage the Fund's portfolio conservatively given the market uncertainties in Australia and internationally and in July we increased the Fund's weighting of major Australian bank securities, and securities rated "AA-" and "AAA", whilst keeping the vast majority of the portfolio in floating rate securities which directly benefit from the high interest rates. We remain very alert to market and economic developments.

	Net Return*	Net Return including Franking Credits**	90 Day Bank Bill Rate (BBSW)
Since inception (p.a.)	**2.45%**	2.88%	1.63%
7 years (p.a.)	**2.32%**	2.77%	1.41%
5 Years (p.a.)	**1.58%**	1.87%	1.25%
3 Years (p.a.)	**1.57%**	1.72%	1.29%
1 year	**3.55%**	3.73%	3.41%
6 Months	**1.34%**	1.51%	1.91%
3 Months	**0.23%**	0.40%	1.05%
1 Month	**0.38%**	0.38%	0.36%

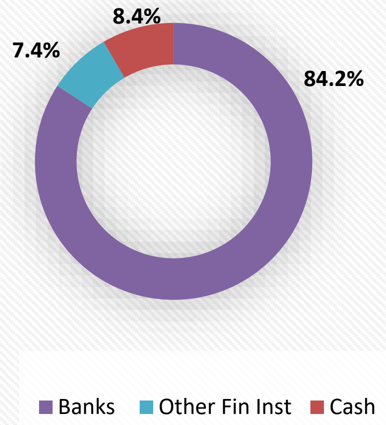
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. **Returns grossed up for Franking Credits are estimates.

Major Holdings	Sector	Category
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
NAB	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

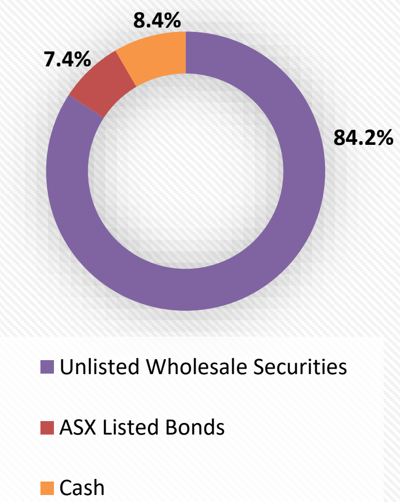
Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk of capital loss in the medium term (the Fund's unit price will vary with market factors and other factors affecting the prices of securities in the investment portfolio). The Fund targets a 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 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$0.9936
Withdrawal Price	$0.9932
Distribution (30/06/23)	$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 well in June with a 0.38% return after-fees, which is above its Benchmark return. For the past 12 months, the return was 3.55% after-fees (excluding franking credits), which is also above its Benchmark return. Of course, past performance is not a reliable indicator of future performance.

Inflation and interest rates remain the key variables for the Fund's performance. The Fund directly benefits from rising interest rates as the interest rate on securities in the portfolio resets every 3 months. However, if the RBA hikes too far and the economy begins to falter, then credit risk and credit spreads will rise impacting prices of securities in the Fund's portfolio. For this to happen, we estimate the RBA would have to take the cash rate from the current 4.1% to at least 5%. We believe this is very unlikely for the reasons below, and in fact there is a good case that the RBA's pause of the last two months will continue for some time:

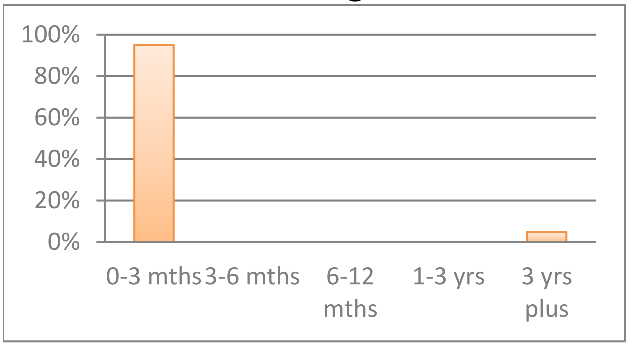
- The sheer number of rate hikes so far (12 hikes totalling 4% since May 2022) and the RBA's comments after not hiking rates on 1 August (the second month in a row) that the hikes to date are establishing "a more sustainable balance between supply and demand", and that their revised forecasts for unemployment (rising from 3.5% to 4.5% in 2024), GDP growth (below-trend at around 2% over 2024-25) and inflation (3.25% by late-2024, only marginally higher than the RBA's medium-term 2-3% policy target) now justify not hiking further;
- The downtrend in inflation as seen in the June quarter CPI data showing inflation in the prior 12 months down to 6% from 7% in March. The June quarter CPI only rose 0.8%. This data allowed the RBA to bring forward the timing of its forecast for inflation to fall into the 2-3% policy band;
- The "institutional" framework for inflation and interest rates in Australia is changing and the timing of the various appointments suggests no more rate hikes will occur in the immediate future. In July the Federal Treasurer appointed the new RBA Governor to commence mid-September. The scope and wording of the RBA's monetary policy objectives, and the formation and operation of the new 'rate-setting committee' are still being worked out. In July the Federal Government also announced the new Chair of the Productivity Commission together with an overhaul of the Commission to create greater productivity gains and less inflation in the economy; and
- Our major trading partners appear to be on a lower growth trajectory, weighed down by inflation and rate hikes. Economists are now forecasting even bigger slowdowns in the US and the Eurozone after the US Fed and the European Central Bank both hiked rates again in late-July. China is also experiencing an economic slowdown and in late-July the People's Bank of China cut interest rates.

In managing the Fund, we adopt a "risk-management" approach, which means that, whatever our views or the market's views on inflation or interest rates may be, we manage the Fund's portfolio conservatively to mitigate the liquidity, credit and interest rate risks while still meeting the Fund's objectives of capital stability and quarterly distributions to investors. While both interest rates and inflation affect cost of living, interest rates are the only "mainstream" policy tool to control inflation. Hence, although the RBA has paused, it may resume hikes if the downward trend in inflation does not continue. Having such a low 2-3% policy target for inflation is to ensure the RBA keeps its focus on inflation and hikes rates early to contain it and avoid the "boom-bust" experience of the 1980s and early 1990s.

With all this in mind, during July we further reduced the Fund's credit risk by increasing the weighting of "AAA" and "AA-" rated securities from 64% to 83%, and increased the weighting of senior unsecured securities of the four major Australian banks from 58% to 77%. We continue to weight the portfolio heavily to "floating rate" securities, currently at 87% (95% if cash holdings are included), so the Fund directly benefits from the higher interest rates.

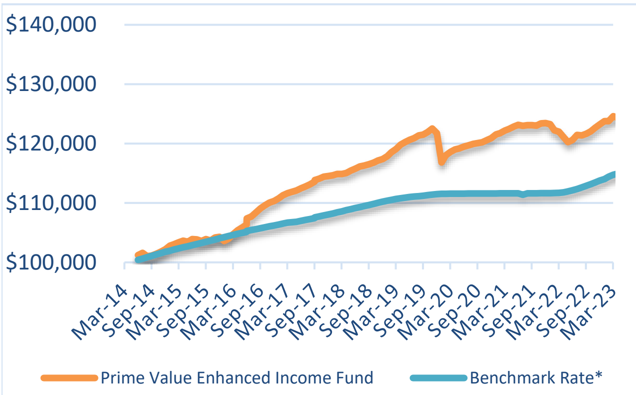
If you have any questions, please do not hesitate to arrange a call with Matthew Lemke, the Fund Manager or Prime Value's CEO, Yak Yong Quek.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.3 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 $124,890 (net of fees). This compares with the return of the benchmark rate, where a $100,000 investment would have increased to $115,950 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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