DMP ASSET MANAGEMENT

DMP Enhanced Income Trust

30 September 2021

Investment Manager	SG Hiscock & Company Limited	**APIR**	ETL6695AU
Sub-Investment Manager	DMP Asset Management Ltd	**Minimum Initial Investment**	$20,000
Commencement	01 April 2020	**Qualifying Investors**	Wholesale clients
Management Costs[1]	0.21%	**Buy Spread**	0.10%
Performance Fee[2]	20.50%	**Sell Spread**	0.10%

Investment Objective

Manage a diversified portfolio of mainly income producing securities to deliver regular quarterly income in excess of average major bank term deposit rates.

Investments Held

The Trust will primarily invest in listed and unlisted income securities.

Performance[3]

	3 mths %	6 mths %	1 year %	Since Inception % p.a (1/4/2020)
Total Net Return after fees	0.85	1.94	4.20	8.50
Bloomberg AusBond Bank Bill Index (BAUBIL) + 1%	0.26	0.51	1.04	1.09
Total Net Return vs. the Benchmark	0.59	1.43	3.17	7.41

Past performance is not a reliable indicator of future performance.

Distributions (cpu)[4]

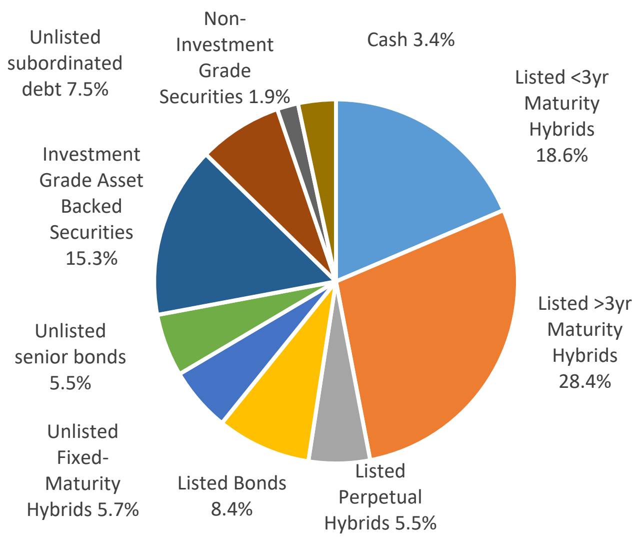
31 December 2020	0.34
31 March 2021	0.34
30 June 2021	0.78
30 September 2021	0.35

30 September 2021 Unit Prices *

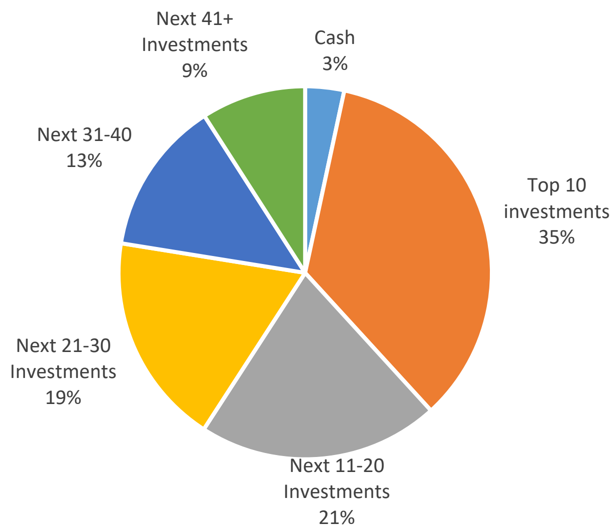
Application	$1.1238
Net Asset Value	$1.1227
Withdrawal	$1.1216

** (pre-distribution)*

Portfolio Asset Allocation*



Portfolio Diverisifcation of Investments*



* As at 30 September 2021. Current number of Investments is 54 excluding cash

[1] Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
[2] Performance Fee: 20.50% of the amount by which the Trust's performance exceeds the performance hurdle (Bloomberg AusBond Bank Bill Index (BAUBIL) + 1%). Any underperformance from a prior period must be recouped before a fee can be taken (we call this the High-Water Mark).
[3] Performance: Total Net Return is the Trust return after the deduction of ongoing fees and performance fees and assumes the reinvestment of all distributions
[4] Cents per unit

Performance Commentary

Over the quarter, the Trust returned +0.85 % (net of fees) vs the benchmark of +0.26%, delivering an excess return of +0.59% over the period. The Bloomberg AusBond Bank Bill Index remained at subdued levels during the quarter.

Similar to previous quarters, there were no material movements in short term interest rates except for the expected 25bp rate rise by the RBNZ. Governments and central banks remain attached at the hip, with central banks continuing to support economies globally with cheap levels of cash. With economies broadly moving to a re-opening phase, government deficits remain large and, in some circumstances, are continuing to rise. While a united front from governments and central banks is positive for re-opening economies quickly, it does call into question central banks' independence from government.

Central banks' commentary has become a little more hawkish over the quarter. While interest rate rises are not expected soon, tapering is predicted to come to end by the middle of next year. The added liquidity provided by central banks has resulted in all major asset classes continuing to function without any issues. This is evidenced by several participants coming to market early than expected to refinance debt as very attractive levels. Credit spreads remain at very low levels, with pockets of distress virtually non-existent.

We are watching inflation very closely as this should dictate interest rate changes. Previously, central banks stated that they would be slower than usual in reacting to an uptick in core inflation. Current headline inflation is rising, however, much of this inflation is due to supply-side shortages as opposed to core inflation. A great example was the price of lumber in North America. In November 2020, the price was ~US$500/1000 feet and quickly rose to over US$1,600 (in May 2021) before settling back to US$620 at the end of September 2021. There are many other examples of this occurring which is dividing the market on the level of sustained inflation. US long term government bond yields were somewhat volatile in this quarter, ranging from a high of 1.54% and a low of 1.17%.

We are continuing to examine employment. US jobs data has been very volatile due to 1) large incentive payments to not to return to work in some states 2) summer holidays and 3) difficulty in securing childcare. This has caused a large volume of women to leave the workforce. It is still too early to see how this will play out given a number of government monetary incentives ceased at the end of September. However, we expect the number of participants looking for work to eventually return to pre-pandemic levels. In Australia, the unemployment rate fell to 4.5%, nevertheless, total worked hours haven't seen a similar improvement yet – this will be key for wage inflation. Some sectors, especially the hospitability and leisure sectors, are experiencing labour shortages and placing pressure on wages. However, we do not believe this will spill over to the rest of the economy with private sectors wages remaining broadly anaemic.

In terms of portfolio composition, there hasn't been any material change in the asset allocation. We still don't see a large appeal to invest in some fixed-rate issuances, therefore we maintain a portfolio of floating-rate securities that will benefit from the inevitable increase in interest rates. While credit spreads have returned to pre-pandemic levels, we still are finding opportunities to invest in high quality issues at reasonable prices. Just a remainder that the returns experienced since inception are heavily impacted by the performance of the June 2020 quarter and are unlikely to be repeated. Future performance should be delivered by consistent and sustainable returns derived predominantly from income rather than capital movements. We retained a high number of individual investments as a means of further diversifying the portfolios maturity profile, sector exposures, and ranking. This leads us to maintain a positive outlook for the next 12 months.

Investment Guidelines

To achieve its investment objective, the Trust will:

- Invest in a group of securities comprising:
  - Securities listed on the Australian Securities Exchange including:
    - Australian equities that meet a yield criteria
    - Corporate Bonds
    - Hybrid securities
    - Subordinated debt
- Unlisted securities issued in the Australian market that pay a fixed or floating rate of interest
- Have no minimum weighting to cash. In the event there is considered material downside risk cash can increase to 100%.
- Hold an individual security limit of no more than 15%.
- Have a maximum weighting of 15% to Australian equities
- Specific consideration is not given to sector diversification, however the portfolio is suitably diversified at all times.
- The Trust may use derivatives for risk management purposes, as substitutes for physical securities, but the Trust will not be geared.

Environmental Social & Governance (ESG)

Environmental

- No coal mining
- No direct uranium

Social

- No tobacco
- No direct gambling
- No predatory or pay day lending
- No weapons manufacturing
- No live animal exports
- No adult industries

Governance

- No poor occupational health and safety records
- No undisclosed related party transactions
- No excessive use of non-executive options

For more information visit www.sghiscock.com.au