

Prime Value Diversified High Yield Fund

Established to provide our investors with a target return of 4.0% p.a. over the RBA official cash rate, the Diversified High Yield Fund is an income fund that invests in cash, “fixed income” type securities, trusts investing in direct property or mortgages and other managed funds.



Investment Summary

Responsible Entity	Prime Value Asset Management Ltd
Objectives	The Fund aims to provide regular monthly income with medium risk exposure
Investment Term	1 - 2 years
Target Net Returns (after fees)	The Fund targets a return to investors of 4.0% p.a. over the RBA official cash rate. This return may vary from month to month depending on the market and as funds are invested.
Interest Rate Reset	The interest rate on securities in the investment portfolio resets on average every 3-6 months
Custodian	JP Morgan Chase Bank
Distribution	Monthly in cash or reinvestment option is available, generally paid within 5 business days after the end of month
Management Fee	0.85% p.a.*
Performance Fee	15% of net performance above the RBA Cash Rate + 4% pa
No Other Fees	No Establishment, Contribution, Withdrawal and Termination fees
Minimum Investment	\$50,000
Applications	Daily
Withdrawals	Monthly. Withdrawals received during a month will generally be payable within 10 business days after the end of the month.

* The Fund may hold one or more unlisted property trusts. We estimate that the Fund's estimated proportion of management fees charged to such unlisted property trust(s) is 0.24% pa. The above 0.85% pa management fee excludes this indirect cost.

Why the High Yield Fund?

Interest rates in Australia are at a historic all-time low. Many Australians who rely on earning interest on their savings are now losing the “real” value of their money as banks slash term deposit and savings rates.

The “real” return on cash (the return after inflation) is now in negative territory for many investors. With uncertainty in the markets, many investors are looking for a low-risk approach to investing that offers the potential for higher yields than having savings parked in a savings account or term deposit.

Prime Value's Cash Plus Fund, established in 2014 is a good example of this, currently ranked #1 in the Yield Report survey of the top-20 “Enhanced Cash” Funds in Australia and against a backdrop of falling interest rates, the Prime Value Cash Plus Fund has delivered an after-fees return of 3.6% p.a. since inception (4.3% p.a. including franking credits).

However some investors are after an even greater return on their savings than what the Prime Value Cash Plus Fund delivers and are willing to accept a little more risk to achieve potentially a further 2% return.

The Diversified High Yield Fund offers investors an alternative way to invest their cash primarily in the 'fixed income' market that provide a higher return investing in selected securities available. Like the Cash Plus Fund, the Diversified High Yield Fund has a "fixed income" type of risk associated with it as well as investments in property markets to help it achieve an even higher return. The target return of the fund is 4.0% over the RBA official cash rate.

The fund allows investors to diversify their cash, equity and property investments. The fixed income market comprises securities that have a low market price correlation to equity and property prices. The higher returns available through the Fund come with an increased risk compared to the Prime Value Cash Plus Fund however the higher risk profile is carefully managed so as to minimise the chance of permanent capital losses.

Furthermore, the Fund is managed in a way that avoids any market disruptions or major market events so that we can always enable our investors to redeem their capital quickly.

The Fund is a 'floating rate' fund meaning that the return will vary with movements in short-term money market rates in the Australian wholesale market. This reset frequency (interest rate duration) is in keeping with our objective to offer a return to investors in excess of the RBA's official cash rate. The Fund's return will be further enhanced by the distribution to investors of imputation/franking credits.

What assets does the High Yield Fund invest in?

The Fund may invest in cash, 'fixed income' type securities, trusts investing in direct property or mortgages and other managed funds. The Fund will not invest in equities. All investments will be selected on the basis of a low probability of default. We constantly assess and monitor the creditworthiness of the investments in the portfolio. Securities are diversified across senior, secured senior unsecured subordinated and hybrid securities issued by creditworthy companies, banks, insurance companies, other financial institutions, and governments or government agencies. All securities are subjected to very strict investment criteria and monitored closely through a range of filters and market based indicators.

The securities in the portfolio are either listed on the ASX or can be traded in the professional/ wholesale fixed income market, which means they can be readily sold. The Fund may invest up to 20% outside Australia but all investment will be on a fully hedged

basis to Australian dollars. The Fund is prohibited from borrowing funds to buy securities, in other words the Fund's return is not 'leveraged' by debt as this adds significant risk. The Fund is only allowed to use derivatives to manage risk down, and not to 'leverage' or add risk. (i.e. returns can only be accessed by the Fund investing funds and not through derivative instruments).

What are the risks?

The four main risks are:

- **market risk** whereby forces in the market can affect market prices of investments;
- **credit risk** of the investments the fund owns;
- **term/maturity risk** of the investments in terms of when the investments may be redeemed in cash by the fund; and
- **liquidity of investments** in the portfolio being how readily investments may be sold.

These risks are managed in a way to deliver returns to investors that are well above normal cash returns. .

How do we anticipate the Diversified High Yield Fund to perform?

We fully expect to be able deliver on the return objective of 4.0% p.a. over the RBA official cash rate while aiming to minimise the risk of permanent loss to investors' capital as we have for the Prime Value Cash Plus Fund since its inception in 2014.



Portfolio Manager Diversified High Yield Fund

Matthew Lemke has over 30 years' experience in global investment markets in London, New York, Singapore, Hong Kong and Australia, having previously worked for JPMorgan and Deutsche Bank.

Matthew was instrumental in setting up the Prime Value Cash Plus Fund and the Diversified High Yield Fund. The Cash Plus Fund is a highly recognised cash alternative and has achieved 3.6% p.a. net return since its inception in 2014 making it one of the top performing "enhanced cash" funds in Australia.

Returns have surpassed those of traditional cash investments such as term deposits, while still aiming to preserve investors capital, delivering quarterly distributions and providing prompt redemptions. Matthew will bring the same leadership and expertise to managing the Diversified High Yield Fund.

How to Invest

The Prime Value Diversified High Yield Fund is open to all investors from the 1st of August 2019 and has a minimum investment amount of \$50,000. To invest in the Diversified High Yield Fund please contact your Relationship Manager or our Client Services Team on 03 9098 8088.



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