

# Prime Value Diversified High Yield Fund

## Fund Update – January 2020



By Matthew Lemke, Fund Manager

- The Fund achieved an above-benchmark target return in January
- Our portfolio withstood the market effects of five events - bushfires, US/Iran confrontation, the situation in Hong Kong, impeachment proceedings against President Trump in the Senate, and coronavirus in China
- We are confident the Fund will continue to perform well throughout 2020 and express our best wishes for the Lunar New Year

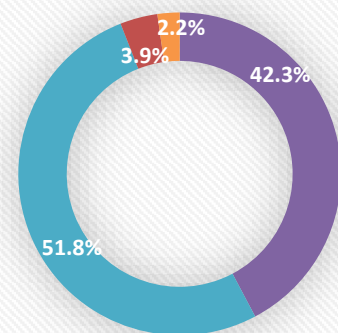
	Net Return*	Net Return including Franking Credits**	Benchmark (RBA +4% p.a.)
6 Months (Since inception)	<b>2.75%</b>	2.75%	2.41%
3 Months	<b>1.31%</b>	1.31%	1.18%
1 Month	<b>0.56%</b>	0.56%	0.39%

\* 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.

Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	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.
Benchmark	RBA Cash Rate + 4%
Inception Date	1 August 2019
Distributions	Monthly
Recommended Investment Period	1 + year
Individual Security Maximum Exposure	The maximum exposure to any individual security is generally being amended to increase the maximum exposure from 15% security holding to be generally well under 25% of the portfolio manager identifies a good investment, and believes investors to hold more than 15% of the portfolio in this security holding.
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.85% <sup>1</sup> p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	\$1.0025
Withdrawal Price	\$1.0015
Distribution (31/01/20)	\$0.0042
<small>1 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.</small>	

### Holdings by Industry Sectors



- Diversified Corporates
- Unlisted Trusts/Select Mortgages
- Cash Plus
- Cash

## Fund review and strategy

The Fund had a very good month in January in terms of performance, and achieved above its benchmark target return.

Markets were affected by the Australian bushfires, US/Iran confrontation, the situation in Hong Kong, impeachment proceedings being brought against President Trump in the Senate, and towards the end of the month the outbreak of coronavirus in China. In our December report, we mentioned that we did not want to predict markets as all sorts of unexpected events can affect them. Certainly three of the above events were completely unexpected, highlighting the unpredictability of markets. Above all else, our main task as Fund Manager is to manage risks in the market and make sure that the investment portfolio is robust to withstand unknown events and events that we have no control over. This is our real task and focus of attention.

In terms of market risk, the above events can combine to have an impact on Australia's economic growth and the credit markets. We are watching carefully for signs of economic and market deterioration. Worrisome signs are the increase in credit spreads and gold price, and the quick fall to below US\$0.67 for the Australian dollar.

In terms of the portfolio, we have no bonds issued by insurance companies in January. We do not want to have exposure in the sector due to the unknown extent of the claims that will emerge from the bushfires.

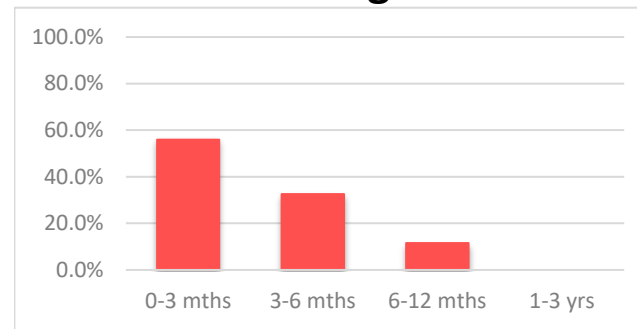
We have selectively added two investments to the portfolio in the last few weeks. Our main aim is to ensure we can sustainably earn 4.75-5.0% after fees - we have been meeting this target which is very pleasing, and in the month of January we exceeded it.

At the same time we want to continue to be able to quickly redeem funds upon investor request.

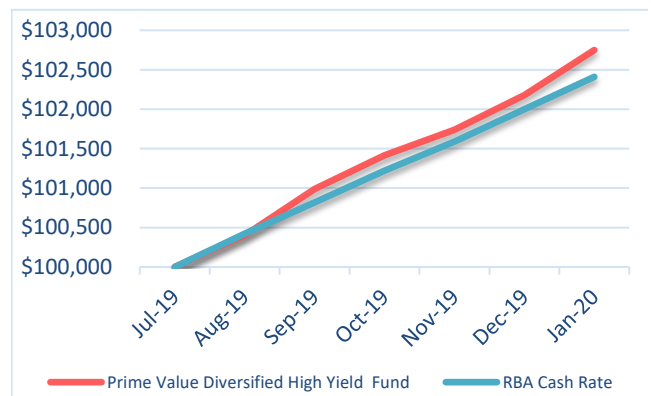
We are confident the Fund will continue to perform well throughout 2020.

We express our best wishes for the Lunar New Year.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.32 years. The majority of interest rates in the portfolio are reset on average every 3-6 months.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$102,750 (net of fees). This compares with the return of the RBA cash rate +4% p.a., where a \$100,000 investment would have increased to \$102,410 over the same period.

### Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott, Riza Crisostomo, Serena Shi & Daizi Zheng

### Client Services Team

Phone: 03 9098 8088  
Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)  
Web: [www.primevalue.com.au](http://www.primevalue.com.au)

### Mail:

Prime Value Asset Management Ltd  
Level 9, 34 Queen Street  
Melbourne VIC 3000

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