Prime Value Diversified High Yield Fund
Fund Update – November 2019

By Matthew Lemke, Fund Manager

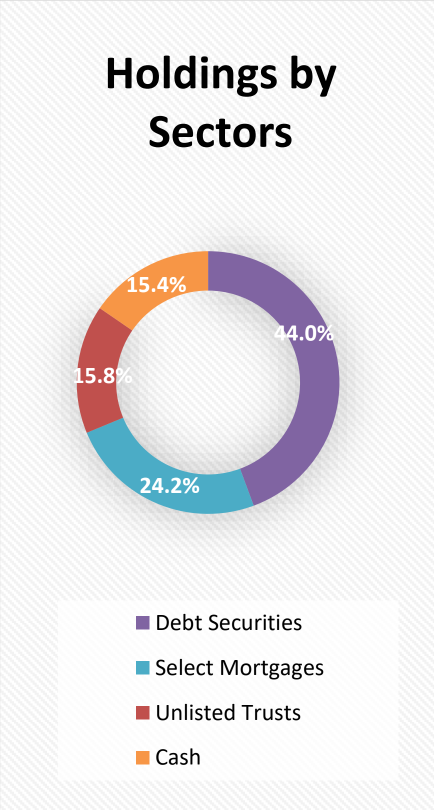
- The Fund's return in November was slightly down on the previous 3 months as we experienced cash inflows to the Fund and were slow to invest those funds in the face of likely year-end weakening of liquidity conditions in the general market
- The Fund has performed well above target throughout the year
- The Fund continued in November to make its normal monthly distribution
- The Fund's portfolio is comprised of carefully selected debt securities
- We expect the Fund to continue to perform well for the remainder of 2019, and 2020

	Net Return*	Net Return including Franking Credits**	Benchmark (RBA +4% p.a.)
4 Months (Since inception)	**1.74%**	1.74%	1.59%
1 Month	**0.32%**	0.32%	0.37%

* 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
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.85%[1] p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	$1.0010
Withdrawal Price	$1.0000
Distribution (30/11/19)	$0.0042

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.



Fund review and strategy

The Fund's return was lower than the three previous months since it began operation in August. Pleasingly, the average return of the Fund since August has been materially higher than our target.

The Fund experienced good inflows in November. We have been slow to invest these funds pending the availability of securities at price levels that we believe represent good value. Hence, the higher cash component in the Fund diluted the Fund's return in November.

The factors in the market that we are watching carefully that may cause us to retain a higher cash balance for a few more weeks, and be slower than usual to invest, are listed below.

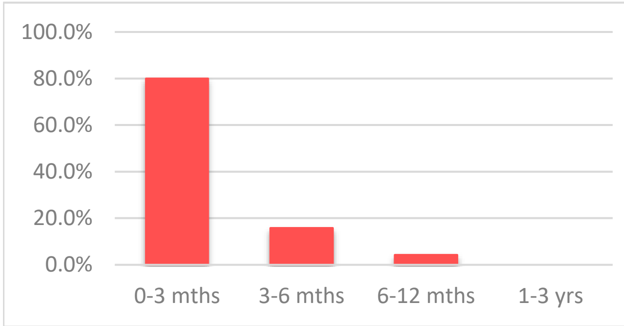
We are mindful that these factors can cause a disproportionate impact to the prices of debt securities in the market as year-end is typically associated with lower liquidity conditions. The factors are as follows:

- Lack of resolution of the trade issues between the US and China, particularly after the market was expecting a partial trade agreement in early November. Our view is that any trade agreement will only be partial and subject to both parties willing to abide by the agreement into the future; in this sense it does not operate like a formal contract but more like a memorandum of understanding;
- Weakness in bank securities following Westpac's disclosure of significant money laundering infringements. Media commentary focused on the infringements related to drugs and trafficking although these were only an extremely small proportion of the 23 million infringements. The Westpac disclosure impacted the pricing of Westpac's equity and debt securities and, to a lesser extent, all other securities issued by other banks and financial institutions. This situation will remain fluid until fines are determined, and the senior management changes are made;
- UK election on 12 December and whether the 31 January EU withdrawal deadline will be met. These events have wider European implications;
- President Trump impeachment process;
- US/China trade situation;
- Whether the RBA cuts the official rate on Tuesday 3 December. This would take the official cash rate to a new all-time low of 0.5%. The RBA avowed lack of protection of savers and the very low bank and term deposits rates (with the RBA Governor mentioning "lower rates for longer") are a major reason we have seen inflows into our income funds.

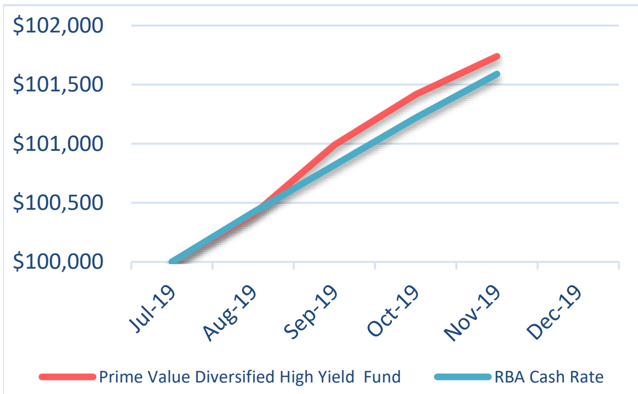
Overall the Fund is performing well and will finish the year on a strong note. The Fund's portfolio and credit quality is robust, and therefore resilient to market gyrations. Recent portfolio activity has centred on investing in debt securities on an extremely selective basis.

We expect the Fund to continue to perform well over the remainder of this year and throughout 2020.

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 $101,740 (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 $101,590 over the same period.

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