Prime Value Diversified High Yield Fund
Fund Update – September 2019

By Matthew Lemke, Fund Manager

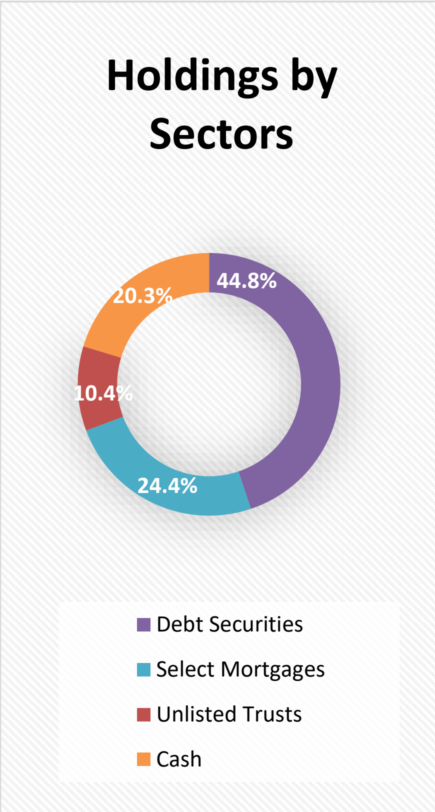
- In its second month of operation, the Fund recorded a return of 0.55% after fees which is well above the equivalent 0.42% net of fees monthly return benchmark
- We have announced that the "bid/offer" spread for investors buying or selling units in the Fund has been halved to 0.05%. Investors can see this in the daily deposit and withdrawal unit price of the Fund. This reduces investor transaction costs
- Markets well-behaved in September despite trade issues, and new events (missile attack Saudi oil facility, possible impeachment against Trump)
- A further RBA rate cut is likely to occur but will not impact the Fund's return in the short-term but may mean the Fund's return falls slightly if more rate cuts are delivered by the RBA

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception	**0.99%**	0.99%	0.17%
1 Month	**0.55%**	0.55%	0.08%

* 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	$1.0020
Withdrawal Price	$1.0010
Distribution (30/09/19)	$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

In its second month of operation, the Fund recorded an above-target return of 0.55% after fees. This is well above the 0.42% monthly net of fees return target (RBA cash rate + 4%).

The Fund is predominantly involved in the cash and credit (debt) markets. The credit market was well-behaved in September, although some flow-on effect was felt from the volatility in global equity markets, and the big price spike in crude oil after the drone attacks on oil facilities at Abqaiq and Khurais in eastern Saudi Arabia.

Markets are trying to predict the outcome of the trade negotiations between China and the US. Every day, this situation changes and is very complex. It is clear that the trade situation will take a long to settle down given that it is undoubtedly influenced by several big geopolitical issues. China's economic growth and geopolitical influence is causing a fundamental re-vamp of the financial and institutional arrangements that have existed in the world for many years.

A further new event affecting markets was the call by the Democrats for Trump's impeachment over alleged statements made to the Ukrainians. These allegations will take time to play out, and will influence global markets from time to time depending on the headlines. It is difficult for the Democrats to get an impeachment vote through both houses given a 2/3 majority is required in the Democrat-controlled House of Representatives, and given the Republicans control the Senate.

The UK situation is impacting the UK market but not having much of an influence globally. The big question is whether the UK and EU can sign the Withdrawal Agreement by the 31 October deadline. There will be a lot of UK and EU manoeuvring during October.

The market risk indicators we monitor settled back in September.

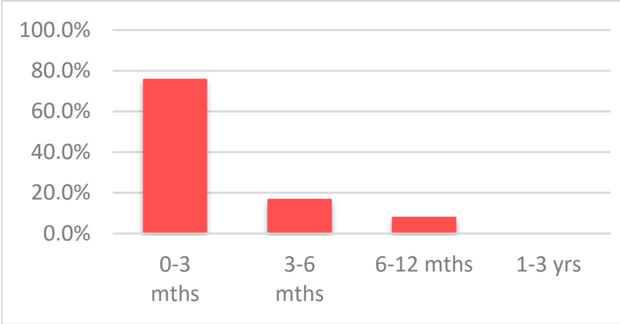
The Fund invested in one new mortgage which is a first mortgage over a property with a modest LVR (based on independent valuation).

There is a reasonable chance the RBA will again cut the cash rate in the next 2-3 months. The rate cuts to all-time lows are not expected to have a near-term impact on the Fund's return as its investments are moving higher in price as the RBA has cut rates. However, if more rate cuts are delivered by the RBA the Fund's return may fall marginally.

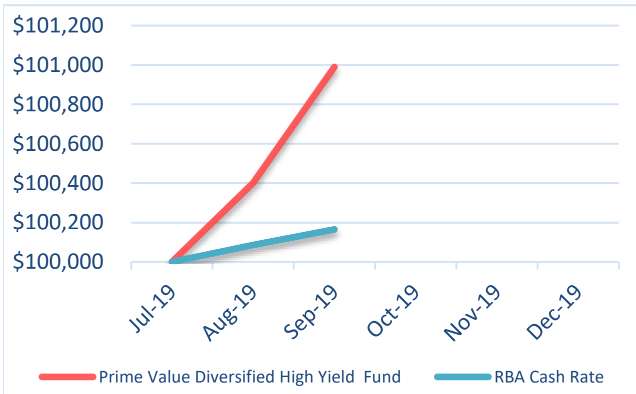
The Fund has seen a modest but pleasing increase in Funds Under Management as the Fund demonstrates in its published performance data the safety of investor capital and a return that meets and has exceeded the benchmark return.

We expect the Fund to continue to perform well throughout 2019 and 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 $100,990 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $100,165 over the same period.

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