

Prime Value Diversified High Yield Fund

Fund Update – June 2020



By Matthew Lemke, Fund Manager

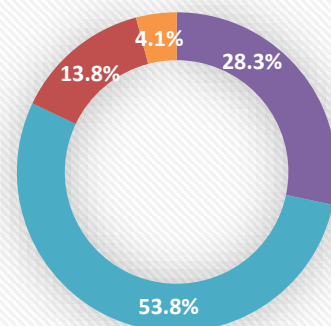
- Fund performed well in June earning marginally below its target and benchmark returns due to allowing a cash build-up to help manage risk in the current uncertain period
- Fund unit price closed 30 June at \$0.9947; Manager objective to reach \$1.00 in the coming months whilst still paying its normal monthly distribution
- Fund to pay normal monthly distribution of 0.42 cents/unit in early July
- We are still in the pandemic, with economic and market ramifications unknown and so we are managing the Fund in a very risk-averse manner

	Net Return*	Benchmark (RBA +4% p.a.)
11 Months (Since inception)	3.73%	4.24%
3 Months	0.49%	1.04%
1 Month	0.30%	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.

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
Suggested Investment Period	1-2 years
Individual Security Maximum Exposure	The maximum exposure to any individual security is generally 25% of the portfolio. We expect any individual security holding to be generally under 15% of the portfolio; however where the Fund's portfolio manager identifies a good investment, and believes it is in the best interest of investors to hold more than 15% of the portfolio in this security, a higher 25% threshold is available.
Minimum Investment	\$50,000
Management Fee	0.85% ¹ p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	\$0.9910
Withdrawal Price	\$0.9900
Distribution (30/06/20)	\$0.0042
<small>1 The Fund may hold one or more unlisted trusts. We estimate that the Fund's estimated proportion of management fees charged to such unlisted trust(s) is 0.24% pa (indirect cost). 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 good performance in June, achieving marginally below its target return per unit (0.42 cents) and flat to its benchmark return (0.33 cents). The actual return was below the target return due to allowing a cash build-up for the last few months to help manage risk in the current uncertain period to protect investor capital.

The Fund will pay its normal monthly distribution of 0.42 cents per unit in early July. The Fund unit price closed 30 June at \$0.9947.

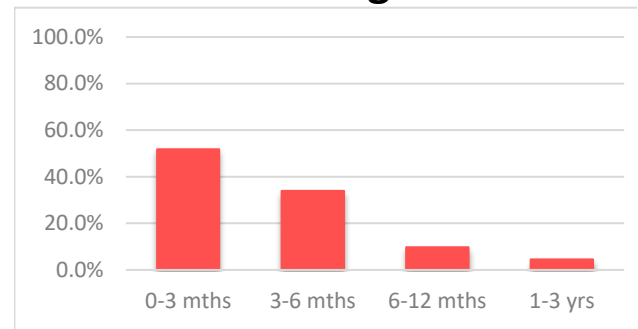
There are still several risks in the market that are guiding us to continuing to manage risks carefully in the portfolio:

- The US Presidential election in November is looming with some market speculation that the Democrat contender will not be Joe Biden. He is currently leading in the polls, however there is a lot of water to flow under the bridge;
- China/US disagreements on trade and other matters, coupled with a deterioration of the Hong Kong situation and questions as to how the “one country, two systems” agreement works;
- Some abatement of coronavirus cases in Europe, but a worrying acceleration in the US placing pressure on hospitals and medical facilities with possible economic and market ramifications;
- A pick up in coronavirus cases in Australia, particularly Victoria with possible economic and market flow through ramifications if lockdowns are extended or increased, with a likely increase in job losses as business pressures mount, the need to extend rent relief, and Government income support such as JobKeeper;
- Corporate reporting of unexpected losses, asset impairments, and business restructuring including possible workforce retrenchments;
- Data showing a sharp drop in May’s residential building approvals and a fall in residential house prices in Australia

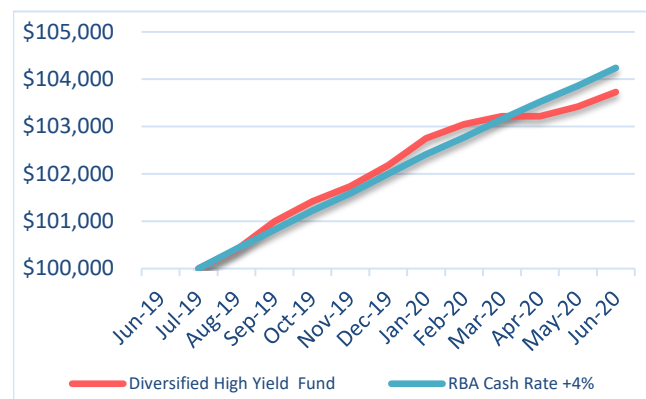
We continue to mitigate risk in this environment; allowing some cash build up. We are vetting all new and existing investments extremely carefully.

We expect the Fund to continue to perform well, with a target for the unit price of \$1.00 in the coming months whilst maintaining the normal Fund distribution rate despite significantly lower market interest rates.

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 \$103,730 (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 \$104,240 over the same period.

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