

# Prime Value Diversified High Income Fund Update – November 2020



By Matthew Lemke, Fund Manager

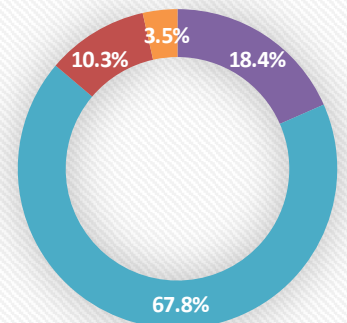
- The Fund's return for November was slightly above the target return and continued the Fund's good performance despite continuation of the coronavirus pandemic globally and the US elections
- We are managing the Fund very cautiously. Negative interest rates in Australia are not out of the question and we are managing the Fund to ensure the Fund continues to provide investors with the target 5% pa return (net of fees) should this risk eventuate

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	<b>4.41%</b>	4.51%
1 Year	<b>4.11%</b>	4.40%
6 Months	<b>2.42%</b>	2.12%
3 Months	<b>1.25%</b>	1.03%
1 Month	<b>0.44%</b>	0.34%

\* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the

Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	The Fund targets a net return to investors of 4.0% p.a. over 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% <sup>1</sup> p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	\$0.9907
Withdrawal Price	\$0.9897
Distribution (31/10/20)	\$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
- Enhanced Income
- Cash

## Fund review and strategy

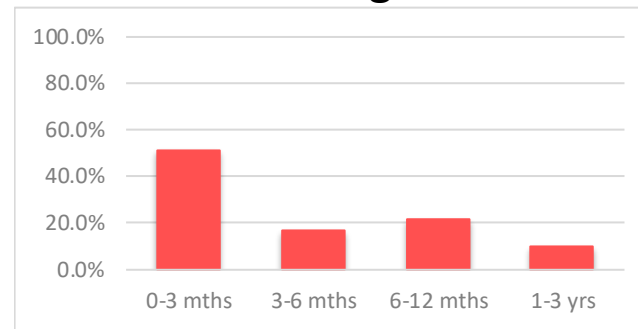
The Fund's return for November was slightly above the target monthly return of 0.42% and continued the Fund's good performance.

Markets globally have weathered significant events in recent months with the continuation of the coronavirus pandemic globally (although a significant reduction in Australia) with no vaccine yet, and the US Presidential and Congress elections (with the Presidential election still not finalised).

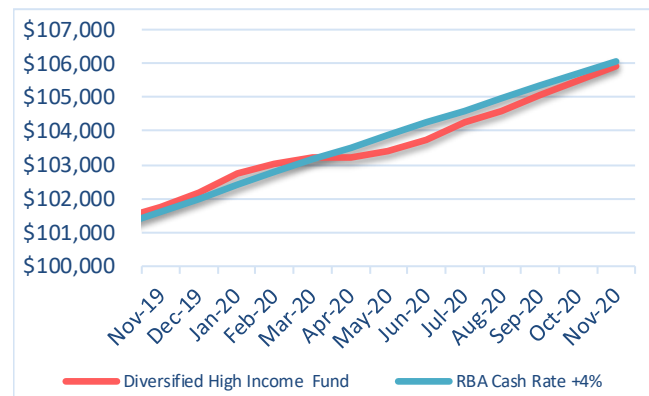
We are managing the Fund cautiously, mindful that although the "dark days" of March do not seem to be a real risk, some fallout may still be experienced. This may depend on how the US Presidential situation plays out, how the various geopolitical situations globally fare, and locally how the Federal and State Governments manage the eventual withdrawal of the fiscal and monetary stimulus that has been provided throughout 2020.

The spectre of negative interest rates in Australia is an event that we are carefully monitoring. At the moment interest rates are above zero. However, other countries are experiencing negative interest rates. It is always possible, if the economic situation in Australia deteriorates, that the RBA may take rates below zero. We are managing the Fund with this risk in mind, and in a way that will ensure the continuation of the target 5% pa return (net of fees).

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.81 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 \$105,920 (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 \$106,060 over the same period.

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