

Prime Value Diversified High Income Monthly Fund Update – December 2020



By Matthew Lemke, Fund Manager

- Fund performed well in December, with an after-fees return of 0.49% for the month and 1.32% for the December quarter. Both these returns are pleasingly above our targets
- Distribution for December of 0.42 cents/unit will be paid in early January, consistent with our monthly distribution target
- Investment selectively bought to diversify the Fund's portfolio
- We expect the Fund to earn its target after-fees return of 5.0% per annum in 2021

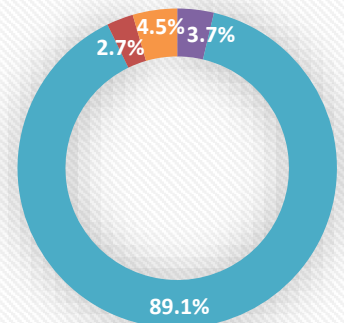
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	4.51%	4.49%
1 Year	4.17%	4.34%
6 Months	2.61%	2.10%
3 Months	1.32%	1.03%
1 Month	0.49%	0.34%

* 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 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	\$0.9914
Withdrawal Price	\$0.9904
Distribution (31/12/20)	\$0.0042

¹The Fund may hold one or more unlisted trusts. We estimate that the Fund's estimated proportion of management fee is 0.24% pa (indirect cost). The above 0.85% pa management fee excludes this indirect cost.

Holdings by Industry Sectors



- Diversified Corporates
- Unlisted Trusts/Select Mortgages
- Enhanced Income
- Cash

Fund review and strategy

The Fund performed well in December, with an after-fees return of 0.49% for the month and 1.32% for the December quarter. Both these returns are pleasingly above our targets.

Global credit markets continued to recover from the losses in the first half of 2020.

The Fund will pay a distribution of 0.42 cents/unit in early January for the month of December, being the target monthly distribution of the Fund.

The Fund is influenced by events in a range of markets including credit, property and other assets markets both locally and internationally. This is because the Fund is invested in a range of markets to meet its diversified income objectives. In addition, the Fund maintains a conservative cash balance.

Markets generally have been performing well over the past six months as investors have become increasingly persuaded that the fiscal and monetary stimulus introduced by governments in Australia and around the world are helping to manage the economic fallout from the pandemic. The availability of new vaccines over the coming months is also helping investors to gain confidence.

We are managing the Fund in a prudent manner, aware that global markets may again become fragile should economies under-perform expectations. The eventual withdrawal in the first half of 2021 of the massive government fiscal and monetary stimulus introduced in 2020 might also prompt a re-think among investors. For example, we note that JobKeeper in Australia is due to finish in March. We expect this to place pressure on employers and households/ employees alike.

The other factors that we are watching closely are the uncertainties concerning the two US Senate seats in Georgia (and whether Democrat victories in early January in the two runoff positions will give the Democrats control of the Presidency, House of Representatives and the Senate), uncertainty concerning the new President's policies and actions once inaugurated, and the various geo-political and economic factors involving China.

We are also very alert to the pandemic issues in the United States and Europe with the large increase in the number of cases. We truly hope that these numbers can be significantly reduced, and that the vaccines are effective and can be rolled out quickly. The human tragedy behind these numbers is truly unfathomable, and our wishes are for all those involved in, or have relatives affected by, the pandemic.

We are conscious of recent tendencies in global markets to buy high-risk or speculative investments, as seen in the meteoric rise of the prices of a number of cryptocurrencies in the last month or so. Speculation often drives markets to become "over-bought" with often precipitous falls occurring that may extend to the more traditional markets in which we are invested.

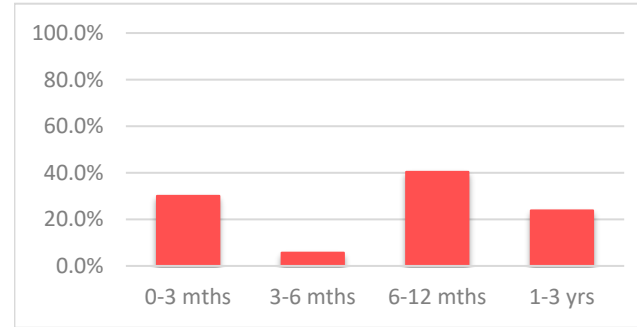
Short term wholesale interest rates in Australia are extremely close to zero. There is the possibility the RBA will move the Official Cash Rate below. We are managing the Fund with this risk in mind, and in a way that will ensure the continuation of the target return after-fees of 5.0% per annum.

We continue to adopt a prudent management approach to the Fund. Our selection of investments for the portfolio remains cautious. We have been able to include investments from different market sectors, further supporting the Fund's objective to diversify its portfolio.

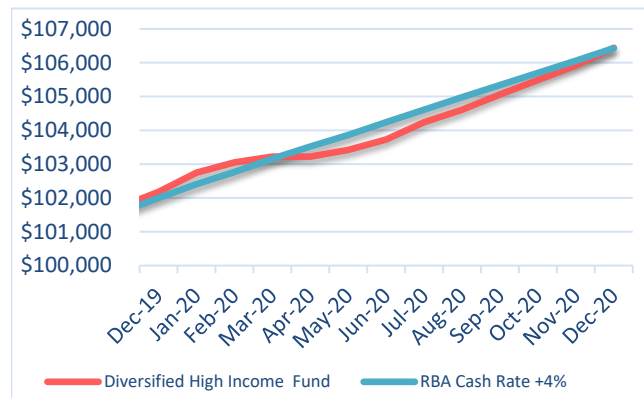
We sincerely wish all our investors a very joyful and prosperous New Year.

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Diversified High Income Fund must obtain and read the PDS dated July 2020 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Diversified High Income Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

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 \$106,440 (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 \$106,430 over the same period.

Contact details:

Brittany Shazell, Riza Crisostomo, Julie Abbott, Dora Grieve and Angela Ly

Client Services Team

Phone: 03 9098 8088
Email: info@primevalue.com.au
Web: www.primevalue.com.au

Mail:

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