

Prime Value Diversified High Income Monthly Fund Update – January 2021



By Matthew Lemke, Fund Manager

- The Fund continued its good performance earning 0.49% for January which is above its target monthly return
- The Fund will again distribute 0.42 cents/unit in early February. The extra return for the month will be reflected in a higher Fund unit price
- We expect that the Fund will perform well over 2021, and meet its target return after fees of 5.0% per annum. We note that this return target is subject to market conditions
- We wish our Chinese investor a very safe and prosperous New Year

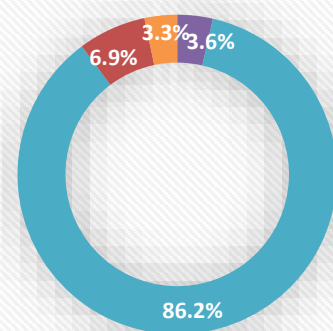
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	4.59%	4.46%
1 Year	4.11%	4.26%
6 Months	2.61%	2.06%
3 Months	1.44%	1.01%
1 Month	0.49%	0.32%

* 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	\$0.9921
Withdrawal Price	\$0.9911
Distribution (31/01/21)	\$0.0042

¹The Fund may hold one or more unlisted trusts. We estimate that the Fund's estimated proportion of manager 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 continued its good performance, earning 0.49% for the month which is above its target monthly return. The normal distribution of 0.42 cents/unit will be made in early February. The extra return for the month will be reflected in a higher Fund unit price.

Markets were reasonably benign in January as the Australian government and RBA continued their financial and monetary support in the wake of the pandemic. Fortunately, coronavirus cases have significantly eased back in Australia with only minor outbreaks. Hence, conditions for economic growth have picked up in the last few months. It is hoped that the rollout of vaccinations in Australia and globally will further improve economic conditions.

It will be interesting whether the Australian government removes the JobKeeper support at the end of March. We believe the support may well be extended, especially as the Morrison government begins to move into election mode (with the possibility of an early election). We have also seen the extension of monetary stimulus by the RBA, with the RBA Governor recently reiterating that the official cash rate will not be raised over the next 2-3 years.

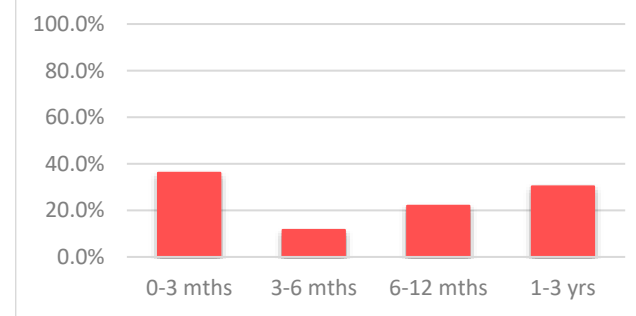
We are, however, very alert to any deterioration in domestic or global economic conditions. Equity, property and credit markets have performed very well over recent times. There is no reason to believe that the economic and market conditions will deteriorate. However we continue to be very conservative in our portfolio asset allocations, and are monitoring all securities very carefully.

We are very alert also to any rise in inflation given the amount of money that has been printed in Australia and globally as part of the quantitative easing and liquidity measures, which is being reflected in the sell off in bond markets as investors fear over-stimulus particularly in the US with the latest massive stimulus package. We do not see any case for an outbreak of inflation, although an uptick in inflation is likely. This will create pressure on fixed interest markets. Securities and assets in the Fund's portfolio have been carefully chosen to insulate the Fund's return from a further reduction in the RBA's official cash rate, and to potentially benefit on any move higher in market interest rates due to inflationary pressures.

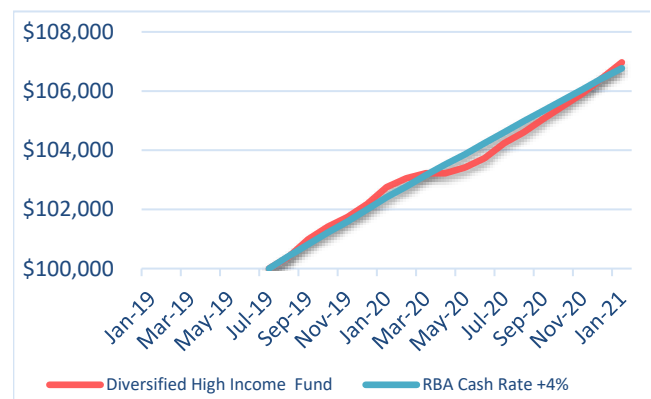
Despite the dramatic fall in interest rates, we continue to expect that the Fund will perform well over 2021, and meet its target return after fees of 5% per annum. This return could even be exceeded if current market conditions persist. We note that this return target is subject to market conditions.

We wish our Chinese investor a very safe and prosperous New Year.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.65 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 \$106,970 (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 \$106,770 over the same period.

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