

Prime Value Diversified High Income Monthly Fund Update – February 2021



By Matthew Lemke, Fund Manager

- The Fund earned after-fees 0.44% in February, above its target monthly after-fees return of 0.42% (being 5% on an annualised basis)
- The Fund will pay its normal monthly distribution of 0.42 cents/unit in early March. Any additional return over this distribution will be reflected in a higher unit price. Future returns of the Fund will of course depend on market conditions
- We are alert to the bond market selloff. The Fund is not affected by the sell off or the rise of the A\$ to nearly 80 cents

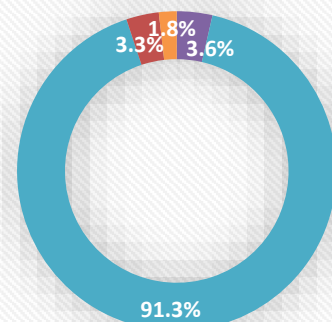
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	4.64%	4.43%
1 Year	4.27%	4.21%
6 Months	2.71%	2.74%
3 Months	1.44%	0.97%
1 Month	0.44%	0.31%

* 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	\$0.9923
Withdrawal Price	\$0.9913
Distribution (28/02/21)	\$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 earned after-fees 0.44% in February, above its target monthly after-fees return of 0.42% (being 5% on an annualised basis). This performance was due to careful selection of assets in the portfolio and favourable credit markets. Future returns of the Fund will of course depend on market conditions.

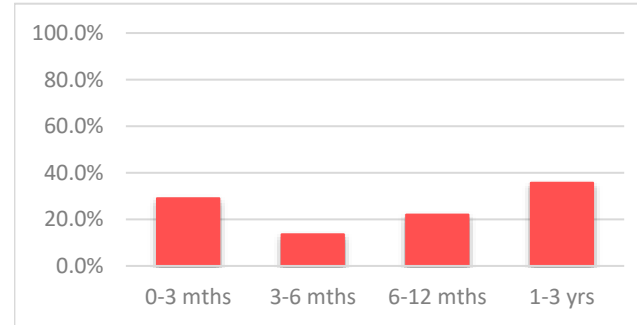
The Fund will pay its normal monthly distribution of 0.42 cents per unit in early March. Any additional return over this distribution will be reflected in a higher unit price.

Although credit markets have been very strong, we continue to monitor the market very carefully given the large number of factors in the markets. We are particularly alert to the major selloff in the bond market in the US and Australia. This occurred due to inflation concerns given the amount of stimulus introduced by governments and central banks and the anticipated better GDP growth numbers as vaccines are rolled out. We do not believe the bond selloff will continue unless inflationary expectations are justified by the data, and the RBA eases back on its bond purchases - the RBA is showing no signs of "tapering" its bond purchases.

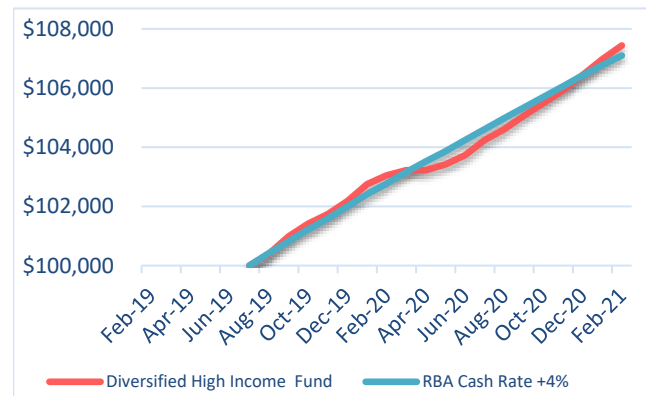
We mention that the Fund is relatively immune to the bond selloff because the interest rate reset cycle ("duration") is reasonably short, approximately 0.65 years or about 7-8 months. This means that the Fund is not suffering any losses due to the bond market sell off.

We also mention that the rise of the A\$ to nearly 80 cents is not having any impact on the Fund at all.

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 \$107,440 (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 \$107,100 over the same period.

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