Prime Value Diversified High Income Monthly Fund Update – March 2021

By Matthew Lemke, Fund Manager

- The Fund again performed well in March, delivering an after-fees return for the month of 0.49%, above its 0.42% target monthly return and its benchmark 1 month return of 0.36%. The overall after-fees return in the March quarter was 1.44%, comfortably above the target return of 1.26% and well ahead of its benchmark 3 month return of 1%.
- The Fund will pay its normal 0.42 cents/ unit monthly distribution to investors in early April. As the Fund is distributing less than it earned in the month, the extra return will result of a higher unit price of the Fund.
- We expect that the Fund will perform well over the remainder of 2021 and meet its target return after fees of 5.0% per annum. We note that this return target is subject to market conditions.

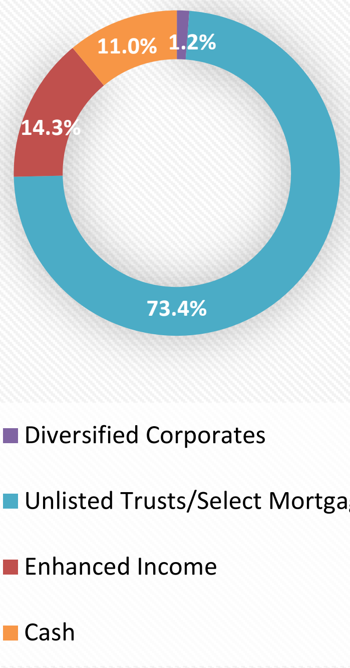
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	**4.71%**	4.43%
1 Year	**4.60%**	4.19%
6 Months	**2.78%**	2.04%
3 Months	**1.44%**	1.00%
1 Month	**0.49%**	0.36%

* 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	$0.9930
Withdrawal Price	$0.9920
Distribution (31/03/21)	$0.0042

[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.

Holdings by Industry Sectors



Fund review and strategy

The Fund again performed well, delivering an after-fees return of 0.49%, above its 0.42% target and its benchmark 1 month return of 0.36%. The overall after-fees return in the March quarter was 1.44%, comfortably above the target return of 1.26% and well ahead of its benchmark 3 month return of 1%. Past returns are of course no indication of the future returns which the Fund may earn.

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Credit, equity and property markets were reasonably buoyant in March, taking comfort from the stabilisation of global bond markets after the recent sell off as inflation expectations are wound back. Lower crude oil prices also helped.

At the end of March, the Government's JobKeeper support programme finished. During the peak of the pandemic crisis the programme supported 1 million businesses employing 3.8 million workers. At a cost of around $90bn, it was the single largest economic assistance measure any Australian government has ever undertaken.

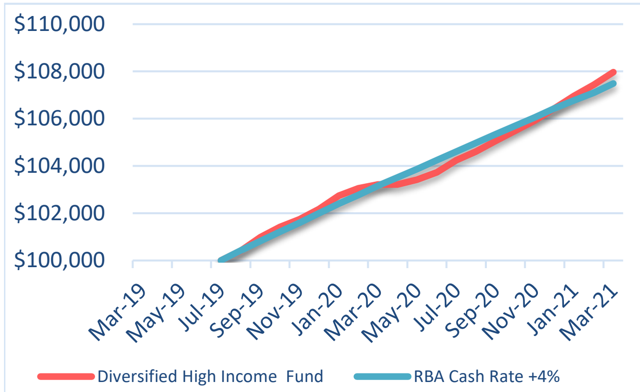
The question for markets at the moment is whether the Australian economy is sufficiently robust to press forward on its own momentum without JobKeeper. Markets will be keenly looking at all the economic data releases in coming weeks. The Labour Force and GDP numbers released in March indicate there is good momentum. The unemployment rate dropped from 6.3% in January to 5.8% in February. Around 88,700 jobs were created in the month - mainly full time. Importantly the participation rate remains at a record high while the level of employment is now back at pre-pandemic levels. Real GDP increased in the December quarter by 3.1%, above the median market expectation of 2.5%. For the first time since records began more than 60 years ago, GDP growth is above 3% for two consecutive quarters.

Of course, markets are also looking to see how the various vaccination programmes around the world fare. Coming weeks will be crucial in this regard, especially as Australia heads into the cooler months. There is some evidence such as in the UK that vaccines are helping to bring down coronavirus cases. However significant government support is still required and any "normalisation" of economies and markets in Europe, Asia and North America is a long way off.

The good news is that the growth signals from the US are strong with employment booming, the passage of President Biden's $US1.9 trillion stimulus package and the promise of a further $US2 trillion plus in infrastructure spending still to come. Central banks in Japan, Australia, Europe and the US have all reiterated their commitment to low interest rates and bond-buying support for fiscal stimulus programs. The main spoiler of the strong growth outlook remains COVID-19 flare-ups and possible issues with vaccination programmes.

We continue to carefully monitor markets and select assets within the portfolio only if they meet strict criteria. We do not take the current strength of credit, equity and property markets for granted.

The Fund's portfolio weighted average interest rate reset duration is approximately 0.61 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 $107,970 (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 $107,490 over the same period.

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