

# Prime Value Diversified High Income Monthly Fund Update – April 2021



By Matthew Lemke, Fund Manager

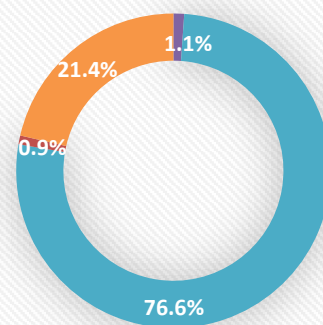
- The Fund performed well with a 0.51% after-fees return in April. The 12-month return is 5.14% p.a. after-fees. This 12-month return is above our benchmark (4.18% p.a.) after-fees return.
- Credit markets were well-behaved in April with the vaccination programmes being the most important influence on markets. We do not expect the Federal Budget handed down on 11 May to have any major significance for the Fund. Inflation data is a key indicator of when interest rates might move higher in Australia.
- Fund distribution of 0.42 cents/unit for April is to be paid in early May.

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	<b>4.79%</b>	4.41%
1 Year	<b>5.14%</b>	4.18%
6 Months	<b>2.92%</b>	2.03%
3 Months	<b>1.46%</b>	1.01%
1 Month	<b>0.51%</b>	0.33%

\* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees.

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% <sup>1</sup> p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a.
Issue price	\$0.9939
Withdrawal Price	\$0.9929
Distribution (30/04/21)	\$0.0042
<sup>1</sup> 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 Sectors



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

## Fund review and strategy

The Fund continued its run of good performances with a 0.51% after-fees return in April. The 12-month return is 5.14% p.a. after-fees. This 12-month return is above our benchmark (4.18% p.a.) and target (5.0% p.a.) after-fees returns. Of course, past performance is no indicator of future performance.

Credit markets were well-behaved in April as were bond, equity, property, commodity and foreign-exchange markets. A range of economic indicators show that Australia is faring quite well at the moment. However, whilst there are no dark storm clouds on the horizon, we remain vigilant to the success of the vaccination programmes being rolled out in Australia and globally. Our hope is that these programmes will be successful and underpin the economic conditions.

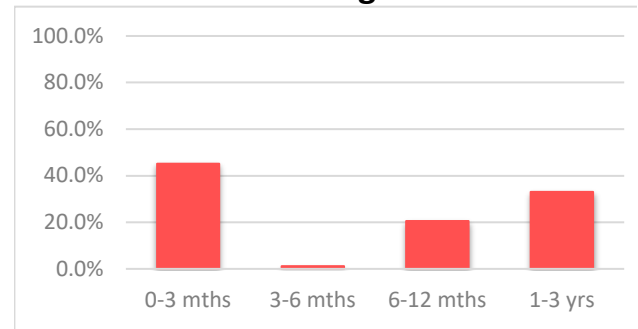
We do not expect the upcoming Federal Budget (11 May) to have any major significance for the Fund.

We are very conscious of the extremely low level of interest rates in Australia which has been creating an ongoing demand for fixed interest products and assisting the rally in property prices. We do not see any near-term change to this dynamic (often called the “the hunt for yield”). However, at some stage, there will be a move higher in interest rates. In this regard, we will be particularly monitoring the inflation data. The March quarter CPI result announced at the end of April did not suggest any sign of a worrisome move higher in inflation although we do expect an uptick in the June quarter CPI. Overall, we believe CPI in Australia will not move to a level where the Reserve Bank of Australia will feel the need to raise rates for quite some time.

We have been managing the investment portfolio quite carefully and added investments only if they meet our strict investment criteria.

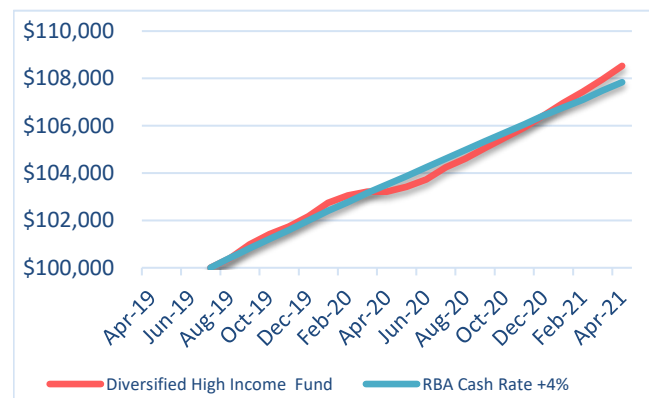
Although markets are well-behaved at the moment, we remain very alert to market conditions. The Fund is on track to pay its monthly distribution for April at the start of May. This distribution will be the usual 0.42 cents/unit distribution, with the additional return being reflected in a higher unit price for the Fund.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.60 years. The majority of interest rates in the portfolio are reset on average every 3-6 months.

## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$108,530 (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 \$107,840 over the same period.

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