

Prime Value Diversified High Income Monthly Fund Update – May 2021



By Matthew Lemke, Fund Manager

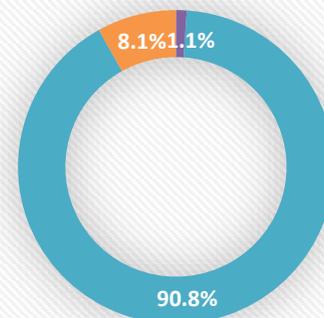
- The Fund performed well in May, delivering a return after-fees of 0.46%. The Fund's 1-year after-fees return is 5.43%, above our benchmark return of the RBA Cash Rate (currently 0.1%) plus 4%.
- The next distribution is for the month of May to be paid in early June. A distribution of 0.42 cents/ unit will be paid, which is consistent with distributions in prior months. Performance of the Fund beyond this distribution level is reflected in a higher Fund unit price
- Markets have been quite buoyant, supported by low interest rates, government support and RBA stimulus. Although inflation will tick higher due to supply shortages, we expect inflation to ease back, with the RBA sitting on its 0.1% official cash rate for quite some time. The big question for markets revolves around the success of the vaccination programme

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	4.83%	4.40%
1 Year	5.43%	4.19%
6 Months	2.94%	2.02%
3 Months	1.48%	1.04%
1 Month	0.46%	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 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% ¹ p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	\$0.9943
Withdrawal Price	\$0.9933
Distribution (31/05/21)	\$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 Sectors



- Diversified Corporates
- Unlisted Trusts/Select Mortgages
- Cash

Fund review and strategy

The Fund performed well in May, delivering a return after-fees of 0.46%. The Fund's 1-year after-fees return is 5.43%, above our benchmark return of the RBA Cash Rate (currently 0.1%) plus 4%. Of course, past performance is no indicator of future performance.

The next distribution is for the month of May to be paid in early June. A distribution of 0.42 cents/unit will be paid, which is consistent with distributions in prior months. The Fund's overall return in recent months has been above the 0.42 cents/unit distribution, with the "out-performance" being fully reflected in the Fund's higher unit price.

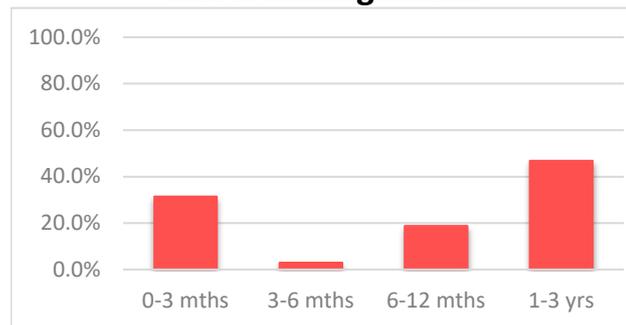
Markets have generally been quite buoyant, with equity markets in Australia following the US to near all-time highs. Property and credit markets have also been well supported. The Australian economy continues to recover strongly with data showing +1.8% in the March quarter. Australian GDP is now back to its pre pandemic level. However, uncertainties remain - including the latest coronavirus outbreak in Victoria. The market's overall optimism is being supported by the GDP recovery in Australia and in western developed economies, strong consumer spending and investment; and the fiscal stimulus is continuing.

The very low interest rates in Australia, as in all western developed countries, are helping to support markets, together with the RBA providing extensive liquidity through its quantitative easing programme. Equity, commodity, property, and credit markets are all quite nervous whether the higher inflation data that we are seeing will bring forward an early rate hike from the RBA. This would have an extremely unsettling effect on all markets. The RBA's rhetoric to date is that there will be no rate hikes until 2024 but in recent statements they have modified this language to now say it is "likely" there will be no rate hikes until 2024 leaving the door open for an earlier rate hike. Clearly the inflation data would need to justify any rate hike but also there would need to be a sustained return to normal economic activity.

In this regard, the big question is whether vaccinations will eradicate or lower the incidence of coronavirus cases and allow the Australian economy to continue its recovery along with the rest of the world. Although the inflation data will almost certainly blip higher in coming months due to the supply shortages and bottlenecks, the clear expectation is that inflation will settle back to levels which will not prompt an RBA rate hike. Although we do not expect a hike for 2 years at least and probably 3 years, we are not relaxing, and actively assessing whether an earlier hike might occur as this will clearly have an extremely unsettling effect on all markets.

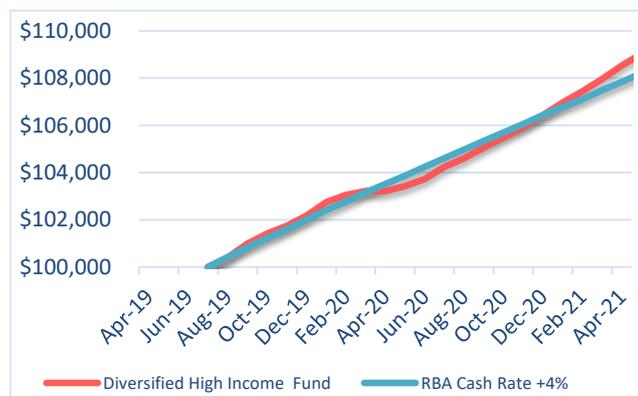
We continue to monitor markets very closely and make asset allocation and investment decisions in keeping with our stringent investment criteria. We highly value the trust you have placed in us to manage and steward your funds.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.86 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 \$109,030 (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 \$108,210 over the same period.

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.

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