

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



By Matthew Lemke, Fund Manager

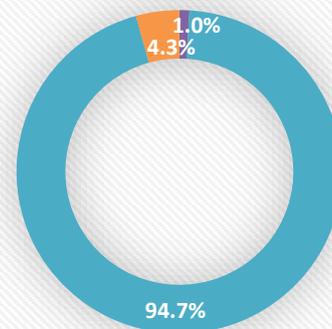
- The Fund had an exceptional month in June earning 0.98% on an after-fees basis, partly due to the revaluation of a property trust asset. For the past 12 months the Fund earned 6.13% after-fees, well above its benchmark return of 4.15% being the RBA cash rate + 4%. Of course, past performance is not necessarily indicative of future performance
- The normal 0.42 cents/unit monthly distribution will be paid in mid July
- The Fund's unit price is now above \$1/unit, achieving one of our objectives this year

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	<b>5.15%</b>	4.38%
1 Year	<b>6.13%</b>	4.15%
6 Months	<b>3.43%</b>	2.01%
3 Months	<b>1.96%</b>	1.01%
1 Month	<b>0.98%</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	\$0.9998
Withdrawal Price	\$0.9988
Distribution (30/06/21)	\$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
- Cash

## Fund review and strategy

The Fund had an exceptional month earning 0.98% on an after-fees basis, partly due to a revaluation of one of the property trust assets that the Fund holds. For the past 12 months the Fund earned 6.13% after-fees, well above its benchmark return of 4.15% being the RBA cash rate + 4%. Of course, past performance is not necessarily indicative of future performance.

The Fund will pay its normal 0.42 cents/unit monthly distribution to investors in mid July. As the Fund earned more than this, its unit price will move higher and move to a level above \$1/unit, which is very pleasing as it has been one of our objectives this year.

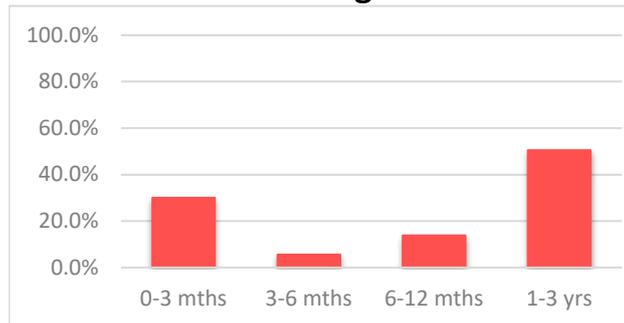
Equity, property, commodity and credit markets were again solid in June. Investment markets generally are looking to the CPI data and the success of the various vaccination programs to decide whether to allocate significant new funds to markets.

With the RBA maintaining the official cash rate at an all-time low of 0.10%, and ongoing commentary from the RBA that it likely will not be raising rates for the next three years, there is a growing “hunt for yield” in the market to achieve requisite returns to support income with a return above the inflation rate. This dynamic is creating demand for income-producing assets which do not expect to ease over the next two years. It has been a major reason for investors placing money into the Fund.

The big question for investment markets is when central banks around the world will withdraw the monetary stimulus provided over the last 12-18 months. There is an ongoing debate amongst Fed members in the US about the timing of the withdrawal of the quantitative easing measures and rate hikes. The RBA has not openly discussed this issue, however commentary from the RBA suggests that it is an active discussion point. To date, the RBA has said it will not hike rates until late-2024. However recent comments indicate that it is giving itself “legroom” to hike rates earlier. This has caused the interest rate curve to steepen as investors build rate hikes into their forecasts. Of course, the timing of interest rate hikes in Australia and globally is of paramount importance to equity, property, commodity and property markets because the extremely low rates have supported these markets significantly in the last few years and particularly the last 18 months since the pandemic began.

The Fund has continued to diversify its investment portfolio, but only adding assets on a very selective basis when they meet our stringent investment criteria. We continue to look for assets that diversify the Fund to support the after-fees benchmark return of the RBA cash rate + 4%. We are very mindful not to add assets to the point where an individual asset class is over-weighted. We try to maintain a balance in terms of the assets in any category and as between asset classes. This creates a robust portfolio that can weather market downturns. This attribute of the Fund is especially important at this juncture in global economies and global markets.

## Interest Rate Reset Management



The Fund’s portfolio weighted average interest rate reset duration is approximately 0.79 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 \$110,100 (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 \$108,570 over the same period.

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