Prime Value Diversified High Income Monthly Fund Update – July 2021

By Matthew Lemke, Fund Manager

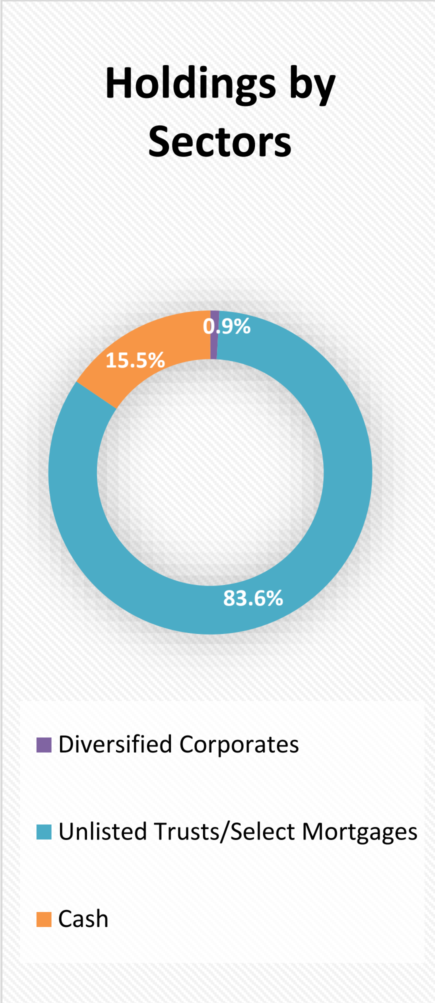
- The Fund earned 0.41% after-fees in July, in line with its benchmark return. The 1-year return is 6.05% after-fees, which is above its benchmark return of 4.13% being the RBA Official Cash Rate + 4%. Of course, past performance is not necessarily indicative of future performance.
- New uncertainties have entered markets with the “delta variant”, and economic growth forecasts are being downgraded. The Fund is being managed with the potential increase in market volatility in mind, with ‘rolling’ lockdowns likely to occur for some time.

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	**5.15%**	4.37%
1 Year	**6.05%**	4.13%
6 Months	**3.35%**	2.02%
3 Months	**1.86%**	1.01%
1 Month	**0.41%**	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%[1] p.a.
Performance Fee	15% of net performance above the RBA Cash Rate + 4% p.a
Issue price	$0.9997
Withdrawal Price	$0.9987
Distribution (31/07/21)	$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 0.60% pa (indirect cost). The above 0.85% pa management fee excludes this indirect cost.



Fund review and strategy

The Fund had a good month in July earning 0.41% on an after-fees basis. For the past 12 months the Fund earned 6.05% after-fees, well above its benchmark return of 4.13% 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 August.

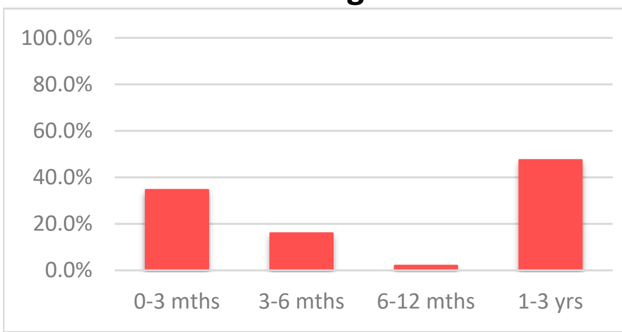
New uncertainties entered markets in July as investors grappled with the new “delta variant” with many downgrading their 2021 and 2022 economic growth forecasts which until the delta variant emerged in July have been quite optimistic. Markets recovered towards month-end but markets are still unsettled and a cloud hangs over the direction of economic growth globally. Australia entered lockdown with a solid economy but the gains are now somewhat at risk due to recent lockdowns that will occasionally flare up, such as lockdowns in various states and especially Sydney’s prolonged lockdown.

In the wake of the delta variant, the RBA publicly stated that banks should prepare for negative rates. We do not believe the RBA will cut rates into negative territory. However, it is certainly an eventuality that cannot be fully ignored especially if the vaccination take-up is less than expected, or the delta variant is not contained as is happening in parts of Europe, Asia and North America. It is far more likely that the RBA will neither cut rates, nor hike rates; we do not expect any rate hikes until earliest late-2022. The RBA has been consistently guiding markets to rate hikes no earlier than 2024.

To some degree, the “bases are loaded” because the Australian and State Governments’ capacity to provide additional or new support will be constrained by government debt. It is pleasing that equity, credit and property markets are faring well and although Government support will be gradually withdrawn, we are comfortable that the Australian and State Governments have the necessary financial ability to provide additional support should this be required over the next 1-2 years.

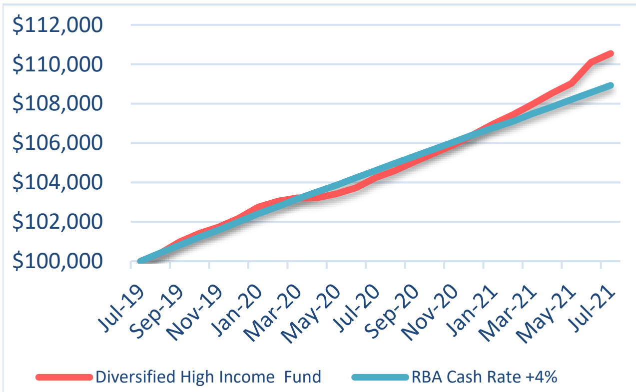
We continue to expect the Fund perform well for the remainder of 2021, and 2022. We thank you for your support and confidence that you have placed in us to steward your capital.

Interest Rate Reset Management



The Fund’s portfolio weighted average interest rate reset duration is approximately 0.70 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 $110,550 (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 $108,930 over the same period.

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