

Prime Value Diversified High Income Fund

The Diversified High Income Fund is formulated for prudent investors seeking preservation of capital and sound investment returns. The Fund targets a return of approximately 4.0% p.a. over the RBA official cash rate. The Diversified High Income Fund is an income fund that invests in cash, “fixed income” type securities, trusts investing in direct property or mortgages and other managed funds.



Fund Facts

Responsible Entity	Prime Value Asset Management Ltd
Objectives	The Fund aims to provide regular monthly income with medium risk exposure
Target Net Returns (after fees)	The Fund targets a 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.
Interest Rate Reset	The interest rate on securities in the investment portfolio resets on average every 3-6 months
Custodian	JP Morgan Chase Bank
Distributions	Monthly in cash or reinvestment option is available, generally paid within 5 business days after the end of month
Management Fee	0.85% p.a.*
Performance Fee	15% of net performance above the RBA Cash Rate + 4% pa
No Other Fees	No Establishment, Contribution, Withdrawal and Termination fees
Minimum Investment	\$50,000
Investment Period	1 - 2 years recommended
Applications	Daily
Withdrawals	Monthly. Withdrawals received during a month will generally be payable within 10 business days after the end of the month.

* The Fund may hold one or more unlisted property trusts. We estimate that the Fund's estimated proportion of management fees charged to such unlisted property trust(s) is 0.24% pa. The above 0.85% pa management fee excludes this indirect cost.

Why the High Income Fund?

Interest rates in Australia are at a historic all-time low. Many Australians who rely on earning interest on their savings are now losing the “real” value of their money as banks slash term deposit and savings rates.

The “real” return on cash (the return after inflation) could be in negative territory for many investors. With uncertainty in the markets, many investors are looking for a low-risk approach to investing that offers the potential for higher yields than having savings parked in a savings account or term deposit.

Prime Value's Enhanced Income Fund, established in 2014 is a good example of this, generally over the last few years ranked among the top funds in the independent Yield Report survey of the top-20 “Enhanced Cash” Funds in Australia. Against a backdrop of falling interest rates, the Prime Value Enhanced Income Fund has delivered an after-fees return since inception (including franking credits).

However some investors are after an even greater return on their savings than what the Prime Value Enhanced Income Fund delivers and are willing

to accept a little more risk to achieve potentially a further 2% return (being our target return pickup of the Diversified High Income Fund over the Enhanced Income Fund).

The Diversified High Income Fund offers investors an alternative way to invest primarily in the 'fixed income' market that provides a higher return than the Enhanced Income Fund. The Diversified High Income Fund achieves this higher return by investing in "fixed income" markets and diverse other markets such as infrastructure, and property markets. The target return of the Diversified High Income Fund is 4.0% over the RBA official cash rate. The higher returns available through the Fund come with an increased risk compared to the Prime Value Enhanced Income Fund however the higher risk profile is carefully managed so as to minimise the chance of permanent capital losses.

The Fund allows investors to diversify their existing investments. The assets in the Fund such as the fixed income and mortgage investments have a low market price correlation to equity and property prices.

Furthermore, the Fund is managed in a way that avoids any market disruptions or major market events so that we can always enable our investors to redeem their capital quickly.

The Fund manages its cash, the liquidity of assets in the portfolio and "credit duration" (the average length of time to redemption of securities and assets in the portfolio) to ensure investors can be redeemed in full and on time if they wish to access their funds.

The Fund manages its interest rate reset cycle so that its return will vary with movements in money market rates in the Australian wholesale market. This reset frequency ("interest rate duration") is in keeping with our objective to offer a return to investors in excess of the RBA's official cash rate.

What assets does the Diversified High Income Fund invest in?

The Fund may invest in cash, 'fixed income' type securities, trusts investing in direct property or mortgages and other managed funds. The Fund will not invest in equities. All investments will be selected on the basis of a low probability of default. We constantly assess and monitor the creditworthiness of the investments in the portfolio. Securities are diversified across senior, secured senior unsecured subordinated and hybrid securities issued by creditworthy companies, banks, insurance companies, other financial institutions, and governments or government agencies. All securities are subjected to very strict investment criteria and monitored closely through a range of filters and market based indicators.

The Fund may invest up to 20% outside Australia but all investment will be on a fully hedged basis to Australian dollars. The Fund is prohibited from borrowing funds to buy securities, in other words the Fund's return is not 'leveraged' by debt as this adds significant risk.

How to Invest

The Prime Value Diversified High Income Fund is open to all investors from the 1 August 2019 and has a minimum investment amount of \$50,000. To invest in the Diversified High Income Fund please contact your Relationship Manager or our Client Services Team on 03 9098 8088.

The information contained in this document is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Fund must obtain and read the relevant PDS (particularly the risk factors discussed) and complete an application form attached to the PDS. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Funds, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

What are the risks?

The four main risks are:

- **market risk** whereby forces in the market can affect market prices of investments;
- **credit risk** of the investments the fund owns;
- **term/maturity risk** of the investments in terms of when the investments may be redeemed in cash by the fund; and
- **liquidity of investments** in the portfolio being how readily investments may be sold.

These risks are managed in a way to deliver returns to investors that are well above normal cash returns.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$106,440 (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 \$106,430 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.

How do we anticipate the Diversified High Income Fund to perform?

We aim to be able deliver on the return objective of 4.0% p.a. over the RBA official cash rate while aiming to minimise the risk of permanent loss to investors' capital as we have for the Prime Value Enhanced Income Fund since its inception in 2014.



Portfolio Manager Diversified High Income Fund

Matthew Lemke has over 35 years' experience in global investment markets in London, New York, Singapore, Hong Kong and Australia, having worked previously for JPMorgan and Deutsche Bank.

Matthew was instrumental in setting up the Prime Value Enhanced Income Fund (formerly called the Cash Plus Fund) in 2014 and the Diversified High Income Fund in 2019.