

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



By Matthew Lemke, Fund Manager

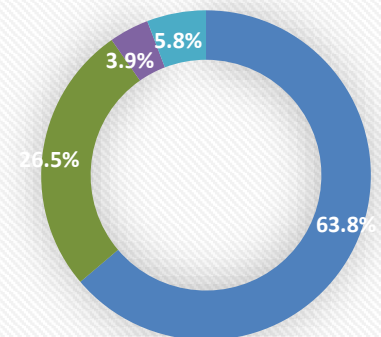
- The Fund had a good performance in October earning 0.50% after-fees, above its benchmark return
- The Fund will make its normal monthly distribution of 0.42 cents/unit in early November.
- We are monitoring markets very closely as there appears to be a sea-change in official monetary policy in Australia along with many other western-developed countries

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	<b>5.21%</b>	4.34%
2 Years	<b>5.14%</b>	4.26%
1 Year	<b>6.31%</b>	4.09%
6 Months	<b>3.29%</b>	2.02%
3 Months	<b>1.41%</b>	1.01%
1 Month	<b>0.50%</b>	0.32%

\* 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	\$1.0011
Withdrawal Price	\$1.0001
Distribution (30/10/21)	\$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 0.60% pa (indirect cost). The above 0.85% pa management fee excludes this indirect cost.	

## Holdings by Category



- Income Securities
- Unlisted Trusts
- Enhanced Income
- Cash

## Fund review and strategy

The Fund had a good performance in October, earning 0.50% after-fees being above its benchmark return.

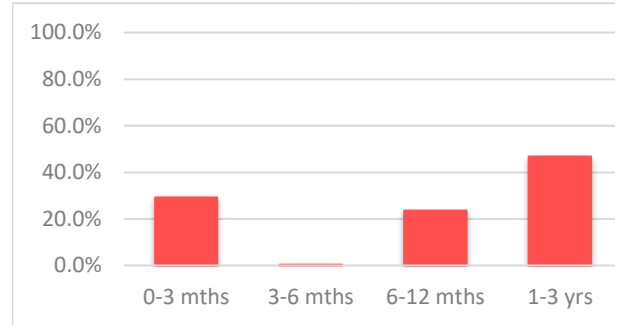
A key objective of the Fund is to maintain a diverse range of assets in its investment portfolio. This is to generate the benchmark return in a diversified way so that the Fund is not overly exposed to any one security or asset, or class of assets. Assets are only added after a stringent investment review to ensure that all assets meet strict investment criteria. In October, this process continued and a small number of assets were added to the portfolio adding further diversification.

We are very aware of the market context in which the Fund operates. At the moment, there appears to be a sea-change in official monetary policy by central banks in most western-developed countries, including the RBA in Australia. Markets have begun to price in rate hikes in the interest rate futures market. The Reserve Bank of New Zealand hiked rates 0.25% to 0.50% in October. Many central banks in their official publications are indicating that tapering of the Quantitative Easing programs is underway and are beginning to flag the prospect of rate hikes at some stage in the future.

These developments will affect all markets, especially those markets that are dependent on interest rates such as property markets. A concern that has arisen in the last week of October with the RBA's unexpected lack of market support for the April 2024 Commonwealth Government Bond when its market yield went above 0.1% is that we can no longer fully rely upon the RBA flagging to the market with plenty of notice any change in monetary policy. This did not occur in the context of the April 2024 bond, hence producing a very strong market reaction, one of the biggest on record. Market support by the RBA for the April 2024 bond was a key part of the RBA's Quantitative Easing program.

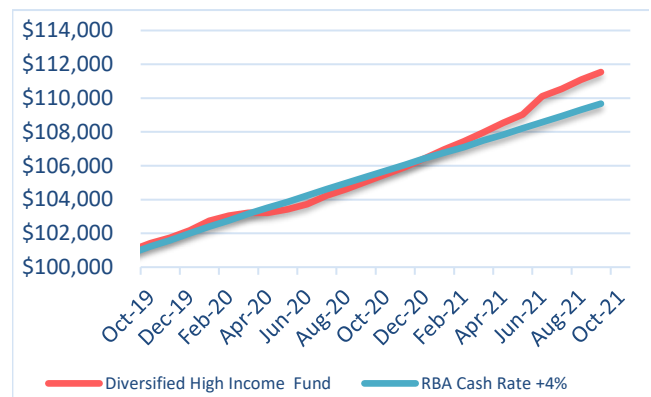
We are monitoring all markets very closely. We expect the Fund to meet its benchmark return over coming months and in 2022.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.7 years.

## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$120,100 (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 \$110,020 over the same period.

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