

Prime Value Diversified High Income Monthly Fund Update – September 2021



By Matthew Lemke, Fund Manager

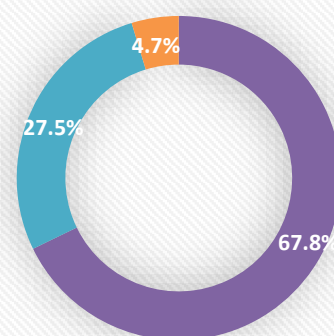
- The Fund had a good performance in September despite market volatility, returning 0.40% after-fees. The after-fees return for the last 12 months and since inception are 6.18% and 5.17% respectively; ahead of our benchmark returns. Of course, past returns are not an indicator of future returns
- The Fund will again distribute 0.42 cents/unit for the September quarter in early October, or circa 5.0% per annum.
- The Fund has continued to diversify its investments, now holding more than 30 assets across corporate bonds, mortgages and unlisted property trusts and other trusts. This has given the Fund a strong degree of resilience in different market situations

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	5.17%	4.35%
1 Year	6.18%	4.11%
6 Months	3.31%	2.04%
3 Months	1.32%	1.02%
1 Month	0.40%	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	\$1.0003
Withdrawal Price	\$0.9993
Distribution (30/09/21)	\$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.	

Holdings by Categories



- Income Securities
- Unlisted Trusts
- Cash

Fund review and strategy

The Fund had a very good performance in September despite the selloff in global equity markets. The Fund earned 0.40% after-fees for the month. The after-fees return for the last 12 months and since inception are 6.18% and 5.17% respectively, both ahead of our benchmark return of circa 5.0% p.a. Of course, past returns are not an indicator of future returns.

The Fund will again distribute 0.42 cents/unit for the September quarter in early October. It has been a feature of the Fund that it has not changed its monthly distribution since its inception in August 2019.

The Fund has continued to diversify its asset portfolio. The Fund now has corporate bonds, mortgage loans (with a good spread of location, borrower and property type), unlisted property trusts and other unlisted trusts including retirement living trusts. The Fund also maintains a cash balance with bank(s) and also may have surplus cash in Prime Value Enhanced Income Fund. The level of cash for the Fund was higher over September than the recent months; in anticipation of some market volatility.

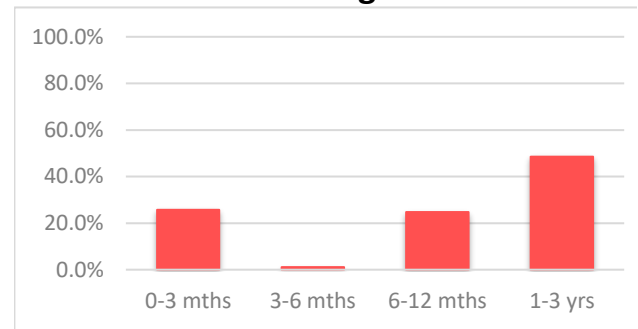
Overall, the Fund has more than 30 assets providing a good diversity of asset types and income sources. This has given the Fund a strong degree of resilience in different market situations. We believe that **select and targeted diversification is a fundamental cornerstone in providing consistent income and protecting capital** to our income-seeking investors.

We continue to monitor markets very carefully. Markets appear to be reaching a hiatus and a further paradigm shift may be occurring around the world and in Australia. A key element of this paradigm shift is the move in the United States by the Federal Reserve to withdraw (“taper”) the Quantitative Easing that has been a feature of their economy for some time. Tapering will inexorably occur but it will be very slow and deliberate, with the Fed adjusting the tapering for economic conditions.

We particularly note the recent moves by several State governments in Australia to move from a policy of “pandemic elimination” to “pandemic suppression” and now to a framework where there is some degree of “acceptance” of the pandemic and return to normal life although this will not occur for some time at least until vaccination rates reach certain critical levels. This “acceptance” by governments around Australia will have economic consequences which cannot be understood or estimated very clearly. It is very possible that the “acceptance” will move back to “suppression” and lockdowns if the pandemic puts too much pressure on the hospital system. Hence, we continue to manage the Fund conservatively taking into account downside risks.

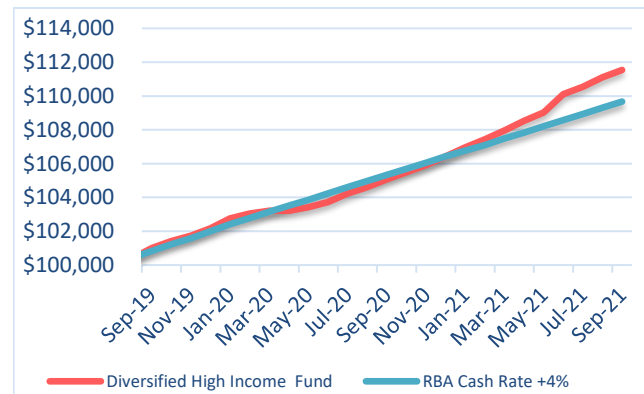
We see no change to the Fund’s target distribution of 0.42% per month for remaining months in FY2022.

Interest Rate Reset Management



The Fund’s portfolio weighted average interest rate reset duration is approximately 0.7 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 \$111,540 (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 \$109,670 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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