

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



By Matthew Lemke, Fund Manager

- The Fund ended 2021 well, earning 1.15% after-fees for the month of December. The Fund earned 6.96% after-fees over the course of 2021. Both returns are well above the benchmark returns for the Fund.
- The December distribution of 0.42 cents per unit will be paid in early January

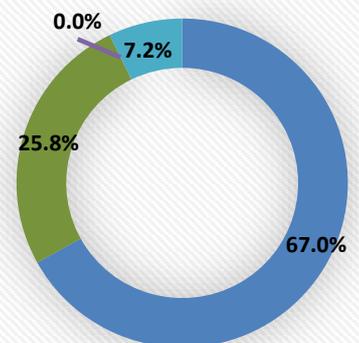
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	5.52%	4.33%
2 Years (p.a.)	5.56%	4.22%
1 Year	6.96%	4.10%
6 Months	3.42%	2.05%
3 Months	2.07%	1.02%
1 Month	1.15%	0.34%

\* 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	\$1.0083
Withdrawal Price	\$1.0073
Distribution (31/12/21)	\$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 ended 2021 on a very good note. The return for the month of December was 1.15% after-fees, which is above the benchmark monthly return of 0.34% being the RBA official cash rate plus 4% adjusted to a monthly basis. The overall return for the 2021 calendar year was 6.96% after-fees, also well above the benchmark annual return of 4.10%. Of course, past performance is not an indicator of future performance.

Markets in 2021 were overall less volatile than in 2020 which saw the onset of the global pandemic. Perhaps the biggest surprises in 2021 were the overall volatility yet strength of investment markets, the robustness of the economy, and the rise in inflation globally and in Australia.

The rise in inflation is partly the result of three factors:

- supply-side bottlenecks due to the pandemic
- maintenance by central banks around the world, including the RBA, of official rates near zero which has led to price rises in goods/ services and also assets like property and equities
- the rise in industrial output which has put pressure on prices of base metals and crude oil

The rise in inflation at times had a very negative impact on markets and created market volatility. We remain very guarded and vigilant about the prospects for inflation over the next couple of years.

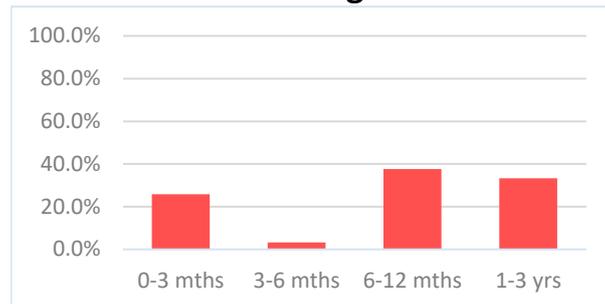
The RBA has been stating for some time that Australian CPI will stay within its 2-3% target band over the medium-term and that they do not expect to raise interest rates in Australia until 2023 when wage pressure might eventually force rate hikes. It is far more likely that the US will raise rates before Australia, even as early as 2022. However, RBA rate hikes, which are not expected until 2023 might cause problems for markets.

We are still in the midst of a global pandemic and many countries like Australia are experiencing significant and unprecedented changes due to the pandemic. Many of the changes in 2022 and 2023 will not be capable of forecasting accurately, and in this regard, we mention the incredibly rapid increase in people around the world getting the Omicron coronavirus variant, even though the rate of severe cases and hospitalisations is nowhere near the number of cases. No doubt, vaccine improvements and the rollout of booster shots will alleviate the spread and consequences of this variant. However other variants may emerge and we need to be ready. As well, the Australian Federal Election is due by May 2022, probably some time after Easter. No doubt, markets also will produce, at times, large price movements and volatility.

Given the unpredictability of markets in these unusual and unprecedented times, we remain highly vigilant to market and economic circumstances. Our main objective is to manage risk, not base our performance on trying to predict markets.

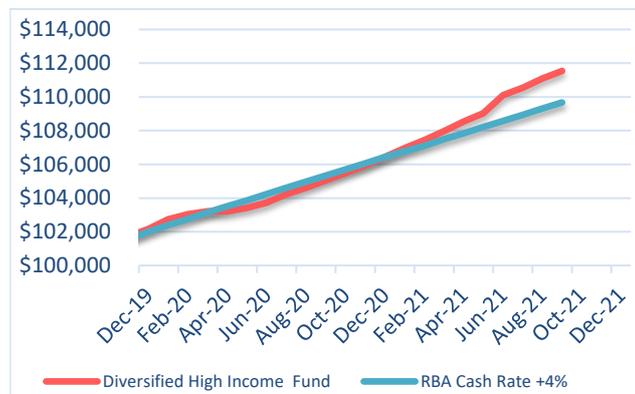
We would like to thank all of our investor clients for their support during the year. We hope the holiday period allows everyone to relax and provide time with families. We wish everyone a safe and prosperous 2022.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.77 years.

## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$113,860 (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 \$110,790 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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