

Prime Value Diversified High Income Monthly Fund Update – May 2022



By Matthew Lemke, Fund Manager

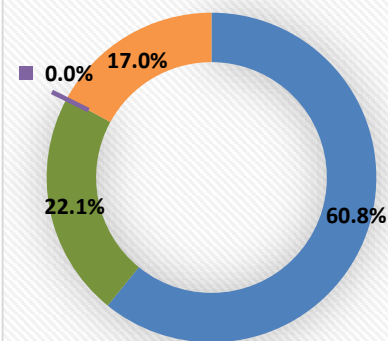
- The Fund performance was slightly down on previous months due to the volatility in the price of a particular fixed income security that is listed on the ASX where there is significant volatility currently being experienced. The Fund holds only a very small percentage (1.1%) of fixed income assets that are listed on the ASX.
- The Fund's distribution for the month of May will again be the normal 0.42 cents/unit, to be paid in early June
- The Fund maintains a very diverse range of assets. It is this diversity that is allowing the Fund's unit price to be very stable and for a consistent performance and return every month.
- We expect the Fund to continue to deliver returns in excess of 5.0%+ p.a.

| | Net Return* | Benchmark (RBA +4% p.a.) |
|------------------------|--------------|-----------------------------|
| Since inception (p.a.) | 5.36% | 4.30% |
| 2 Years (p.a.) | 5.89% | 4.15% |
| 1 Year | 6.35% | 4.12% |
| 6 Months | 3.01% | 2.04% |
| 3 Months | 1.13% | 1.04% |
| 1 Month | 0.26% | 0.37% |

* 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 | \$1.0057 |
| Withdrawal Price | \$1.0047 |
| Distribution (31/05/22) | \$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 Category



- Income Securities
- Unlisted Trusts
- Enhanced Income
- Cash

Fund review and strategy

The Fund's performance was slightly down on previous months. All assets within the Fund's portfolio performed well except for a fixed income security that is listed on the ASX that experienced significant volatility during May. This affected the Fund's overall performance. The Fund holds an extremely low percentage (1.1%) of assets on the ASX or wholesale traded debt markets. The Fund will pay its normal monthly distribution of 0.42 cents/unit in early June.

The Fund maintains a very diverse range of assets. It is this diversity that is allowing the Fund's unit price to be very stable and for a consistent performance and return every month.

Part of the success of the Fund is our adherence to very strict investment criteria and to be disciplined in the way we manage the Fund. We have been maintaining a larger cash balance than usual given the significant number of factors at play in the market at the moment and particularly the market's inability to form a consensus view on the future path of inflation and how far and fast central banks will need to hike rates.

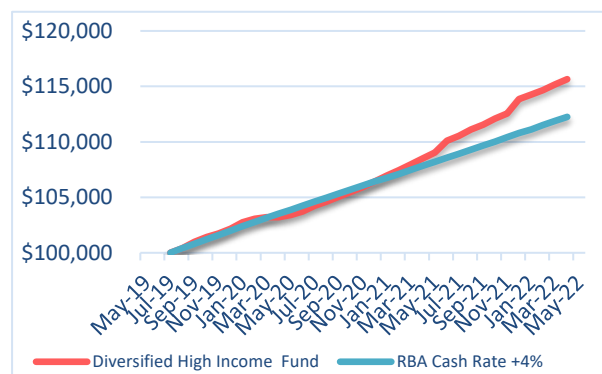
As mentioned in previous Updates, the Fund generally benefits from RBA rate hikes and interest rates moving higher in the general market. However, interest rates are not the only influence on the performance of the assets in the Fund's portfolio. In addition, there are "leads and lags" in the way RBA rate hikes and changes in wholesale interest rates translate into the Fund's performance.

During May, we deployed some of the cash balance into a small number of investments, fully in keeping with the Fund's strict investment criteria, especially around the target percentage holdings for the various asset categories.

Although we expect markets to remain reasonably volatile over coming months, we do not expect this volatility to have any significant influence on the performance of the Fund.

We continue to approach very cautiously any new investments in the Fund, and apply very rigorously our strict investment criteria to all assets in the Fund on an ongoing basis. We maintain a portfolio of diverse and quality assets, with strict criteria around asset allocation and constraints on how much is invested in any particular sector or asset category.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$115,950 (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 \$112,670 over the same period.

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