

Prime Value Diversified High Income Monthly Fund Update – June 2022



By Matthew Lemke, Fund Manager

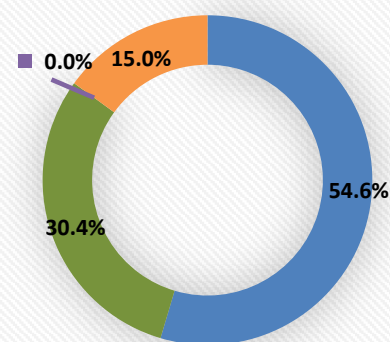
- The Fund performed very well in June with a return of 1.67% for the month after units in one of the property trusts was revalued higher. The Fund's net after-fees return for the year ended 30 June was 7.08%, well above our benchmark return.
- Investment markets were difficult in the June quarter and cash level was higher than normal. The Fund benefits from only having a very small percentage of its portfolio in the traded and listed markets where the market volatility is being experienced.
- The Fund's portfolio continues to be well-diversified and to show resilience and stability in the face of significant market volatility.
- The RBA delivered a large 0.50% rate hike in early-June with more rate hikes expected. The Fund overall benefits from higher rates although there are 'leads and lag' on the flow into the Fund's returns and distributions.
- The Fund will increase the monthly distribution from 0.42 cents/unit to 0.45 cents/unit from July 2022.

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	5.80%	4.31%
2 Years (p.a.)	6.61%	4.16%
1 Year	7.08%	4.16%
6 Months	3.54%	2.07%
3 Months	2.34%	1.07%
1 Month	1.67%	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	\$1.0183
Withdrawal Price	\$1.0173
Distribution (30/06/22)	\$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 will distribute the normal 0.42 cents/unit for the June month in early July. The Fund will increase the monthly distribution from 0.42 cents/unit to 0.46 cents/unit from July 2022.

The Fund benefits from the quality and diversity of assets in its portfolio and only having a very small percentage in the listed/ traded market where the market volatility is being felt.

The Fund benefits from increases in interest rates because some of the interest rate on securities in the portfolio resets every 3-6 months so the Fund participates in rate increases. However, the speed with which the interest rate increases flow into the Fund's returns varies as there are 'leads and lags'.

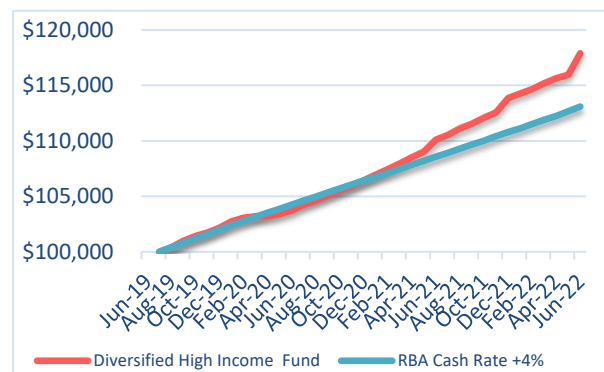
The Fund has a diversified portfolio with property being the main sector of investment. This investment is in the form of units in unlisted property trusts and mortgage assets. All these assets are carefully assessed and monitored over time and are well-diversified. We are very comfortable with our portfolio at this stage and will continue to monitor and add diversity where the asset meets our investment criteria which includes strict guidelines on how much can be invested in any one sector.

We are monitoring very closely whether the RBA's rate hikes might push the economy into a downturn. The RBA hiked the official rate by 0.50% hike in early June with the likelihood of further rate rises, the next likely to be on Tuesday 5 July. The concern of the market is that inflation in Australia, as in the US and other western developed countries, will push to 7% or even higher. The worry that has come into markets in the last 2 months is whether the various countries around the world can adequately handle the extent of interest rate hikes forecast by the market by the RBA, the US Fed, Bank of Canada, Bank of England, and the Reserve Bank of New Zealand to name a few.

The next CPI reading in Australia is due late-July for the June quarter. This inflation number is again likely to be high, and possibly higher than the 5.1% year-on-year result for the March quarter released in late-April. The RBA has warned that inflation is trending higher and for the market to expect high inflation and more rate hikes. The four major banks in Australia are forecasting the cash rate in Australia will move to the 2.25% - 2.75% area so there are quite a few rate hikes coming if their forecasts prove true. These forecasts are keeping traded markets 'on edge'. There is no discernible impact on the property/ commercial or other assets in the Fund's portfolio and the Fund is benefitting by only having a very marginal proportion of its portfolio in the traded market. Pleasingly, the Fund benefitted in June from the upward revaluation of one of the property assets in its portfolio.

We again thank you for your support. Please do not hesitate to contact us if you would like more information or would like to talk to the Fund Manager, Matthew Lemke

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$117,890 (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 \$113,890 over the same period.

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Contact details:

Andrew Russell - Director, Investor Relations
arussell@primevalue.com.au

Daniel Leong - Director, Investor Relations
daniel.leong@primevalue.com.au

Phone: 03 9098 8088
Email: info@primevalue.com.au
Web: www.primvalue.com.au

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000

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