

Prime Value Diversified High Income Monthly Fund Update – November 2022



By Matthew Lemke, Fund Manager

- The Fund's return for the past 12 months was 6.98%, after fees.
- We are vigilant to the possibility that the RBA may be overly aggressive in its rate hikes, but we do not expect the RBA to trigger a general economic downturn. The Fund's assets are well-diversified providing stability in the Fund's unit price and its performance.
- The Fund will pay its usual monthly distribution of \$0.45 cents/unit in early December.

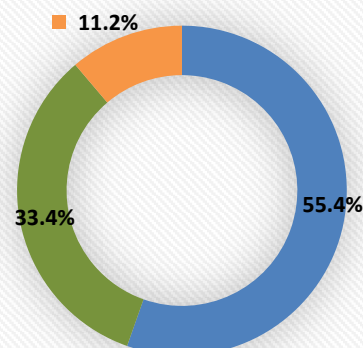
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	5.72%	4.52%
3 years (p.a.)	5.77%	4.48%
2 Years (p.a.)	6.61%	4.52%
1 Year	6.98%	4.95%
6 Months	3.86%	2.85%
3 Months	1.01%	1.54%
1 Month	0.36%	0.54%

* 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 a reliable indicator of future performance. Net returns are calculated after management fees.

Feature	Fund Facts
Portfolio Manager	Matthew Lemke
Investment Objective	The Fund aims to provide regular income with medium risk Exposure. The Fund targets a return to investors of the RBA Cash Rate plus a margin of 4.0% p.a. This return may vary from month to month depending on the market.
Target Market	The Fund is designed for investors seeking a return above the RBA cash rate and regular distributions from a diverse portfolio of investments with an emphasis on capital preservation.
Benchmark	RBA Cash Rate + 4%
Inception Date	1 August 2019
Distributions	Monthly
Suggested Investment Period	1-2 years
Individual Security Maximum Exposure	Individual security holdings will generally be limited to 15% of the portfolio, however, the Fund Manager is permitted to invest above 15% but not exceeding 25% of the portfolio if this is considered to be in the best interests of investors.
Minimum Investment	\$50,000
Management Fee	0.85% ¹ p.a.
Performance Fee	15% ¹ of net performance above the RBA Cash Rate + 4% p.a
Issue price	\$1.0170
Withdrawal Price	\$1.0170
Distribution (30/11/22)	\$0.0045

¹The Fund may hold one or more unlisted trusts (Interposed Vehicles). Indirect costs are the impact on the Fund from fees and costs such as management fees in connection with Interposed Vehicles. The fees in the above table exclude indirect costs. Indirect management fees and costs for the year ended 30 June 2022 were 0.77%. Indirect performance fees charged or accrued since the Fund's inception to 30 June 2022 were 0.29% pa. Indirect costs will vary every year.

Holdings by Category



- Income Securities and Loans
- Unlisted Trusts
- Cash

Fund review and strategy

The Fund's return for the past 12 months was 6.98% after-fees. Of course, past performance is not a reliable indicator of future performance.

The usual monthly distribution of \$0.45 cents/unit will be paid to investors in early December.

The Fund has 40-45 assets in its portfolio spread across a wide range of income-producing investments that are chosen specifically for the stability of both their income stream and their capital value. Not all assets are directly linked to wholesale interest rates, however the portfolio generally benefits from rate rises as assets in the portfolio are re-priced, or maturing assets are replaced by higher-yielding assets. The Fund has been generally benefitting from the rise in local interest rates as the RBA has hiked rates – a total of 3% of rate hikes since May with the most recent hike being 0.25% on 6 December. The RBA statement after this rate hike strongly indicates that more rate hikes are in store.

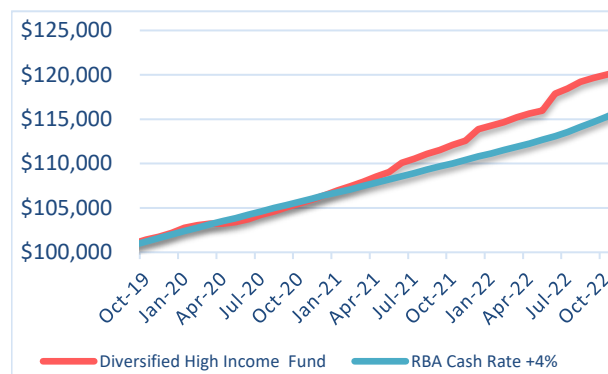
Whilst the Fund benefits from interest rate rises, we are very aware that an overly aggressive RBA may cause an economic downturn which might impact the performance and prices of assets in the portfolio. We do not expect the RBA to hike rates to the point that the hikes force a downturn in the economy, but we remain vigilant to developments especially as the market is still pricing in 4 more rate hikes, "encouraged" by the strong RBA statement about combatting inflation after it hiked rates on 6 December. There are, nonetheless, signs the economy may be weakening as seen in the weak retail sales and building approvals data, and the fall in the Terms of Trade in the 3rd quarter, along with the weak October monthly CPI (released late-November) which showed a decline with year-on-year CPI falling from 7.3% to 6.9%. The RBA will certainly be very vigilant as to whether wage claims emerge, pushing inflation higher, due to the low unemployment rate (3.4%) and the recent passage of the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 into law, which may trigger a raft of wage claims by the unions.

We are continuing with our strategy to be predominantly invested in wholesale and non-listed assets which avoids the volatility evident in the non-wholesale (retail) and traded/listed markets, especially when markets are struggling. This is important as we begin to enter 2023 with all the uncertainties in the global economy.

Assets in the Fund's portfolio are performing well and meeting our investment criteria. We continue to monitor markets very closely given the wide range of factors influencing global economies and markets at the moment. We continue to look for meaningful ways to diversify the Fund's portfolio, but we will only invest if the asset meets our strict criteria.

We thank you for your continued loyalty to the Fund. We welcome any questions or comments that you may have. We would also like to make available a meeting or phone call with the Fund Manager, Matthew Lemke or Prime Value CEO, Yak Yong Quek.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$120,380 (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 \$115,880 over the same period.

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