

Prime Value Diversified High Income Monthly Fund Update – December 2022



By Matthew Lemke, Fund Manager

- The Fund performed reasonably well in December achieving a return of 0.31% after-fees. The Fund's return over Calendar 2022 was 6.10% after-fees, and for the past 2 years was 6.51% p. a. after-fees, both these returns being above the target return.
- The Fund paid its usual monthly distribution of 0.45 cents/unit in early January. We are hopeful the distribution will increase from the month of January to 0.49 cents/unit. This is equivalent to 6.04% p.a. on a compounded basis (assuming all distributions are re-invested).
- Our strategy in 2023 is to continue to be invested in a diversified way across different sectors in a wide range of assets, with all assets passing strict investment criteria. This strategy best addresses the uncertain inflation, interest rate and economic growth outlook in 2023.

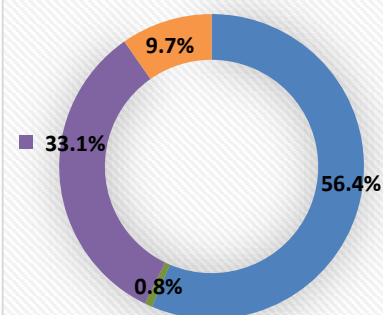
	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	5.68%	4.58%
3 years (p.a.)	5.73%	4.54%
2 Years (p.a.)	6.51%	4.64%
1 Year	6.10%	5.18%
6 Months	2.47%	3.05%
3 Months	0.96%	1.64%
1 Month	0.31%	0.57%

* 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	\$1.0157
Withdrawal Price	\$1.0157
Distribution (31/12/22)	\$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



- Loans
- Income Securities
- Unlisted Trusts
- Cash

Fund review and strategy

The Fund performed reasonably well in December achieving a return of 0.31% after-fees. The return for the 12 months to 31 December was 6.10% after-fees, and for the past 2 years was 6.51% p. a. after-fees, both returns above the target annual return for the Fund. Of course, past performance is not a reliable indicator of future performance. The return for the last 3 months has been somewhat lower for two reasons, firstly, as we have been taking a more cautious approach in the current environment with a higher level of liquidity, and secondly, some of the mortgages have not yet been repriced to higher rates - this will occur from January 2023 onwards and so we expect returns of the Fund to gradually move higher.

Our aim for 2023 is a total return to investors of 6% -7% after-fees. The return may be closer to the lower end of this range dependent on the level of caution we think is appropriate to the market environment

The Fund paid its normal monthly distribution of 0.45 cents/unit in early January. We are hopeful the distribution will increase from the month of January to 0.49 cents/unit. This is equivalent to 6.04% p.a. on a compounded basis (assuming all distributions are reinvested).

In 2023, we believe inflation will stay high for some time and the RBA will hike rates further, but that the Australian economy will continue to perform well, and better than many other western developed countries.

The Fund in general benefits from higher interest rates as assets in the portfolio are repriced with a lag. The economic environment in Australia is quite positive for the Fund.

However, we are also aware that if inflation stays persistently high, and the RBA responds with more than another 0.75% of rate hikes, that it may mean the Australian economy will start to deteriorate, especially in light of the speed with which the RBA hiked the cash rate in 2022 - a total of 3% of rate hikes over 7 months starting in May - with many businesses and households still adjusting to the higher rates.

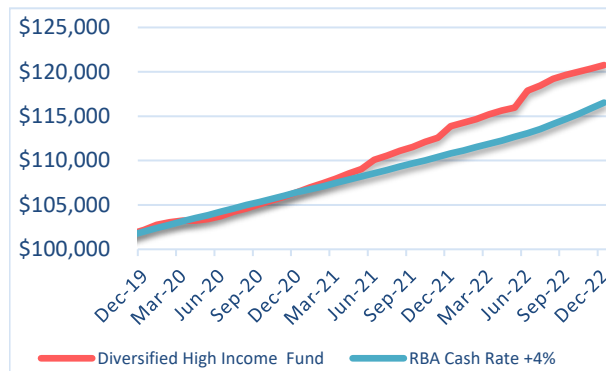
Our investment strategy for the Fund in 2023 is three-fold:

1. To be invested in a diversified way across different sectors in a wide range of assets. We believe diversity is key to dealing with uncertainty - not taking undue positions in any particular sector or any particular asset type;
2. To be invested only in quality assets that meet all our strict investment criteria; and
3. To be very alert to market and economic developments to be able to anticipate and quickly adjust the portfolio as necessary.

In this way, we believe investor capital will be safe-guarded and the Fund will continue to meet the target monthly return, and even deliver further capital gains as occurred in 2022.

We welcome any comments or any questions you may have, and would be very pleased to organise a meeting or call with the Fund Manager, Matthew Lemke or Prime Value CEO, Yak Yong Quek. We wish you and your family and friends a very safe holiday season.

Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$120,760 (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 \$116,530 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 a reliable indicator of future performance.

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