Prime Value Diversified High Income Monthly Fund Update – February 2023

By Matthew Lemke, Fund Manager

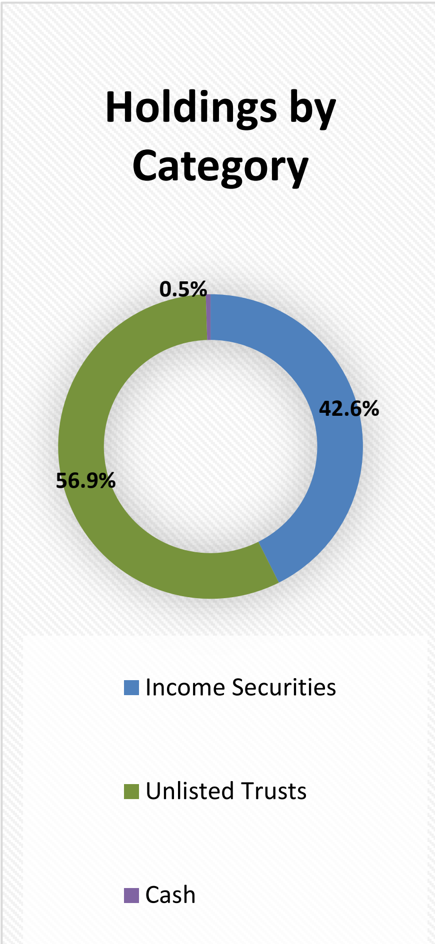
- The Fund performed very well in February achieving a return of 1.15% after-fees. This is higher than the usual monthly return, partly due to the revaluation of one of the Fund's assets. The Fund's return over the past 12 months is 7.11% after-fees, which is 1.41% above its benchmark return. The Fund's return over the past 2 years is 6.92% p.a. after-fees, which is 2.01% p.a. above its benchmark return
- The Fund has paid a distribution of the normal 0.49 cents/unit plus an extra 0.04 cents/unit delayed from the January distribution, making a total distribution of 0.53 cents/unit.
- Overall, we see market and financial conditions as being favourable for the Fund. We are fully focused on capital stability and paying a regular monthly distribution to investors.

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	**5.90 %**	4.70%
3 years (p.a.)	**6.02%**	4.68%
2 Years (p.a.)	**6.92%**	4.91%
1 Year	**7.11%**	5.70%
6 Months	**3.02%**	3.28%
3 Months	**1.99%**	1.72%
1 Month	**1.15%**	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	$1.0228
Withdrawal Price	$1.0228
Distribution (28/02/23)	$0.0053 (this includes $0.0004 delayed from the 31/01/23 distribution)

[1]The 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.



Fund review and strategy

The Fund performed very well in February achieving a return of 1.15% after-fees. This is higher than the usual monthly return, partly due to the revaluation of one of the Fund's assets. The Fund's return over the past 12 months is 7.11% after-fees, which is 1.41% above its benchmark return. The Fund's return over the past 2 years is 6.92% after-fees, which is 2.01% above its benchmark return. Of course, past performance is not a reliable indicator of future performance.

Markets globally started 2023 well, as the global investment market believed the US Fed would shortly cease hiking rates. This view is currently being tested after Fed statements suggesting rate hikes will continue and after the US inflation data showed US inflation was not receding as it had been for the prior 6 months. The US market is now pricing in 1% of additional rate hikes taking the Fed rate to 5.50%. The market in Australia is also pricing in further rate hikes, in the order of 0.75%-1%, taking the cash rate to around 4.40%-4.50%. Clearly, rate outcomes in the US and Australia, like other countries, are extremely difficult to forecast, and much will depend on whether inflation continues to rise or recedes. The good news for investors is that the Fund overall benefits from higher interest rates, although the effect is not immediate as it takes time for assets in the investment portfolio to be repriced.

There is the risk that the RBA hikes too far and prompts an economic downturn in Australia which might eventually impact the valuation of assets in the portfolio. The RBA is very aware of the impact of rate rises on households with mortgages and businesses with debt and has mentioned this explicitly in recent public statements. We believe these factors will temper the rate hikes.

The Federal May Budget is still 2 months away but looming as a key economic document for the new Federal Government to introduce a range of new policy measures which could affect Australian markets and the economy. We will be watching very carefully for any Government statements in the lead up to the Budget and possible effects on the Fund's assets.

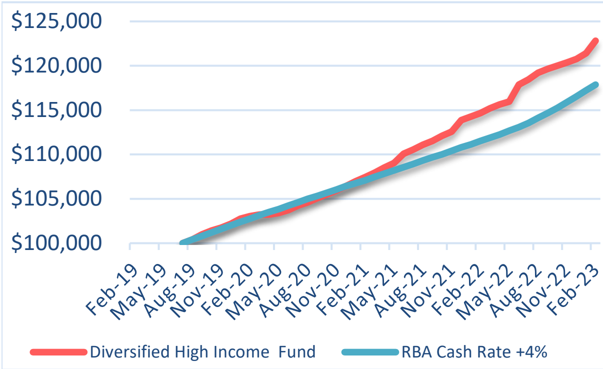
The above highlights the market and economic uncertainties we live with. This is why we adopt a risk-management approach to the way we manage assets in the Fund's investment portfolio. As part of that, we strive to ensure the assets in the investment portfolio are high-quality and that the portfolio is well-diversified to mitigate the risks. We do not try to predict markets or take undue risk to generate returns.

Overall, we see market and financial conditions being favourable for the Fund. The Fund's asset portfolio is well-diversified. All assets are carefully selected and monitored. The vast majority of the assets in the Fund's portfolio are only available in the wholesale/ non-listed markets, which considerably dampens the volatility in the prices of the assets in the portfolio.

We remain fully focused on capital stability and paying a regular monthly distribution to investors.

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.

Fund Performance



This graph shows how $100,000 invested at the Fund's inception has increased to $122,820 (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 $117,870 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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