Prime Value Diversified High Income Monthly Fund Update – April 2023

By Matthew Lemke, Fund Manager

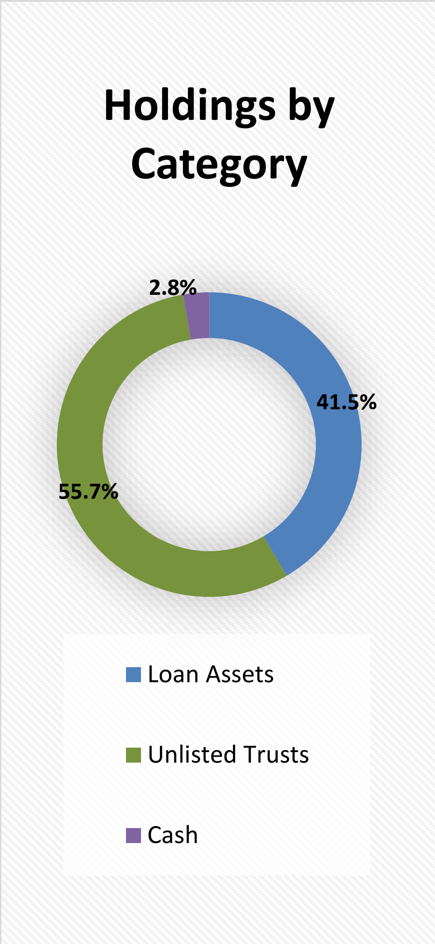
- The Fund performed well in April, achieving a return of 0.64% after-fees, above its Benchmark return. The performance partly reflected an upward revaluation in one of the Fund's assets. The Fund's return over the past 12 months is 7.25% after-fees, also above its Benchmark return.
- As flagged in the previous Monthly Update, for the month of April the Fund increased its distribution to 0.51 cents/unit, paid in early May, which is equivalent to an annual distribution of 6.295% (assuming all distributions are reinvested). We are hopeful that the distribution for May can be increased to 0.53 cents/unit, equivalent to an annual distribution of 6.55% (assuming all distributions are reinvested).

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	**5.91%**	4.81%
3 years (p.a.)	**6.31%**	4.83%
2 Years (p.a.)	**6.90%**	5.17%
1 Year	**7.25%**	6.25%
6 Months	**3.37%**	3.48%
3 Months	**2.15%**	1.73%
1 Month	**0.64%**	0.56%

* 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% p.a. [1]
Performance Fee	15%[1] of net performance above the RBA Cash Rate + 4% p.a
Issue price	$1.0229
Withdrawal Price	$1.0229
Distribution (30/04/23)	$0.0051

[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 well in April, achieving a return of 0.64% after-fees, above its Benchmark return. The performance partly reflected an upward revaluation in one of the Fund's assets. The Fund's return over the past 12 months is 7.25% after-fees. Of course, past performance is not a reliable indicator of future performance.

As flagged in our previous Monthly Update, for April the Fund increased its distribution to 0.51 cents/unit, paid in early May. This is equivalent to an annual distribution of 6.295% (assuming all distributions are reinvested). We are hopeful that the distribution for the month of May can be increased to 0.53 cents/unit, equivalent to an annual distribution of 6.55% (assuming all distributions are reinvested).

The RBA met on Tuesday 2 May and decided to hike the cash rate to 3.85% in a move that was not expected by the market. There could well be more rate hikes in Australia. The 3.75% of rate hikes already delivered since May last year are a lot for the economy to absorb and represent the largest and quickest tightening cycle ever in Australia. The March quarter CPI released late-April recorded 7.0% growth for the 12 months to 31 March, down from 7.8% for the 12 months to 31 December 2022. Whilst pleasing that inflation seems to be falling, one set of data cannot be taken as a 'trend'. We are very alert to this unfolding situation and the financial and economic implications. It remains to be seen how the Government's proposed changes to the RBA will impact monetary policy in Australia.

Overall, the Fund benefits from a rise in interest rates, with leads and lags, as the interest rate on the various assets is progressively repriced.

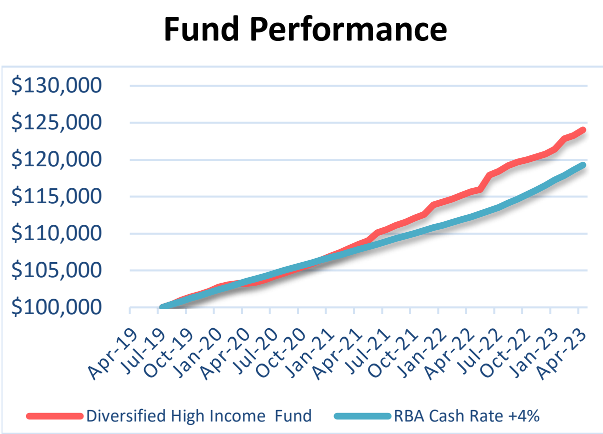
The Federal Budget on Tuesday 9 May will be closely watched given the changes mooted so far by the Federal Government, and its desire to selectively raise taxes. Higher taxes occurring at the same time as higher interest rates will pressure the economy. Fortunately for Australia's economic performance, the Terms of Trade is strong, with additional support from the strong employment situation in Australia and the pickup in net migration to Australia.

The situation with US banks is still evolving with another medium-sized bank, First Republic Bank, being closed by the regulator in late-April, following the closure of two medium-sized US banks, Silicon Valley Bank and Signature Bank, in March. We do not see any problems for the bigger banks in the US, nor 'contagion' effects flowing to the Australian banks or financial system. The banks in Australia are well-regulated and supervised by APRA, have strong internal governance standards, typically have a high proportion of mortgage assets and low levels of "risky" asset concentration, and have strong deposit ratios. These factors differentiate Australian banks from the US banks that have closed or which may be struggling.

The Fund's portfolio continues to be invested in quality assets and providing income and capital stability. None of the assets in the Fund's portfolio is invested in the listed or traded market, so the Fund does not have the volatility being experienced from time-to-time in the listed or traded market. The diversification of assets also provides protection against any adverse moves in a particular market or sector. We manage the diversity of the Fund's asset portfolio in a variety of ways to prevent any risk concentration to one asset type or sector and ensure the portfolio is sustainable and will endure through different business cycles.

One of the ways that we diversify is to invest in assets that have good 'thematics', being assets that will perform well in the future due to a societal need. An example is the Fund's investment in a Retirement Living Trust that owns several operating retirement villages with high occupancy located in suburbs of Melbourne where there are good demographics. The income and capital attributes of retirement villages are attractive given the ongoing need for this sort of accommodation. Retirement villages provide a reliable cashflow and income and are somewhat immune to the overall business cycle. There is also the potential for some capital appreciation. This sort of investment is not available to most investors and is just one example of the ways we manage the portfolio and steward investor capital in the Fund.

We welcome any questions or comments you may have on the market or the Fund and encourage you in this regard to organise a call with the Portfolio Manager, Matthew Lemke, or Prime Value CEO, Yak Yong Quek.



This graph shows how $100,000 invested at the Fund's inception has increased to $124,030 (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 $119,270 over the same period.

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