Prime Value Diversified High Income Monthly Fund Update – May 2023

By Matthew Lemke, Fund Manager

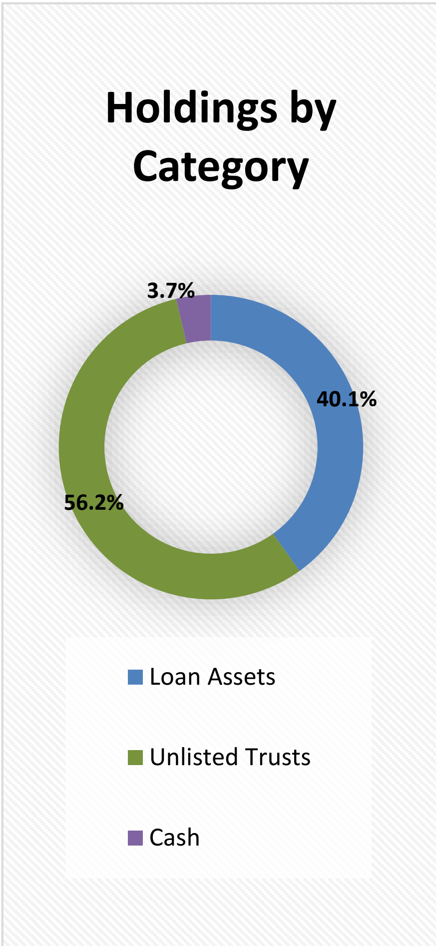
- The Fund performed reasonably well in May with a return of 0.32% after-fees. The return for the past 6 months was 3.33% after-fees. For the past 12 months, the return was 7.32% after-fees which is 0.74% above the Benchmark return, and above the CPI for the past 12 months so the Fund is delivering a *real* return to investors. We encourage investors to look at the Fund's longer-term returns.
- As flagged in the Monthly Update for April, the Fund paid the higher distribution of 0.53 cents per unit in early June. This distribution is equivalent to an annual distribution of 6.55% (assuming all distributions are reinvested).
- We encourage investors to look at the Webinar for the Fund held in May, or obtain a copy of the PowerPoint presentation from our Investor Relations team (names and contact numbers at the end of this Monthly Update).

	Net Return*	Benchmark (RBA +4% p.a.)
Since inception (p.a.)	**5.87%**	4.89%
3 years (p.a.)	**6.36%**	4.96%
2 Years (p.a.)	**6.83%**	5.34%
1 Year	**7.32%**	6.58%
6 Months	**3.33%**	3.63%
3 Months	**1.32%**	1.88%
1 Month	**0.32%**	0.68%

* 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	$1.0209
Withdrawal Price	$1.0209
Distribution (31/05/23)	$0.0053

[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 Diversified High Income Fund performed reasonably well in May with a return of 0.32% after-fees. The return for the past 6 months was 3.33% after-fees. For the past 12 months, the return was 7.32% after-fees which is 0.74% above the Benchmark return, and above the CPI for the past 12 months so the Fund is delivering a real return to investors. We encourage investors to look at the Fund's longer-term returns. The Fund's longer term return has been enhanced by capital gains on assets within the Fund's portfolio, such as the capital gain in April. We hope to deliver more capital gains in the future.

Of course, past performance is not a reliable indicator of future performance.

As flagged in the Monthly Update for April, the Fund paid the higher distribution of 0.53 cents per unit in early June. This is an increase from the 0.51 cents per unit paid for the month of April, which itself was an increase from the 0.49 cents per unit paid prior to April. We have been able to gradually increase the distribution rate as the portfolio performs well and as market interest rates have risen. The distribution paid in June of 0.53 cents per unit is equivalent to an annual distribution rate of 6.55% (assuming all distributions are reinvested).

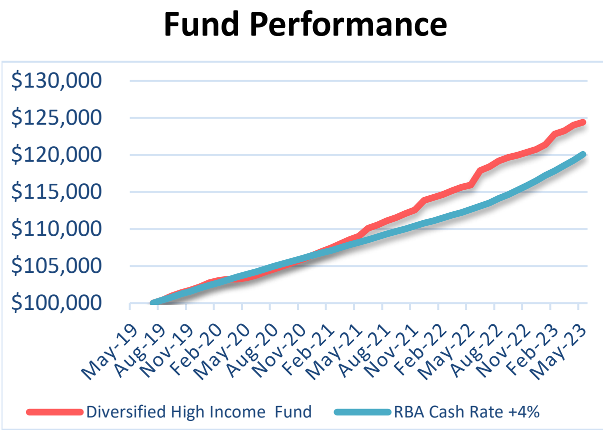
The Fund's performance was not affected by the at-times significant market volatility in May. This is primarily due to the assets in the Fund's portfolio not being listed on any exchange so they do not experience the volatility of the traded exchange markets. The Fund also continue to have a very diverse range of assets in its portfolio which enables resilience of the Fund's capital and consistency of performance.

The specific market and economic developments that we are monitoring carefully at the moment are:

- Inflation - data indicates inflation still remains stubbornly high. CPI for April showed inflation rose 6.8% in the prior 12 months (up from 6.3% a month earlier);
- The prospect of further RBA rate hikes - the RBA has hiked the cash rate 4% since May last year, which is the largest and quickest tightening cycle ever in Australia. The statement issued by the RBA after hiking the cash rate on 6 June indicated an inclination to hike rates further to bring inflation back to their 2%-3% medium-term policy band;
- The "politicisation" of interest rates as the Federal Government looks for ways to fund its Budget and social initiatives, and the RBA seeks to use monetary policy to bring inflation back to its 2-3% medium-term policy band. The 'temperature' on the politics of interest rates has risen with the Government's proposed overhaul of the RBA, together with RBA Governor Philip Lowe's recent remarks to the Senate committee in which he suggested that politicians may need to rethink how Australia fights inflation; and
- Global share and bond markets – markets were volatile in May due to the upside surprises in inflation and employment data in several major countries, and the debt ceiling issue in the US (now resolved).

On 18 May, a Webinar featuring the Diversified High Income Fund was held, providing an update on the Fund since the previous Webinar in September 2021. We encourage investors to look at the PowerPoint presentation for the Webinar, and the Webinar itself. A highlight of the Fund's performance described in the presentation is that it has consistently delivered a return above its Benchmark return (RBA cash rate + 4%), and also provided investors with a positive *real* return when inflation is taken into account. Both the PowerPoint and Webinar link can be obtained from our Investor Relations team (names and contact numbers at the end of this Monthly Update).

If you have any questions or comments, please do not hesitate to arrange a call with Matthew Lemke, the Fund Manager or the CEO of Prime Value, Yak Yong Quek.



This graph shows how $100,000 invested at the Fund's inception has increased to $124,430 (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 $120,090 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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