Prime Value Diversified High Income Fund Monthly Update – January 2024

- The Fund performed well in January with a return of 0.33% after-fees. For the past 2 years the return was 5.67% p.a. after-fees, and 6.05% p.a. after-fees for the past 3 years.
- In early February 2024 the Fund paid to investors a distribution of $0.53 cents per unit for the month of January, equivalent to an annual rate of 6.55% (assuming all distributions are re-invested).
- Global markets ended 2023, and have begun 2024, on a positive note. However, there are several market, economic and geopolitical risks that are unresolved and may potentially cause some market volatility. Hence, we will continue to manage the Fund conservatively to ensure it continues to perform well and meet its key objectives of capital preservation and monthly distributions.

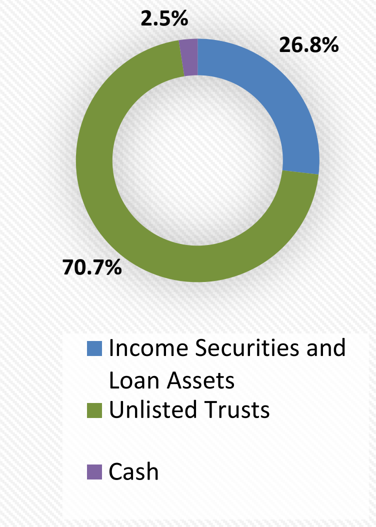
	Net Return*	Benchmark Return (RBA Cash Rate + 4% p.a.)
Since inception (p.a.)	**5.56%**	5.38%
3 years (p.a.)	**6.05%**	5.84%
2 Years (p.a.)	**5.67%**	6.71%
1 Year	**5.08%**	7.98%
6 Months	**1.49%**	4.06%
3 Months	**0.11%**	2.04%
1 Month	**0.33%**	0.73%

* 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
Responsible Entity	Prime Value Asset Management Ltd (ABN 23 080 376 110; AFSL 222 055)
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 monthly distributions from a diverse portfolio of investments with an emphasis on capital preservation.
Benchmark	RBA Cash Rate + 4% p.a.
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 generally 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% per annum[1]
Performance Fee	15%[1] of net performance above the RBA Cash Rate + 4% p.a.
Issue price	$1.0041
Withdrawal Price	$1.0041
Distribution (31/01/2024)	$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. The indirect costs as at 30 June 2023 will be updated when the information is to hand.

Holdings by Category



Fund review and strategy

The Fund performed well in January with a return of 0.33% after-fees. For the past 2 years the return was 5.67% p.a. after-fees, and 6.05% p.a. after-fees for the past 3 years. Past performance is not a reliable indicator of future performance. In early February, the Fund paid to investors a distribution of $0.53 cents per unit for the month of January, equivalent to an annual rate of 6.55% (assuming all distributions are re-invested).

Markets ended 2023, and have begun 2024, on a positive note on the expectation that the global tightening cycle is over and that global growth will continue to be resilient through 2024 and 2025 – the IMF in its World Economic Outlook report (released at the end of January 2024) forecast global growth to be 3.1% in 2024 and 3.2% in 2025. These expectations have created a solid base of support for global equity, bond and property markets.

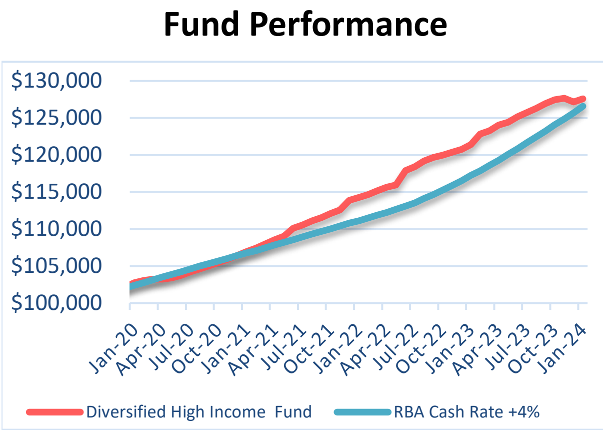
The principal risk facing the Fund is a significant slowdown in the Australian economy. A 'soft landing' is the market expectation for the Australian economy with a modest rise in unemployment as the 4.2% of rate hikes by the RBA are absorbed. A significant slowdown is not expected, especially after the CPI release on 31 January and the RBA again not hiking at its 6 February meeting. These events consolidated the market view that the tightening cycle in Australia is over. The CPI data showed inflation rose only 0.6% in the December 2023 quarter, far lower than the 1.2% rise in the September 2023 quarter and the smallest rise since the March 2021 quarter. On an annual basis, CPI rose 4.1% in the December 2023 quarter, again far lower than the 5.4% annual rise in the September 2023 quarter and an appreciable decline from the peak of 7.8% in the December 2022 quarter. In context, the decline in inflation in Australia is part of the broader trend to lower inflation – according to the IMF, inflation in advanced economies will fall to 2.6% in 2024.

While markets have begun 2024 on a positive note, we are conscious that markets in January can give false signals as to how they will fare through the rest of the year, and we are also conscious that the current support for global equity, bond and property markets is largely based on the market view that the tightening cycle around the world is over. Indeed, the US bond market is pricing a reasonable probability that the US Fed will shortly begin an easing cycle. Nonetheless, like the RBA in its public statement after it met on 6 February, the US Fed has consistently made its monetary policy dependent on the inflation data. If inflation does not fall as expected – allowing the market to continue to forecast inflation coming down to the Fed's target inflation rate of 2% in 2025 – 'disappointment' may impact overall market sentiment causing a degree of 'unwinding' of the current support for global equity, bond and property markets, leading to a higher degree of market volatility.

We are also very alert to two external factors that can potentially impact Australia: (i) the continuing slowdown in China despite the monetary and fiscal stimulus introduced by Chinese authorities in 2023. The view of the IMF expressed in its World Economic Outlook report is that China will experience a soft landing. However, the IMF expressed specific concern about the state of the property market in China; and (ii) the Hamas-Israel and Russia-Ukraine conflicts. Both conflicts are relatively contained at the moment but have the potential to escalate and cause periodic spikes in the global commodity prices including crude oil prices and affect global economic growth.

Given the geopolitical, economic and market uncertainties mentioned above, we will continue our conservative strategy adopted throughout 2023 of investing the Fund's portfolio in a diverse range of quality, income-producing assets, including mortgages, unlisted property, 'alternative' assets, income securities and loan assets. This diversity of investment in quality assets has been the main reason for the Fund performing well since inception in 2019.

If you have any questions, please do not hesitate to arrange a call through your Investor Relations contact with the Fund Manager, Matthew Lemke, or Prime Value's CEO, Yak Yong Quek.



This graph shows how $100,000 invested at the Fund's inception has increased to $127,590 (net of fees). This compares with the Fund's benchmark return of the RBA cash rate + 4% p.a., where a $100,000 investment would have increased to $126,590 over the same period.

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