# Prime Value Diversified High Income Fund
# Monthly Update – February 2024

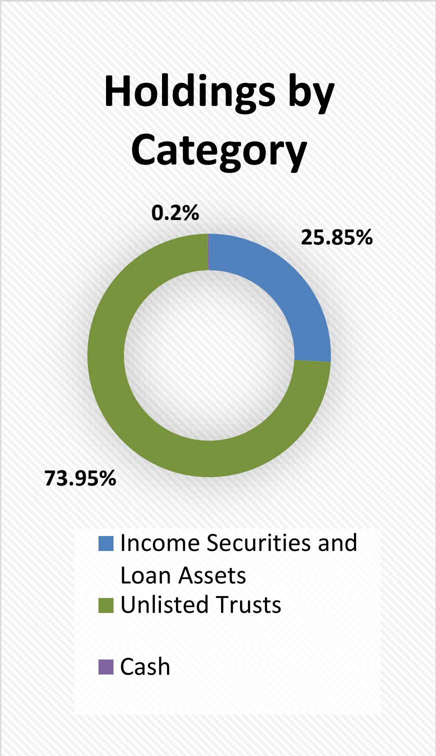
- The Fund performed with a return of 0.34% after-fees. For the past 2 years the return was 5.67% p.a. after-fees, and 6.01% p.a. after-fees for the past 3 years.
- In early March 2024 the Fund paid to investors a distribution of $0.53 cents per unit for the month of February, equivalent to an annual rate of 6.55% (assuming all distributions are re-invested).
- Markets continue continue to remain stable. 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 meets its key objectives of capital preservation and monthly distributions.

| | Net Return* | Benchmark Return (RBA Cash Rate + 4% p.a.) |
|---|---|---|
| Since inception (p.a.) | **5.54%** | 5.43% |
| 3 years (p.a.) | **6.01%** | 5.96% |
| 2 Years (p.a.) | **5.67%** | 6.89% |
| 1 Year | **4.24%** | 8.09% |
| 6 Months | **1.38%** | 4.04% |
| 3 Months | **0.27%** | 2.02% |
| 1 Month | **0.34%** | 0.64% |

* 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 | $1.0022 |
| Withdrawal Price | $1.0022 |
| Distribution (29/02/2024) | $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 2023 were 1.20%. Indirect performance fees charged or accrued since the Fund's inception to 30 June 2023 were 0.33% pa. Indirect costs will vary every year.



**Fund review and strategy**

The Fund performed well in January with a return of 0.34% after-fees. For the past 2 years the return was 5.67% p.a. after-fees, and 6.01% p.a. after-fees for the past 3 years. Past performance is not a reliable indicator of future performance. In early March, the Fund paid to investors a distribution of $0.53 cents per unit for the month of February, equivalent to an annual rate of 6.55% (assuming all distributions are re-invested).

In February, global credit, equity, bond and property markets continued to trade on a positive note on the expectation that the global tightening cycle is over and that global growth will be resilient through 2024 and 2025.

The principal risk facing the Fund is a significant slowdown in the Australian economy. The market expects a 'soft landing' for the Australian economy as the 4.2% of rate hikes by the RBA since May 2022 are absorbed. A significant slowdown is not expected, especially after the monthly CPI for January (released 28 February) of 4.1% (excluding 'volatile' items like fruit and vegetables) corroborated the fall in inflation seen in the December quarter CPI (released 31 January) to 4.1%. The other important release in February was the employment data for January 2024 which showed that unemployment rose to 4.1% in seasonally adjusted terms from 3.9% in December 2023.

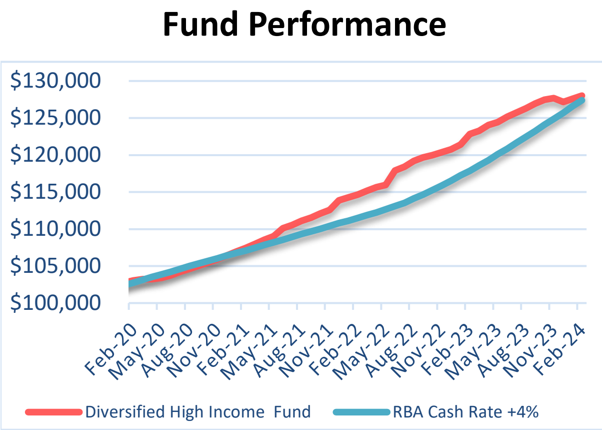
As a result of the CPI and employment data, the market is not expecting the RBA to hike the official cash rate again. Nonetheless, we note that Michele Bullock the RBA Governor has publicly stated that the RBA will need to continue to forecast inflation to fall into its target band of 2-3% in a "reasonable timeframe" for the RBA not to hike further. The RBA's current forecast is for inflation to fall to slightly below 3% by the end of 2025 - this is considered to be a "reasonable timeframe".

Internationally, we are carefully monitoring the US where the market expects the US Federal Reserve to cut rates as early as June 2024 – this is supporting global credit, equity, bond and property markets. While recent economic data in the US has been mixed, the core Personal and Consumption Expenditure (PCE) index, which tracks expenditures for goods and services excluding 'volatile' items like food, fell to 2.8% in January, the lowest core PCE reading since March 2021. The market believes this data supports the Fed commencing an easing cycle at its meeting on 12 June 2024. If inflation does not continue to abate in the US and the market pushes out its expectation for the Fed to cut rates, 'disappointment' may impact market sentiment globally, causing some 'unwinding' of the current support for credit, equity, bond and property markets, and a degree of market volatility can be expected.

We are monitoring the economic slowdown in China and whether the stimulus measures are curbing the slowdown. The stock market in China has been quite volatile in recent weeks, reflecting investor uncertainty and concerns about the economy. China's economic situation is particularly important to Australia's economic performance, and so we are carefully reviewing official statements from China, and economic and market data. The Hamas-Israel and Hezbollah-Israel conflicts have the potential to escalate in ways that cannot be anticipated, potentially causing periodic spikes in commodity prices such as crude oil with possible effects on inflation and the global economy.

Given the geopolitical, economic and market uncertainties, we will continue our conservative strategy 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 and being able to meet its key objectives of capital preservation and monthly distributions.

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 $128,020 (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 $127,400 over the same period.

Performance figures have been calculated in accordance with the 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 managements fees.


**Contact details:**

Nathan Wares - Director, Distribution
E: nwares@primevalue.com.au M: +61 419 542 646

Julia Desimone – Director, Distribution
E: jdesimone@primevalue.com.au M: +61409 039 057

**Mail:**

Prime Value Asset Management Ltd
Level 9, 34 Queen Street, Melbourne
VIC 3000
T: 03 9098 8088
E: info@primevalue.com.au
W: primevalue.com.au