

# Prime Value Diversified High Income Fund

## Monthly Update – August 2024



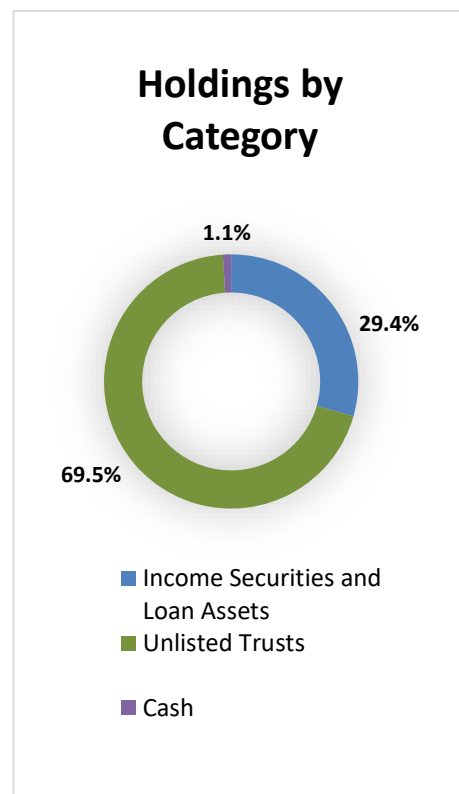
- The Fund return for August 2024 is 0.34% after-fees. This is pleasing after the asset write-downs that occurred at the end of Financial Year 2024 which affected the Fund's performance in June 2024.
- In early September 2024 the Fund distributed \$0.53 cents per unit to investors, equivalent to 6.55% p.a. (assuming all distributions are reinvested). This distribution is the 61st consecutive distribution since the Fund was inception in August 2019.
- Markets in early August experienced volatility but then settled down particularly after the US Fed indicated it was likely to cut rates soon. Overall market volatility has generally been low. Our strategy for managing the Fund's investment portfolio builds in the potential for higher market volatility going forward. Given the market, economic and geopolitical risks, 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.)	4.76%	5.71%
3 years (p.a.)	4.46%	6.66%
2 Years (p.a.)	3.07%	7.80%
1 Year	0.28%	8.30%
6 Months	-1.08%	4.10%
3 Months	-2.18%	2.02%
1 Month	0.34%	0.66%

\* 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
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 <sup>1</sup>
Performance Fee	15% <sup>1</sup> of net performance above the RBA Cash Rate + 4% p.a. benchmark
Issue price	\$0.9598
Withdrawal Price	\$0.9598
Distribution (31/08/2024)	\$0.0053

<sup>1</sup>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 2024 were 1.20%. Indirect performance fees charged or accrued since the Fund's inception to 30 June 2024 were 0.4% pa. Indirect costs will vary every year.



## Fund review and strategy

The Fund return for August is 0.34% after-fees. This is pleasing after the asset write-downs that occurred at the end of Financial Year 2024 which affected the Fund's performance in June 2024. In early September the Fund distributed \$0.53 cents per unit to investors, equivalent to 6.55% p.a. (assuming all distributions are reinvested). This distribution is the 61st consecutive distribution since the Fund was incepted in August 2019. Past performance is not a reliable indicator of future performance.

We are hopeful that the property assets written down in June 2024 can be upwardly revalued towards the end of this Financial Year when the asset valuations are expected to be done by the independent valuer, especially if the RBA has cut the official cash rate by then – as expected by the market - but noting that interest rates are only one factor taken into account by the independent valuer in assessing asset value.

The main risk to the Fund's performance is a significant deterioration in the Australian economy. The recent GDP release by the ABS showed only +1.0% growth over the June 2023 quarter to the June 2024 quarter. Higher growth is forecast by markets, the RBA, and the IMF. However, we will monitor future data releases carefully for signs of any further deterioration in the economy.

Markets were stable during August albeit conditions early in the month were volatile after the Bank of Japan hiked rates, which coincided with weak employment data in the US. Markets settled down particularly after the US Fed Chair Jerome Powell indicated the Fed was likely to cut rates soon. The US market is now pricing in 0.75% of rate cuts this year and another 1.75% in 2025 taking their cash rate to 3%. These expected rate cuts are a major pillar of support for investment markets and shows how important central banks and their monetary policy settings are to the health of investment markets. This is important at this time when most western developed countries are already, or on the verge of, cutting interest rates after the rapid rate hikes over 2022-2023 from the near zero rates in 2021 following the onset of the COVID-19.

Several factors are currently relevant to the RBA's monetary policy and the Australian economy. *Firstly*, the ECB, the US Fed, and the central banks of Canada, Switzerland, Sweden, the UK, and NZ have forecast inflation to continue to fall. However, in Australia the fall in inflation has, for the moment at least, stalled in the high-3% area, above the RBA's target band of 2-3%. *Secondly*, the RBA's official cash rate (4.35%) is still 0.50%-1.0% below the cash rates of the central banks mentioned except the ECB – this resulted from the RBA not hiking the cash rate as far as the other countries in the 2022-2023 period. The RBA may therefore be slower to cut rates. *Thirdly*, unemployment in Australia has edged higher, but there has been a significant increase in the number of jobs being generated by the economy. *Fourthly*, data indicates China's economy is still struggling, reducing Australia's export volumes to China, Australia's largest overall export market. Prices for metallurgical coal, iron ore and petroleum gas, Australia's largest exports, have also fallen.

The RBA is retaining its "tightening bias" however the market considers a further rate hike is unlikely. The market is not expecting a rate cut this year, however the market expects 0.75% of rate cuts in the first 6 months of 2025.

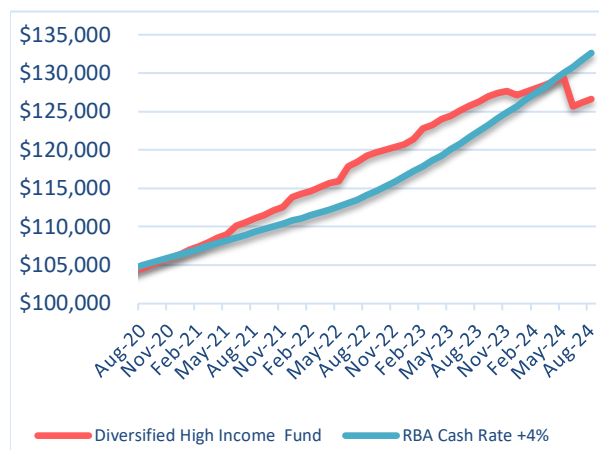
Internationally, markets globally are still not reacting to the Middle East or Russia/Ukraine conflicts, nor the US Presidential election. However, we remain alert to developments as these situations are quite fluid. We are also very alert to the potential for further market volatility as seen in the first week of August.

Given the above uncertainties, we will continue with our strategy of investing the Fund's portfolio in a diverse range of quality, income-producing assets, including mortgages, unlisted property, 'alternative' assets, and loan assets. This strategy has allowed the Fund to meet its key objectives of capital preservation over the medium-term and ongoing monthly distributions.

If you have any questions, please do not hesitate to arrange a call with your Investor Relations contact.

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## Fund Performance



This graph shows how \$100,000 invested at the Fund's inception has increased to \$126,640 (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 \$132,630 over the same period.

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