

# Prime Value Diversified High Income Fund

## Monthly Update – September 2024



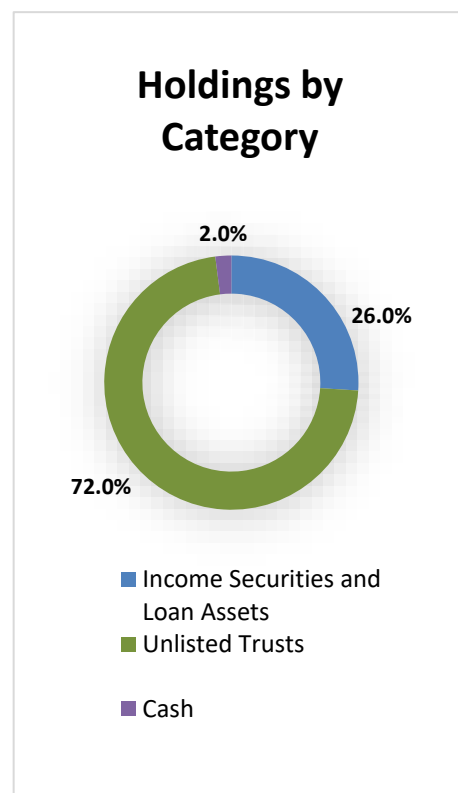
- The Fund's return for September 2024 was 0.38% after-fees. In October 2024 the Fund distributed \$0.53 cents per unit to investors, equivalent to 6.55% p.a. (assuming all distributions are reinvested). This distribution is the 62nd consecutive distribution since the Fund was inception in August 2019.
- Markets in September 2024 remained broadly stable, supported by the US Fed's 0.50% rate cut, a further ECB rate cut and the announcement in China of a significant monetary and fiscal stimulus package. However, there are several market, economic and geopolitical factors that may increase market volatility in coming months. We will therefore 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.)	<b>4.75%</b>	5.76%
3 years (p.a.)	<b>4.45%</b>	6.78%
2 Years (p.a.)	<b>3.07%</b>	7.92%
1 Year	<b>0.11%</b>	8.37%
6 Months	<b>-1.02%</b>	4.17%
3 Months	<b>1.18%</b>	2.09%
1 Month	<b>0.38%</b>	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	\$0.9581
Withdrawal Price	\$0.9581
Distribution (30/09/2024)	\$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's return for September was 0.38% after-fees. This continues the positive performance of the Fund since the asset write-downs that affected the Fund's performance in June 2024. In October 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 62nd consecutive distribution since the Fund was incepted in August 2019. Past performance is not a reliable indicator of future performance.

Markets globally were stable in September 2024, supported by the 0.50% rate cut by the US Fed. Also, in September, China unveiled a monetary and fiscal stimulus package. The rates cuts by the central banks of the US, the European Union, the UK, Sweden, Switzerland, Canada and NZ are supporting markets globally as seen in several equity markets trading at or near all-time highs in September (e.g. the S&P500 in the US, and the S&P/ASX200 in Australia), and the low level of credit spreads (indicating low credit risk). The property market is seen as the market most affected by the higher interest rates, although the effects vary quite markedly between different sectors of the property market.

Debate continues in the market, political circles and the media as to when the RBA will cut the official cash rate. The market believes there will be 1% of rate cuts in 2025 beginning in February. Several major western developed countries are easing official policy rates, however the timing in Australia is still unclear, The RBA is maintaining a "tightening bias" with no indication of when it will cut rates. Historically, central banks of western-developed countries have tended to move monetary policy settings broadly together although the timing and magnitude of rate moves can vary quite significantly.

The monthly CPI for August released by the ABS in September rose only 2.7% over the previous 12 months and is now within the RBA's target band for inflation of 2-3%. This does not mean the RBA will cut the official cash rate any time soon for two reasons, *first* the monthly CPI is considered less reliable compared to the quarterly CPI being based on a smaller data sampling set and the quarterly CPI still remains in the high-3% area; and *secondly*, the continuing strength of the labour market. By maintaining its "tightening bias" without actually hiking the cash rate (the last hike was in November 2023), the RBA is being sensitive to business and individuals with debt and the broad economy. The "tightening bias" serves to send a strong message to governments, unions and business to both dampen spending and wages, rent and price increases.

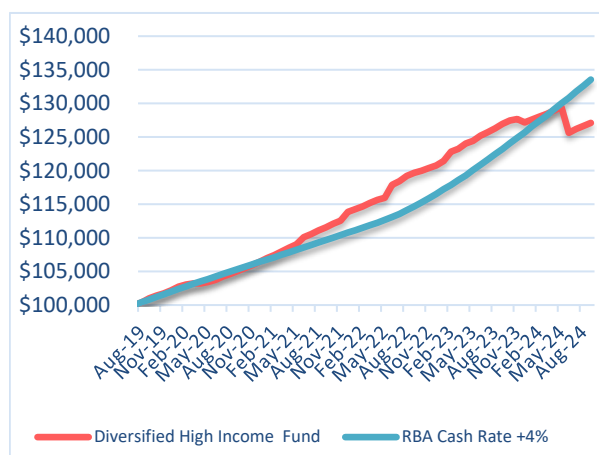
The Fund's key risk is a major setback in the Australian economy. This is not forecast by the Federal Treasury, the RBA, or the IMF who all forecast the economy to pick up in 2025-2026. However, there are many factors at work, and so we remain very alert to market and economic developments in Australia and globally. Our efforts are directed at risk-managing the Fund's portfolio to meet its objectives of capital stability and ongoing monthly distributions. We do not select assets based on views about interest rates, the market or the economy although these factors are taken into consideration.

The conflict in the Middle East, the Russia/Ukraine conflict, and the US Presidential election all had more of an impact on markets in September than previous months. We are alert to developments as these situations are fluid.

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.

## Fund Performance Since Inception



This graph shows how \$100,000 invested at the Fund's inception has increased to \$127,110 (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 \$133,540 over the same period.

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