Prime Value Cash Plus Fund
Fund Update – August 2018

- US equity markets reached all-time highs, helping sentiment in debt and credit markets
- Emerging markets showing renewed volatility. While unlikely to unsettle major markets, this needs to be watched and trade issues will continue for some time
- The Fund performed well in August
- We expect the Fund to continue to perform well over 2018 and 2019

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**4.1%**	**3.5%**	4.1%	1.8%
3 Years (p.a.)	**4.3%**	**3.7%**	4.5%	1.6%
2 Years (p.a.)	**4.4%**	**3.8%**	4.7%	1.5%
1 year	**3.2%**	**2.6%**	3.4%	1.5%
3 Months	**0.9%**	**0.8%**	0.9%	0.4%
1 Month	**0.3%**	**0.3%**	0.3%	0.1%

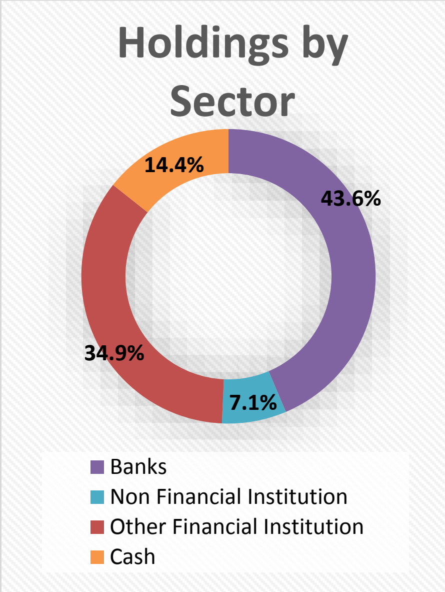
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. Gross returns are calculated before management fees.
**Returns grossed up for Franking Credits are estimates.

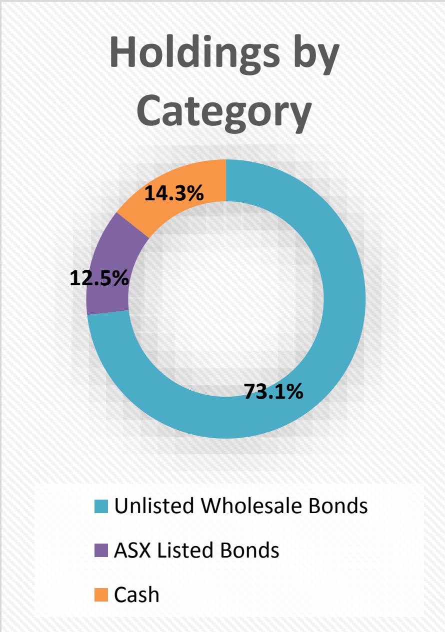
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 31.3% of the portfolio.

Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk exposure. The Fund targets a return to investors in excess of the Reserve Bank of Australia's (RBA) cash rate with minimal risk of capital loss in the medium term.
Benchmark	RBA Cash Rate
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.41 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$1.0254
Withdrawal Price	$1.0234
Distribution (30/06/18)	$0.0120

[1] Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC





Fund review and strategy

The Fund performed in line with our return objectives. Vibrant US equity markets and strong economic data supported debt and credit markets, with the S&P500 and the tech-oriented NASDAQ 100 both ending August at all-time highs, while US GDP data showed 10 years of continuous expansion (the longest since WW2). The potential trade deal with Mexico was positive for markets, while continuing delays with a Canadian deal created some volatility.

China is experiencing a mild growth slowdown, and the Chinese stock market (Shanghai Composite -5.2%) finished lower and is now over half the all-time high posted in October 2007. Global trade issues, such as between Britain and Europe and the US and China, will continue to remain a source of market volatility. Trade issues belie fundamentally significant geo-political changes evolving between the world's major powers.

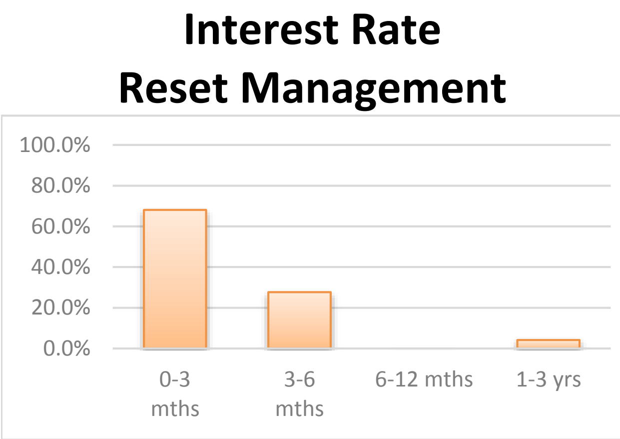
The Australian equity market finished the month higher with the ASX200 now just 6% below its October 2007 all-time high and shrugging off a change of Prime Minister after a spill within the Liberal Party. Australian markets are poised for state elections (Victoria 24 November 2018; NSW 23 March 2019), Federal by-elections, and the Federal election (by 18 May 2019).

Despite Brent crude oil rallying to US $77, credit and bond markets were well-behaved, rallying modestly, taking cues from the US where US Federal Reserve Jerome Powell reiterated that the Fed would continue the slow path of rate hikes. This cycle has seen 8 hikes since November 2015, with another 3-4 hikes likely over 2018/19. Powell's 'slowly-surely' rhetoric is important as the Fed tries to manage inflation (now above 2%) and a very flat yield curve (only 24 bps between 2 year and 10 year US Treasury yields). The Fed will hike to stem inflation pressures but not so as to produce negative real rates and a curve inversion. Negative real rates and curve inversion historically indicate a recession. The Australian RBA is a long way from any serious move to hike rates.

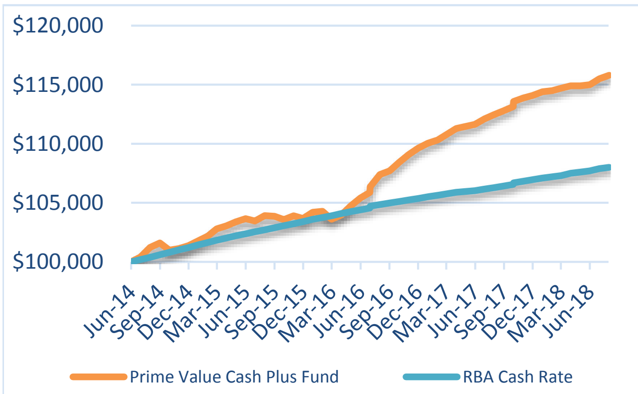
The turmoil in emerging market financial markets deepened during August, led by Argentina and Turkey. Although EMs are small relative to the big economies, there can be strong 'contagion' or cross-over effects. The stronger US dollar is a catalyst for EM problems, with market concerns of debt default given the large USD-denominated debt in Turkey. Matters have escalated since US calls for the release of US pastor Andrew Brunson, with the situation complicated by Turkey's NATO membership, and European concerns that Turkey's problems will aggravate immigration issues.

EM concerns, the weak run of Australian economic data, and the ever-strong US dollar is causing the Aussie dollar to weaken. At USD 0.7180, very near the lows posted in 2015 and 2016, the AUD has a real risk to moving below 0.7000.

We continue to manage the Fund very conservatively, keeping the credit duration (1.8 years) and interest rate duration (0.4 years) both low, watching the securities in the portfolio carefully and adding securities only very selectively. We are invested in 'floating rate' securities so the Fund benefits from rising interest rates. We have positioned the Fund's investment portfolio well, and expect the Fund to continue to perform well over 2018 and 2019.



The Fund's portfolio weighted average interest rate reset duration is approximately 0.40 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how $100,000 invested at the Fund's inception has increased to $115,800 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $107,900 over the same period.

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