

# Prime Value Cash Plus Fund

## Fund Update – January 2019

- Fund had a very good month in January
- Markets settled down and recovered most if not all the losses registered in December
- We expect the Fund to continue to perform well throughout 2019

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.1%	3.5%	4.0%	1.8%
3 Years (p.a.)	4.6%	4.0%	4.8%	1.6%
2 Years (p.a.)	3.8%	3.2%	3.9%	1.5%
1 year	3.0%	2.4%	2.9%	1.5%
3 Months	0.9%	0.7%	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.

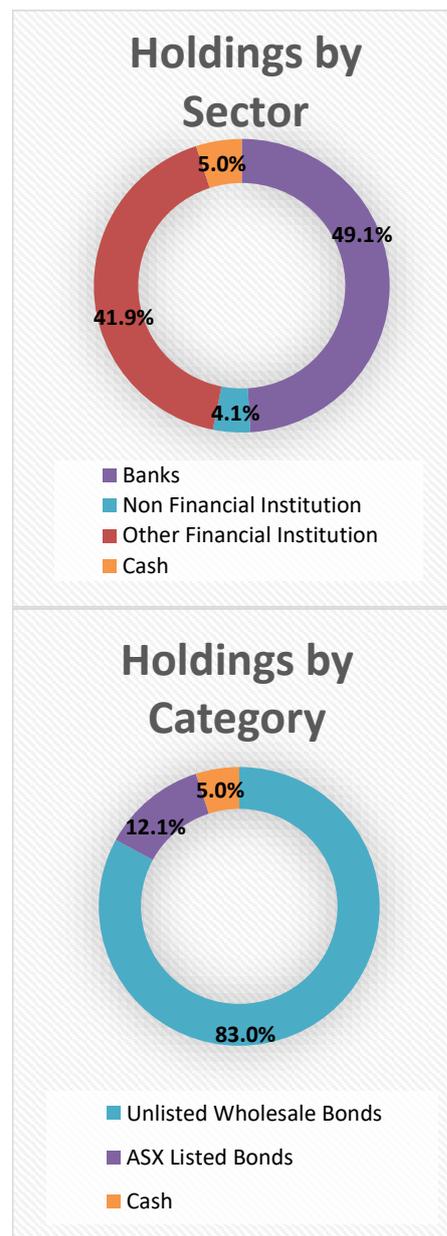
\*\*Returns grossed up for Franking Credits are estimates.

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 32.0% 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. 0.40 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% <sup>1</sup> p.a.
Issue price	\$1.0238
Withdrawal Price	\$1.0218
Distribution (31/12/18)	\$0.0075

<sup>1</sup> Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC



## Fund review and strategy

The Fund had a very good month in January. Global and Australian equity, credit, commodity and FX markets in January registered good gains, and in the case of equity markets the gain was one of the best monthly gains in recent years. Helping the tone of the markets were some indications that the US/China trade tensions may ease with the market very much looking forward to the proposed meeting between Presidents Trump and Xi in early March. Also helping the markets were, first, indications from the US Fed that their interest rate hiking program will be paused, and secondly, that China continues to provide liquidity and credit measures designed to support its economy and markets.

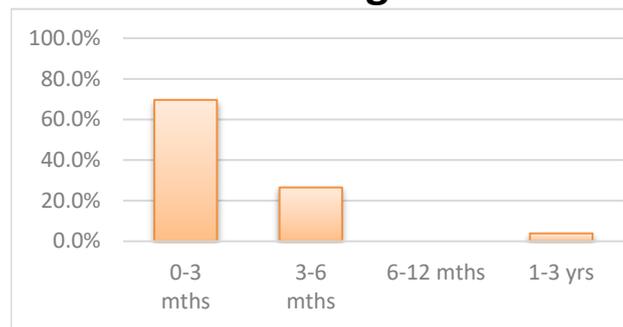
The Fund is managed in a very defensive manner, and all investments need to go through an extensive vetting process before any are purchased. One category of investment held by the Fund is “hybrids” which are debt-like instruments paying a franked dividend. These investments are purchased for their higher yield and franking credits. However strict criteria are applied to buying them initially, and holding them subsequently:

- The redemption/call date of the hybrid must be near-term and typically less than 2 years
- The Fund typically limits its holding in any one hybrid to a modest holding as a proportion of total funds under management
- The Fund only invests in hybrids issued by major Australian banks/financial institutions that are ASX-listed
- The hybrid must be “liquid” and capable of being sold quickly on the ASX or Wholesale Market
- The hybrid must be franked
- The hybrid must have a “dividend stopper” meaning that before the issuer can cease paying the hybrid’s dividend, it must first cease dividends on its listed shares (this creates a major incentive for the issuer to keep paying the hybrid’s dividend)
- All documentation for hybrids in the portfolio is fully understood and acceptable

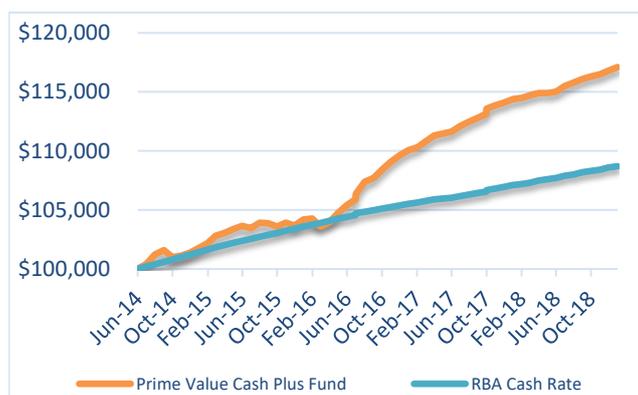
In compliance with its mandate as a “cash plus” fund and specifically to mitigate volatility of the unit price and support the ongoing quarterly distribution, we continue to manage the Fund defensively, in terms of its investments, cash/near-term liquid investment holdings, and the overall liquidity requirements of investments held.

We expect the Fund to continue to perform well throughout 2019.

## Interest Rate Reset Management



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 \$117,100 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$108,700 over the same period.

### Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott & Serena Shi.

Client Services Team

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)

Web: [www.primvalue.com.au](http://www.primvalue.com.au)

### Mail:

Prime Value Asset Management Ltd  
Level 9, 34 Queen Street  
Melbourne VIC 3000

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Cash Plus Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Cash Plus Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.