

Prime Value Cash Plus Fund

Fund Update – July 2018



- Equity and credit markets improved, and trade tensions highlight the changing geopolitical landscape as we move to a new world order
- We therefore continue to manage the Fund in a very conservative matter
- The Fund had a very good month and positioned to do well over the next 12 months and meet all its objectives

	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.)	4.2%	3.6%	4.4%	1.6%
2 Years (p.a.)	4.8%	4.2%	5.1%	1.5%
1 year	3.3%	2.7%	3.4%	1.5%
3 Months	0.6%	0.5%	0.6%	0.4%
1 Month	0.4%	0.4%	0.4%	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.

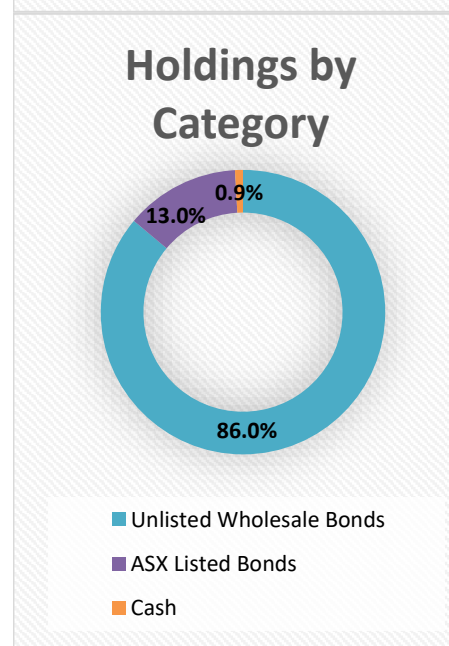
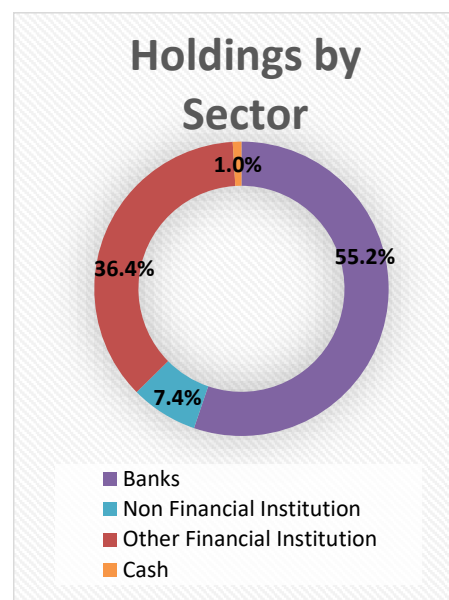
**Returns grossed up for Franking Credits are estimates.

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	\$1.0227
Withdrawal Price	\$1.0207
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 had a good month in July, rising 0.4% on a net basis. Global equity and credit markets improved, as investors were prepared to take on more risk, helped by the lower crude oil prices and the US posting solid GDP growth data.

China's economic data indicates a mild growth slowdown, and has prompted the PBOC to further relax credit/monetary measures, including lowering the Reserve Requirement Ratio, while the government also announced stimulatory fiscal measures.

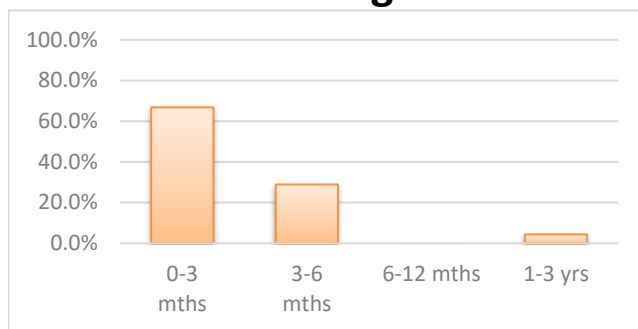
While the PBOC relaxes monetary conditions, the US Fed is likely to continue hiking, albeit slowly, as inflation ticks higher. The neutral rate is probably more like 3% than 2%, suggesting another 4 rate hikes. The dichotomy between US and China economic growth has led to a weakening of the Chinese Yuan against the US dollar of 8-10% since April, and this fall in the Yuan is exacerbating the trade tensions.

Markets are still grappling with the long term implications of the "tariff war" between the US and China, which embroils many other countries due to global inter-connection. US foreign trade is only a small part of the US economy, but the tariff war will be multiplied through its impact on the big US multinationals. Emerging economies will also feel the effects acutely.

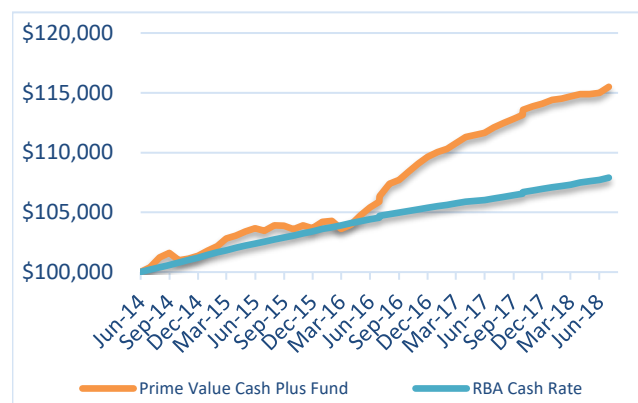
In terms of looking at risk, rather than looking at the events associated with Trump as being isolated or disconnected, we see them fitting together as the US fundamentally renegotiating its role in the world and protecting its place as the global economic leader. This renegotiation is happening across social, trade, economic, and security fronts. No country, no pact/treaty, no alliance, and no multilateral organisation is being left out. The world order is shifting as China grows and increases its geopolitical influence, as Europe wanes, and the Cold War falls into history. This results in new dangers and issues emerging, such as debate over immigration as an example. Naturally, the US wants to continue as the global economic leader, which extends to its desire to retain and perpetuate its system of values and economic system.

In light of this, we are managing the Fund on a very conservative basis. Outcomes of the new world order are in process and will take many years. Markets will have hiccups as they search for new valuations. Later this year, the mid-term elections in the US (6 November) are very important to outcomes and the strength of the Republicans in both Houses.

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 \$115,500 (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.

Contact details:

Esther Oh, Julie Abbott & Serena Shi.
Client Services Team
Phone: 03 9098 8088
Fax: 03 9098 8099
Email: info@primevalue.com.au
Web: www.primevalue.com.au

Mail:

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

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