Prime Value Cash Plus Fund
Fund Update – June 2018

- The Fund had a good month despite market uncertainties and falls, particularly in emerging market equity markets
- We remain defensive in our asset allocations, keeping low interest rate and credit (maturity) durations, a strong cash balance, and holding only highly credit worth and liquid securities
- We are able to protect investor capital, provide quarterly distributions (with franking), and meet investor withdrawal requests on 24-48 hours' notice
- We continue to see the Fund preforming well throughout 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.)	**4.2%**	**3.6%**	4.4%	1.7%
2 Years (p.a.)	**4.9%**	**4.2%**	5.1%	1.5%
1 year	**3.2%**	**2.6%**	3.4%	1.5%
3 Months	**0.5%**	**0.3%**	0.4%	0.4%
1 Month	**0.2%**	**0.2%**	0.2%	0.1%

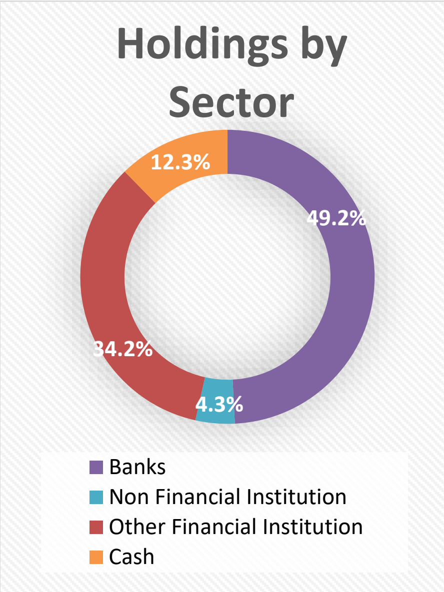
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

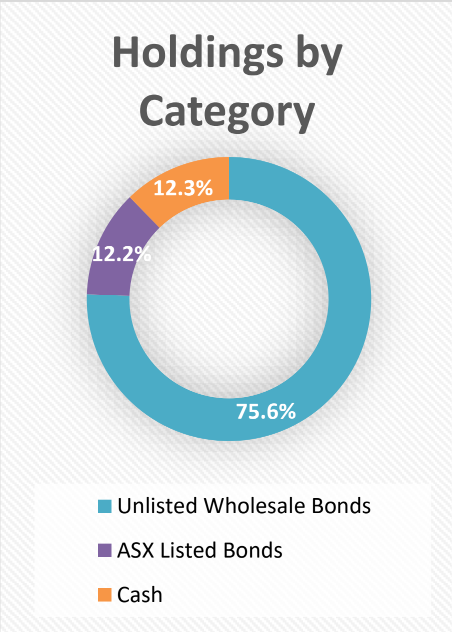
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 29.3 % 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	$1.0311
Withdrawal Price	$1.0291
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, despite major ruptures in several emerging markets, geopolitical tensions due to multilateral trade/investment sanctions being invoked (US$34bn of US trade sanctions on China commencing 6 July), and concerns Europe and China are slowing. US equity markets had a record 13-day losing streak in June. The Shanghai equity market has now lost a massive 20% in the past 5 months. The good news is that the North Korea issues have receded into the background following the US/North Korea summit (12 June).

Falling Chinese stocks and a weakening Chinese Yuan (down 3% against the USD to 6.63 in the past 2 weeks) are hurting many regional equity markets, pushing several into bear territory. China is reportedly experiencing local bond defaults. The PBoC has responded by relaxing its "Reserve Requirement Ratio" for the third time this year to add to liquidity to the economy and strengthen lending to local businesses. As part of its policy to manage risk and maintain sustainable growth, China is progressively expanding its geopolitical sphere of influence, and construction of the amazing "One Belt One Road" project is testimony to this strategy.

Several risk factors, such as credit spreads, the VIX equity volatility gauge and the gold price, are benign. However, currency markets are suggesting problems, with some option volatility curves becoming unusually inverted (short-term volatility higher than long-term levels) as many try to hedge currency risk with options. This is particularly the case for USD/Yuan, the Mexican Peso/USD, and Canadian dollar/USD due to pressure on NAFTA and uncertainty about the Mexican election on 1 July.

Crude oil prices need to be watched given their global geopolitical and economic influence. During June, Brent oil traded to its highest level since 2014 (over US$80) but the Saudi Arabia/US "entente" was brought into question by Trump's comments at the end of the month seeking higher OPEC production, and crude oil prices fell back.

The Australian dollar is struggling with the trade tensions and new doubts about the sustainability of synchronised global growth, and traded back into the US73-74c area from the year's high of 81.36c. We cannot discount the possibility of a lower AUD in this environment.

Globally, interest rates are mixed. The US Fed raised rates in June, the 7th hike to 2%), while most countries have steady rates at or near all-time lows, and lower than US rates. This includes Australia (1.5%), NZ (1.75%), Europe (0%), Japan (0.1%), and the UK (0.5%). This situation should keep the USD strong and pressure many emerging markets. There are substantial lags to when Australia will begin raising rates. We note that our Fund benefits from rising rates, and importantly provides a much better return than the very poor cash rates currently available from banks and cash management trusts.

Global financial markets are grappling with many issues that have never been encountered before. Nonetheless, markets are operating efficiently and with strong integrity, pricing risk so to clear massive transactional volumes every day. Market integrity reflects the need for markets to constantly find not just a clearing price for individual supply and demand, but also a price relative to all markets given the global interconnectedness between various markets.

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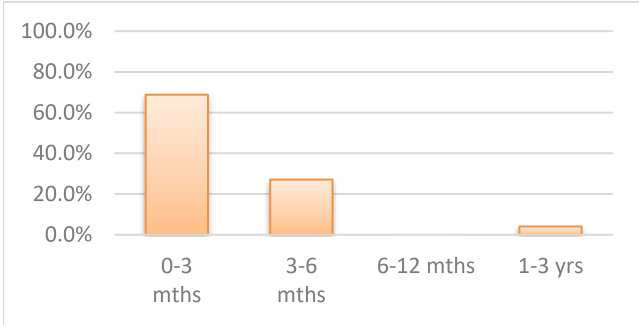
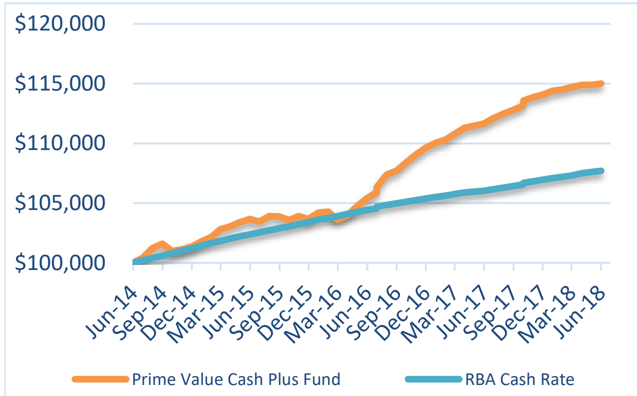
Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.36 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 $115,000 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $107,700 over the same period.

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