Prime Value Cash Plus Fund
Fund Update – June 2019

- The Fund had another exceptional month, again recording the best return among the 20 "cash-enhanced funds" surveyed by Yield Report
- The RBA cut the official cash rate in June from 1.5% to 1.25%, however this is not associated with an impending recession in Australia, rather the RBA pursuing a new employment target.
- We continue to manage the Fund conservatively. With the market rally, we are definitely not being lulled into complacency in our guardianship role of investor capital.
- The Fund will continue to perform well throughout 2019 and 2020.

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**4.2%**	**3.6%**	4.2%	1.8%
5 Years (p.a.)	**4.3%**	**3.6%**	**4.3%**	**1.8%**
3 Years (p.a.)	**4.8%**	**4.2%**	5.0%	1.5%
1 year	**4.8%**	**4.1%**	4.7%	1.5%
3 Months	**1.8%**	**1.6%**	1.8%	0.4%
1 Month	**0.6%**	**0.6%**	0.7%	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.

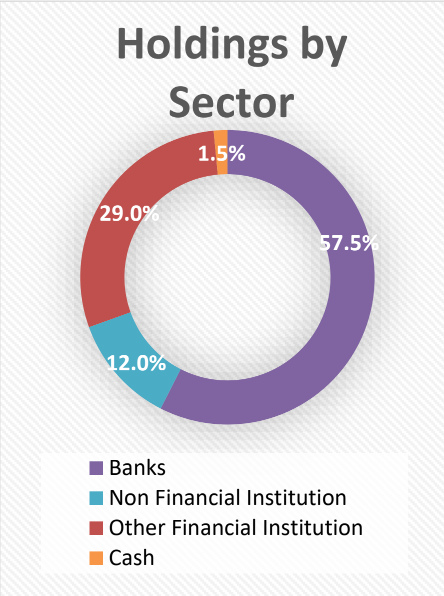
**Returns grossed up for Franking Credits are estimates.

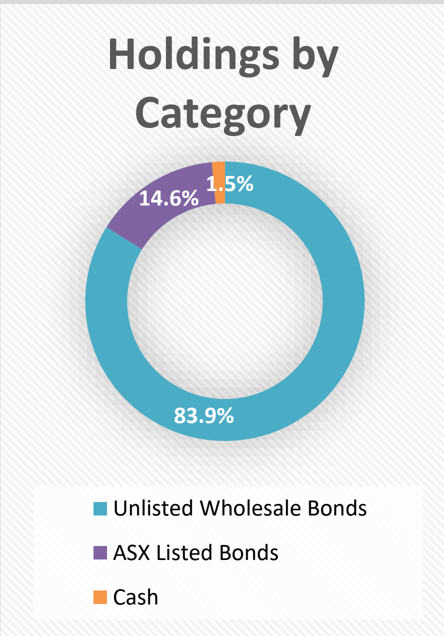
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 35.0% 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%[1] p.a.
Issue price	$1.0291
Withdrawal Price	$1.0271
Distribution (30/06/19)	$0.0111

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





Fund review and strategy

The Fund had another exceptional month in June, posting one of its best-ever monthly returns.

We have carefully assembled a portfolio of securities in the Fund, and all contributed to the monthly return. Helping the Fund were rallies in global credit and equity markets, bond markets, commodity markets and the Australian dollar.

The RBA cut the official cash rate in June from 1.5% to 1.25%. However, the rate cut was not due to any impending recession. Moreover, the RBA is now strategically targeting a lower "full employment" level (an unemployment rate of 4% rather than the previous 5%)." The RBA is also responding to the very low inflation rate in the March quarter (1.3% year-on-year). There is a strong chance the RBA will cut rates again when they meet on either 2 July, and/or 6 August. Many economists are now forecasting a cash rate of 0.75%. We are not concerned if the rate was to fall to this level as we do not see it associated with a recession in Australia, rather the RBA pursuing an employment target.

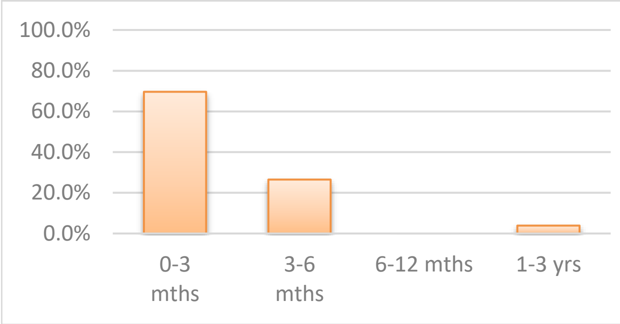
The benchmark for the return on the Fund is the RBA official cash rate. The Fund's portfolio is therefore comprised of debt securities that have a coupon tied to the BBSW rate which is a short-term money market rate that moves in line with the RBA cash rate. However even though the RBA is cutting rate, the overall return on the Fund has improved quite strongly. In fact the Fund has had 4 near-record return months in a row. The reason is that the debt securities in the Portfolio have a coupon comprised of both a variable basis rate (the BBSW rate) and a fixed "credit spread" component. The variable base rate is falling (with RBA rate cuts) but the fixed component, the credit spread, is also falling (due to investor demand) causing an appreciation in the price of securities in the Fund. Credit spreads have been falling due to two factors:
(1) an increase in appetite for risk (as seen in the strong equity market); and
(2) a "hunt for yield" dynamic among investors in the market as rates have fallen to all-time lows which has driven credit spreads down on debt securities.

Hence despite the RBA rate cuts the prices of the debt securities owned by the Fund have improved due to both these factors on the credit component of the securities. This price improvement is producing very good returns for the Fund. We believe the dynamics at work in the debt market will continue for the remainder of 2019.

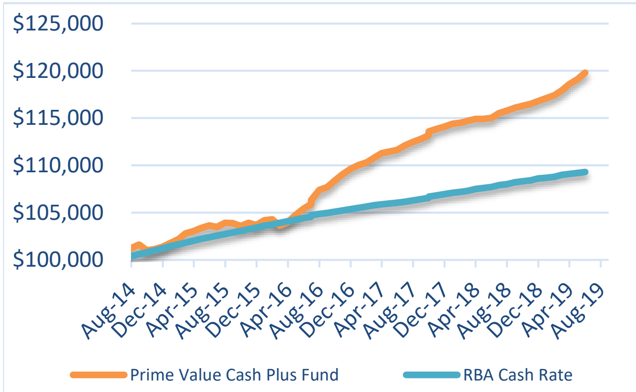
We continue to manage the Fund conservatively, only adding securities that pass our stringent investment criteria. We are looking carefully to statements and actions by the RBA and the US Fed. We are watching equity markets very carefully as the US, Australia and many major equity markets achieve new all-time highs and bond markets too, as Australia and many industrialised economies plumb new interest rate lows. These are indeed "unusual" times in the markets, and we are definitely not being lulled into complacency in our guardianship role of investor capital.

The Fund will continue to perform well throughout 2019 and 2020.

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 $119,800 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $109,300 over the same period.

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