

Prime Value Cash Plus Fund

Fund Update – March 2019



- The Fund had one of its best months since inception in March
- We are not concerned by the US curve inversion but will continue to carefully watch US economic performance
- The Federal Budget surplus to be announced in the Federal Budget on 2 April will ease market expectations for an RBA rate cut

| | 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.) | 4.9% | 4.3% | 5.1% | 1.5% |
| 2 Years (p.a.) | 3.8% | 3.1% | 3.9% | 1.5% |
| 1 year | 3.1% | 2.8% | 3.3% | 1.5% |
| 3 Months | 1.1% | 0.9% | 1.0% | 0.4% |
| 1 Month | 0.4% | 0.4% | 0.5% | 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.

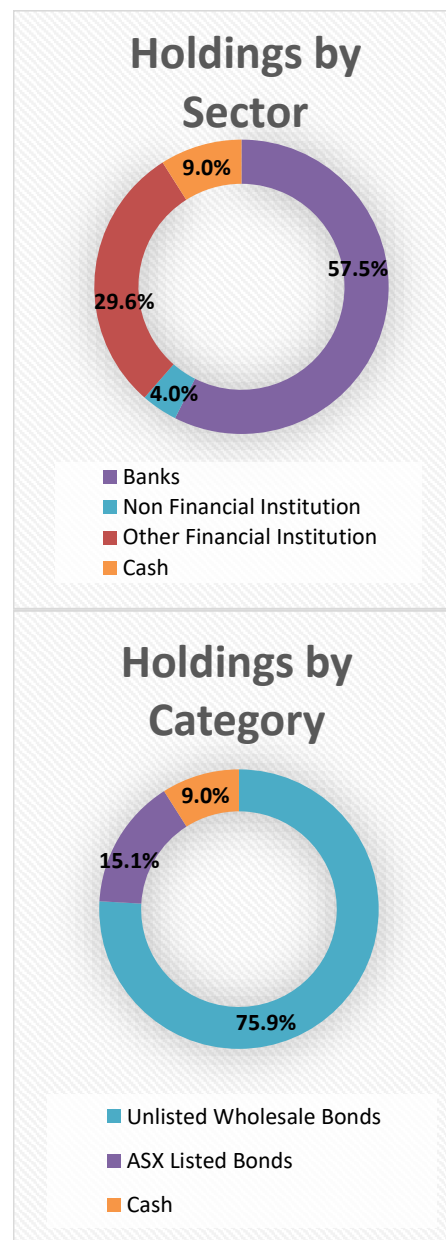
**Returns grossed up for Franking Credits are estimates.

| 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 35.9% 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 | \$1.0234 |
| Withdrawal Price | \$1.0210 |
| Distribution (31/03/19) | \$0.0075 |

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



Fund review and strategy

The Fund had an excellent performance in March. Credit markets were strong, benefitting from cash redemptions which created strong demand for debt securities. This was seen in the good demand for the latest Macquarie Group hybrid which listed late March.

Markets were also buoyed by the good performance of equity markets particularly in the US and China as the US/China trade issues lost some degree of prominence, and Trump's exoneration in special counsel Mueller's final report from alleged collusion with Russia during the 2016 presidential election. The UK's difficulties in leaving the EU had no effect on the Fund.

The Fund was also helped by the re-emergence of the "hunt for yield" as Australian wholesale interest rates continued to fall in March. Rates across the curve are near all-time lows. This dynamic has created demand and higher prices for many securities held by the Fund.

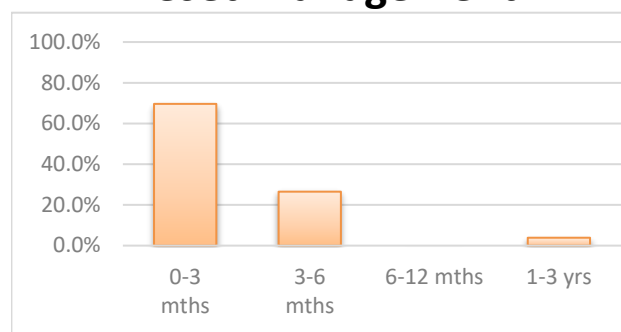
Of some concern is the inversion of the US yield curve with longer rates in the wholesale market now below shorter term rates. Inversion typically has signalled an impending recession. Certainly the US Fed is signalling slower economic growth as it desists from further rate hikes. The picture of slower growth in Europe and China looks similar. Futures markets are actually pricing in a rate cut in the US this year, which would be a complete turnaround from their commentaries. The US economy is in reasonable shape and we do not see any immediate cause for concern.

The inversion of the yield curve may be more due to (1) the Fed not continuing to sell securities ("tapering") that it bought in the Quantitative Easing programme, and (2) the lower inflation outlook. We are monitoring this situation carefully - a recession would have a strong impact on markets.

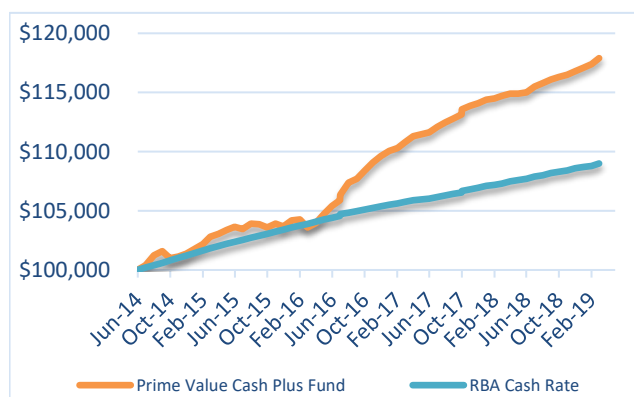
Locally, we are looking forward to the Australian Budget due Tuesday 2 April. We expect a date in May for the Federal Election to be announced shortly thereafter. Policy announcements from the Coalition and the Labor Party will potentially have a market impact, and we are monitoring closely. The projected Budget surplus will mean the RBA can ignore for some time the growing market anticipation of an RBA rate cut.

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.

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 \$117,900 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$109,000 over the same period.

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