Prime Value Cash Plus Fund
Fund Update – May 2019

- The Fund had an extremely good performance in May, this performance was achieved despite significant volatility and losses in global equity markets
- We expect the Fund to continue to perform well throughout 2019 and 2020
- We are delighted to report the Fund has just celebrated its 5th anniversary. We thank all our Fund investors for their loyalty and faith in us

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**4.1%**	**3.5%**	4.1%	1.8%
5 Years (p.a.)	**4.1%**	**3.5%**	**4.1%**	**1.8%**
3 Years (p.a.)	**4.8%**	**4.2%**	4.9%	1.5%
1 year	**4.3%**	**3.7%**	4.2%	1.5%
3 Months	**1.6%**	**1.4%**	1.6%	0.4%
1 Month	**0.5%**	**0.5%**	0.5%	0.1%

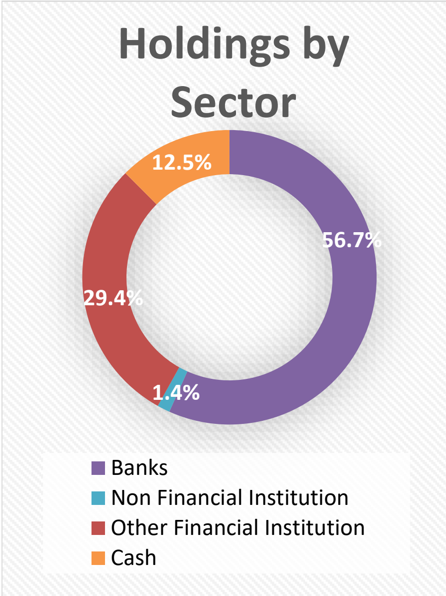
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

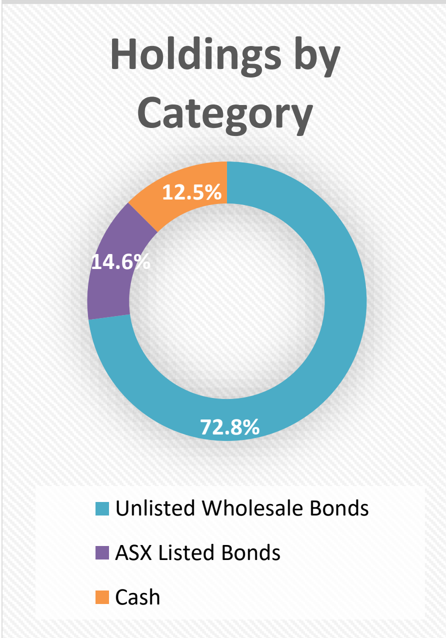
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 35.2% 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	$1.0329
Withdrawal Price	$1.0309
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

We are pleased to report that the external and highly-regarded money markets publication “YieldReport” in its survey of Cash Plus (or Enhanced Cash) category of fund managers have ranked our Fund no. 1 in terms of our 1 month, 1 year and 3 year returns (based on April 2019 results).

The Fund had an extremely good performance in May. The Fund’s return over the past 12 months is 3.7% and 4.2% inclusive of franking credits.

The performance in May was achieved despite significant losses and volatility in nearly all global equity markets. The Australian equity market rose 1% against the trend, due to the “relief” rally subsequent to the Liberal/National Party victory in the Federal Election on 18 May. The US, Japanese, Chinese equity markets were all down between 5-9% in May. These equity markets are however still showing gains on a year-to-date basis.

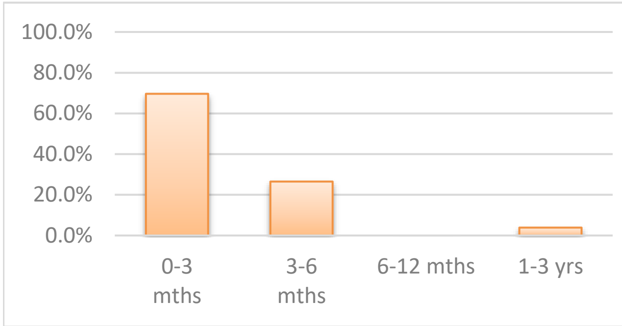
Equity markets fell in May due to the perception that a trade agreement between China and the United States is becoming far less certain based on the strong rhetoric from both sides. The market is therefore more convinced that US economic growth will be lower, which in turn produced a major rally in global bond markets. The 10 year US Treasury fell by 38 basis points in May to 2.12%, and the 10 year Australian Commonwealth Government Bond rate by 33 basis points to 1.45%. With the very low quarterly CPI result (1.3% year on year), rise in unemployment rate to 5.2%, and comments by Philip Lowe the RBA Governor last week, there is now a clear expectation in Australia that the RBA will cut rates from 1.5% to 1.25% at its next meeting on Tuesday 4 June. The market is anticipating that the RBA will cut rates to 1% over coming months. These cuts will create new lows for the official rate. Falls in mortgage rates can be anticipated, and the Australian Government will certainly be looking to ensure the full rate cut is passed by the banks through to mortgages. The Australian dollar fell through 0.7000 on the expectation of rate cuts trading to a low just under 0.6900.

We do not believe that RBA rate cuts indicate a recession is likely in Australia. The rate cuts will help borrowers across the board, the tax cuts announced by the Federal Government, early indications that the downward spiral in residential housing prices may be near a bottom, better ability for borrowers to access capital, the infrastructure spending announced at the Federal and State levels, and the lower A$ helping exporters. Credit markets were benign during May, despite the equity market selloff. The Australian credit market was reasonably buoyant, absorbing significant debt issuance. There is a clear move in investor sentiment back to the “hunt for yield” as interest rates plumb new lows and investors seek to replace lost income. We will watch this closely as credit markets can become “overbought” in this environment.

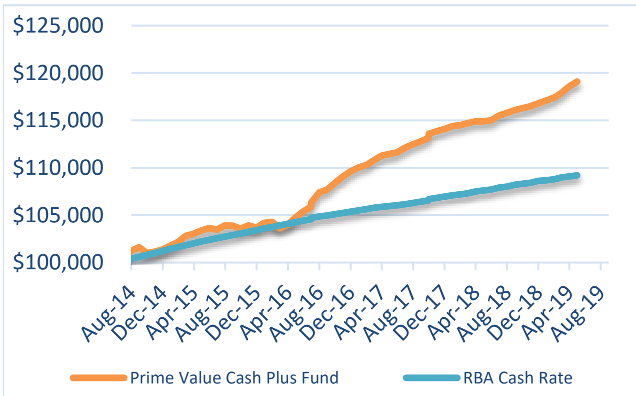
We are continuing to manage the Fund very defensively in the wake of the significant market moves outlined above. We have allowed the Fund’s cash balance to move higher. We are only adding securities to the portfolio if they pass stringent tests.

We continue to expect the Fund 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 $119,100 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $109,200 over the same period.

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