Prime Value Cash Plus Fund
Fund Update – September 2018

- The Fund had a very good month in September
- We remain defensive to markets as we expect volatility to increase
- We expect the Fund to perform well over the next 12 months

	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.)	**4.5%**	**3.9%**	4.7%	1.6%
2 Years (p.a.)	**4.5%**	**3.8%**	4.7%	1.5%
1 year	**3.3%**	**2.7%**	3.3%	1.5%
3 Months	**1.1%**	**1.0%**	1.1%	0.4%
1 Month	**0.4%**	**0.3%**	0.5%	0.1%

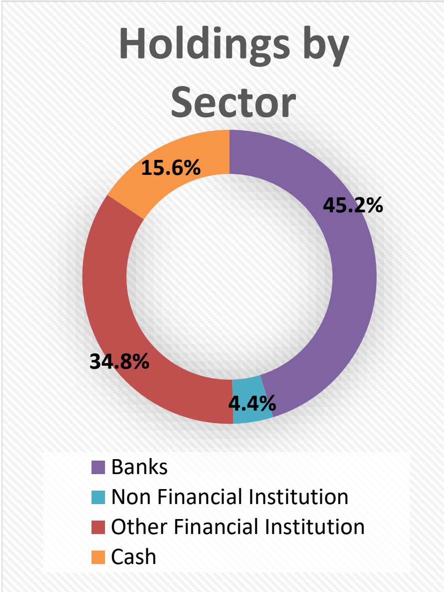
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are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

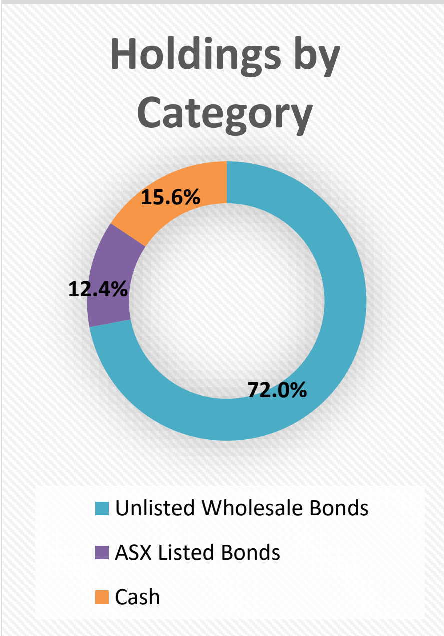
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 29.9% 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. 0.41 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$1.0224
Withdrawal Price	$1.0204
Distribution (30/06/18)	$0.0072

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





Fund review and strategy

The Fund had a very good month in September despite global markets being 'edgy' and mixed. Credit markets were stable through September, with issuance in debt capital markets being readily absorbed by investors. We have selectively participated in new debt issuance.

Australian credit markets performed well across the rating spectrum despite the Hayne Royal Commission indicating a number of issues in the banking sector. The effect of the Royal Commission, media/broker coverage of the Commission's open sessions, and other regulatory pressures such as APRA guidelines to limit 'risky' loans, is to raise bank funding/compliance costs, which is being slowly passed on to bank customers. As far as the credit market is concerned, the longer term effect is to strengthen the banking and credit system.

The market concerns at the moment are summarised below. My sense is that in October volatility in equity markets will pick up in the short term, which may have a flow-on effect to credit markets. We are very vigilant to signals indicating any significant pick up in volatility or general market deterioration. The issues we see as key market factors are:

- **US/China trade issues and the US mid-term elections -** tariffs are being progressively increased by Trump no doubt timed to help the Republican vote in the 6 November mid-term elections after polls indicate the Republicans may lose their majority in both Houses. Democrat victory would thwart Trump's policy agenda and revitalise investigations into his administration. Trump's late-September trade deal with Canada and Mexico is also timed to help the Republican vote (especially as it looks to be only a revamped version of the previous NAFTA). It is extremely complicated how tariffs affect particular goods and industries, and the future trade flows between the USS and a China and their economies, and then the flow-on trade, currency and inflationary effects to other countries like Australia

- **Italy –** the focus on Italy's debt and domestic calls for Italy to leave the EU. This is highly remote but has more 'teeth' with the UK's exit from the EU and the problems the UK is having actually implementing its exit

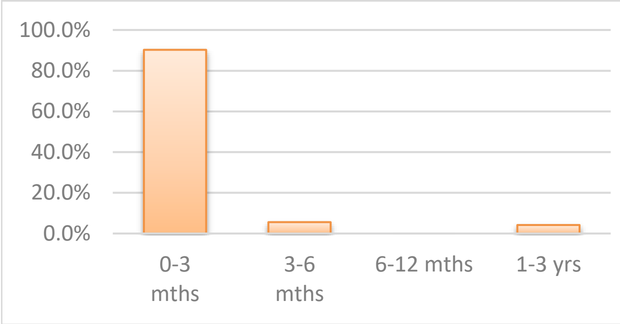
- **Emerging Markets (EM) -** the weakening currency and markets situation in EMs, such as Venezuala, Turkey, Indonesia, Argentina, South Africa , India, and Mexico. EM with debt in US dollars and oil importers are most suspect to sell off. The market concern is the potential for 'contagion' effect to the major markets such as occurred in 1997 after the Thai Baht currency peg collapsed. We believe contagion risk is very low, and will only occur if US GDP growth weakens considerably which is unlikely for the next 2 years

- **US economic performance –** the US is in its 9th year of continuous GDP expansion and some economists predict a weakening economic performance by 2019/2020. As expected, the US Fed hiked rates 25bp to 2.25%, the 9th rate hike since late-2015, with the Fed indicating another hike in December, three more in 2019, and one increase in 2020, which would put the overnight lending rate at 3.50%. However, we do expect the Fed to hike in such a way that would cause problems in the equity or credit markets, or for US GDP performance

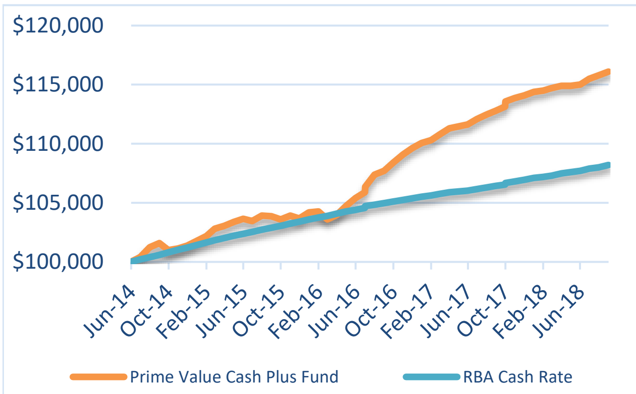
- **Crude oil -** after OPEC decided not to increase oil output to counter falling supply from Iran (US sanctions commence 4 November) and further falls in Venezuela's production (currently at a 60 year low), crude oil prices spiked to $84/barrel (their highest level since 2014 when crude prices reached $115 and well above the low of $29 in 2016) – this in turn longer term US interest rates to spike (the bellwether 10 year US Treasury now over 3%) as inflation projections are revised up .

We remain very vigilant to economic data, changes in market pricing, central bank statements and activity, and risk signals especially as market pricing is so benign and volatility could easily pick up given the large number of unresolved factors mentioned above. We are managing the Fund to ensure we continue to meet the Fund's key objectives of being able to quickly respond to investor redemptions requests and protect investor funds, and to pay a regular (quarterly) distribution with franking credits. We expect the Fund to perform well through 2018 and 2019.

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 $116,100 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $108,200 over the same period.

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