

Prime Value Cash Plus Fund

Fund Update – December 2019



By Matthew Lemke, Fund Manager

- The Fund's return for the 12 months to 31 December was 4.43% net of fees, also well above our target benchmark and achieved despite the three RBA rate cuts since June 2019
- The Fund earned 0.37% for the month, well above our target benchmark
- Credit markets are in good shape but we are alert to any deterioration in market conditions that can occur. The Fund's portfolio is conservative and resilient

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	3.62%	4.21%	1.69%
5 Years (p.a.)	3.69%	4.72%	1.60%
3 Years (p.a.)	3.62%	4.30%	1.39%
1 year	4.43%	4.95%	1.23%
3 Months	0.86%	1.03%	0.19%
1 Month	0.37%	0.54%	0.07%

* 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.

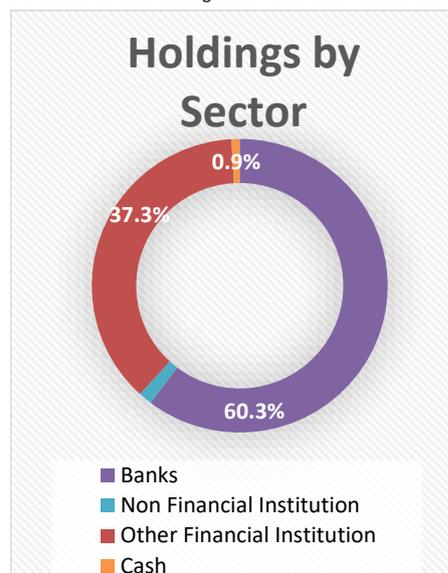
**Returns grossed up for Franking Credits are estimates.

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 49.3% 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. 0.40 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$1.0375
Withdrawal Price	\$1.0371
Distribution (31/12/19)	\$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 one of its best-ever monthly performances in December, well above our target benchmark, and a very pleasing way to end the year.

The Fund has had a good year, returning 4.43% net of fees. This return is well above our target objective of around 2% above the RBA cash rate.

The Fund's return has been achieved in an environment where the RBA cut the official rate three times to an all-time low of 0.75%. With the last labour report showing weakness in Australia's employment situation, and the downward revision to Australia's economic outlook in the Federal Government's Mid-Year Fiscal and Economic Review, the RBA could well cut the cash rate further to 0.5%, as early as February.

Credit and debt markets ended the year well, helped by good performances in the US equity markets with "Phase 1" of the trade agreement between China and the US looking very likely.

The Fund predominantly invests in floating-rate debt securities rather than fixed-rate bonds, so the move higher in global bond yields had no effect on the performance of the Fund.

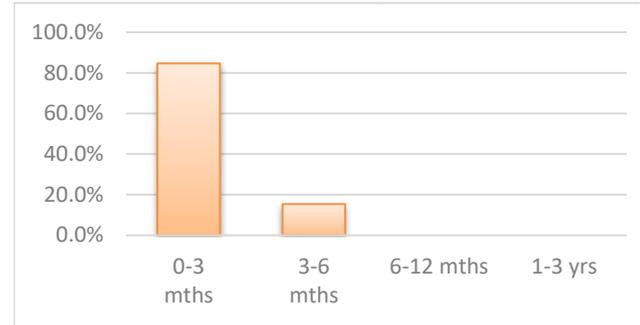
Many investors are wondering about markets and their investments in 2020. I have been studying markets for many years and have found very few forecasts to be accurate, and even rarer for forecasters to be consistently accurate. Forecasts should not be given too much credence. My only real forecast is that markets will deliver unanticipated surprises in 2020. A case in point is the current US/Iran situation. I strongly urge investors to stay alert (20-20 vision in the year 2020), to not be emotionally attached to their investments, and most importantly of all, to have an attitude of 'managing risk' to achieve desired outcomes.

We continue to manage the Fund very conservatively, always keeping a careful watch on the securities in the portfolio, and the way the portfolio is structured in an overall sense, relative to the market. The portfolio as currently structured is very resilient.

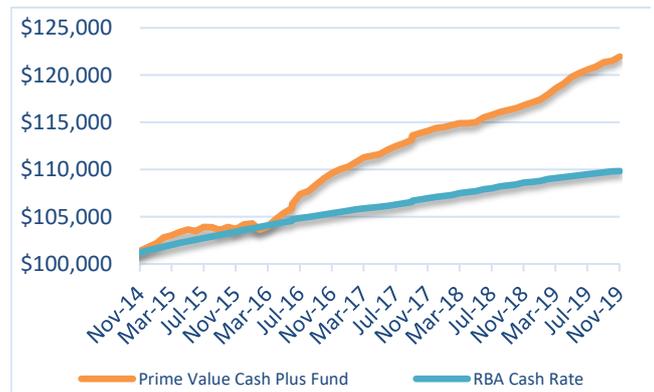
We expect the Fund to do well in 2020.

We appreciate and value investors' support and trust in the Fund in 2019, and we sincerely wish everyone a safe, prosperous and enjoyable 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 \$121,960 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$109,830 over the same period.

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