

Prime Value Cash Plus Fund

Fund Update – January 2020



By Matthew Lemke, Fund Manager

- The Fund achieved an above-benchmark target return in January
- Our portfolio withstood the market effects of five events - bushfires, US/Iran confrontation, the situation in Hong Kong, impeachment proceedings against President Trump in the Senate, and coronavirus in China
- We exited all our holdings of bonds issued by insurance companies given risk to large bushfire-related claims
- We are confident the Fund will continue to perform well throughout 2020 and express our best wishes for the Lunar New Year

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	3.65%	4.24%	1.68%
5 Years (p.a.)	3.70%	4.81%	1.57%
3 Years (p.a.)	3.65%	4.32%	1.37%
1 year	4.61%	5.13%	1.30%
3 Months	0.95%	1.13%	0.19%
1 Month	0.47%	0.47%	0.06%

* 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.

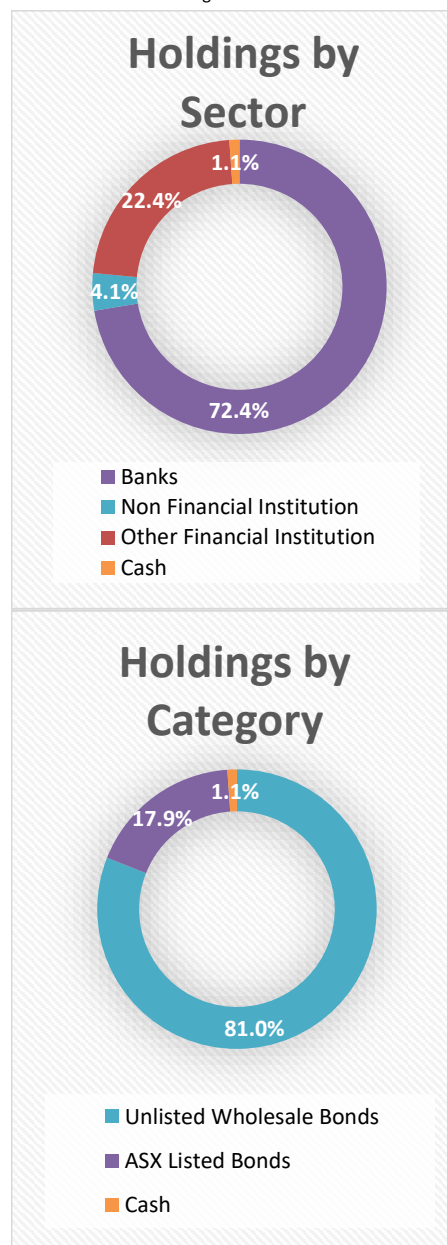
**Returns grossed up for Franking Credits are estimates.

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 61.4% 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	\$1.0343
Withdrawal Price	\$1.0339
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 a very good month in January in terms of performance, and achieved above its benchmark target return. We continue to rank very well in external fund surveys.

Markets were affected by the Australian bushfires, US/Iran confrontation, impeachment proceedings being brought against President Trump in the Senate, the situation in Hong Kong, and towards the end of the month the outbreak of coronavirus in China. In our December report, we mentioned that we did not want to predict markets as all sorts of unexpected events can affect them. Certainly three of the above events were completely unexpected, highlighting the unpredictability of markets. Above all else, our main task as Fund Manager is to manage risks in the market and make sure that the investment portfolio is robust to withstand unknown events and events that we have no control over. This is our real task and focus of attention.

In terms of market risk, the above events can combine to have an impact on Australia's economic growth and the credit markets. We are watching carefully for signs of economic and market deterioration. Worrisome signs are the increase in credit spreads and gold price, and the quick fall to below US\$0.67 for the Australian dollar.

In terms of the portfolio, we sold all our holdings of bonds issued by insurance companies in January. We now have no exposure to this sector. We felt this divestment was important in light of the unknown but clearly large quantum of the claims that will emerge from the bushfires. We replaced these bonds with similar yielding bonds issued by higher-rated banks, so the 'switch' was overall very successful.

We have been selectively adding investments to the portfolio but only where they pass our stringent tests. Our main aim is to ensure we can sustainably earn 3.0-3.5% after fees - we have been exceeding this target which is very pleasing.

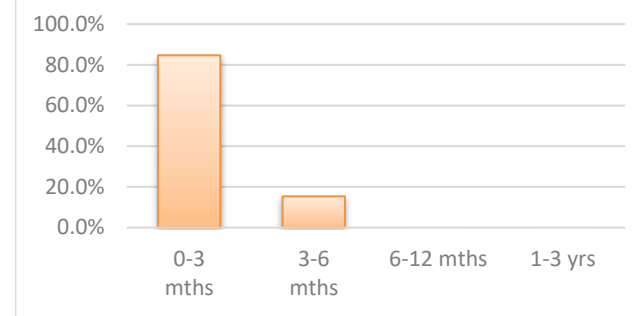
At the same time we want to continue to be able to quickly redeem funds upon investor request so the Fund truly operates as a cash-plus fund, and providing far more flexibility and return than term deposits and other bank savings or cash products.

The Fund continues to distribute a healthy level of franking credits bolstering the overall return to investors.

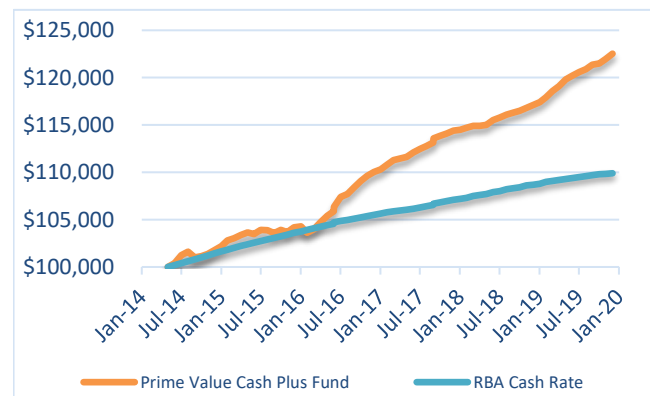
We are confident the Fund will continue to perform well throughout 2020.

We express our best wishes for the Lunar New Year.

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 \$122,530 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$109,900 over the same period.

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