

Prime Value Cash Plus Fund

Fund Update – November 2019



By Matthew Lemke, Fund Manager

- The Fund's return in November was slightly down on previous months as we allowed the cash component to build up in the face of likely year-end weakening of liquidity conditions in the general market
- The Fund has performed well above target throughout the year. The Fund's portfolio is comprised of carefully selected debt securities.
- We expect the Fund to perform well throughout the remainder of 2019, and 2020

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	3.61%	4.18%	1.71%
5 Years (p.a.)	3.68%	4.60%	1.63%
3 Years (p.a.)	3.66%	4.37%	1.41%
1 year	4.29%	4.79%	1.23%
3 Months	0.74%	0.82%	0.20%
1 Month	0.12%	0.12%	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.

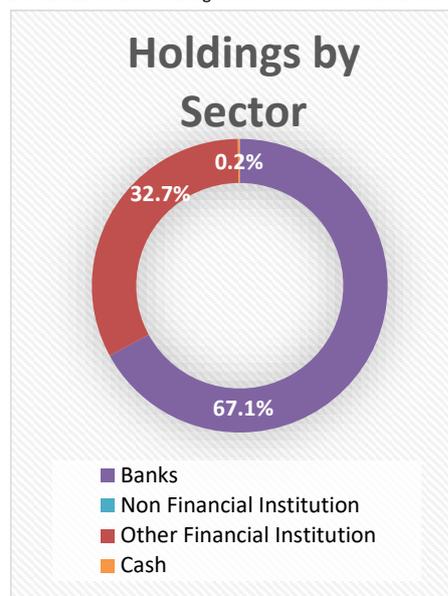
**Returns grossed up for Franking Credits are estimates.

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 54.7% 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	\$1.0325
Withdrawal Price	\$1.0321
Distribution (30/09/19)	\$0.0075

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



Fund review and strategy

The Fund's return was lower than the previous months throughout 2019. Pleasingly, the average return of the Fund this year has been materially higher than our target. The Fund's return in November was lower than previous months primarily because we allowed a strategic build-up in the cash balance of the Fund. The higher cash component diluted the Fund's return in November.

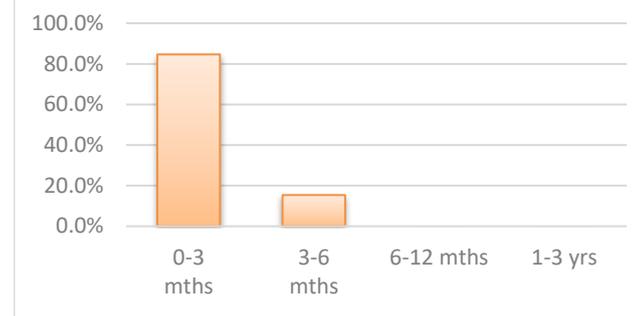
The factors in the market that we are watching carefully that may cause us to retain a higher cash balance for a few more weeks through year-end are listed below. We are mindful that these factors can cause a disproportionate impact to the prices of debt securities in the market as year-end is typically associated with lower liquidity conditions. The factors are as follows:

- Lack of resolution of the trade issues between the US and China, particularly after the market was expecting a partial trade agreement in early November. Our view is that any trade agreement will only be partial and subject to both parties willing to abide by the agreement into the future; in this sense it does not operate like a formal contract but more like a memorandum of understanding;
- Weakness in bank securities following Westpac's disclosure of significant money laundering infringements. Media commentary focused on the infringements related to drugs and trafficking although these were only an extremely small proportion of the 23 million infringements. The Westpac disclosure impacted the pricing of Westpac's equity and debt securities and, to a lesser extent, all other securities issued by other banks and financial institutions. This situation will remain fluid until fines are determined, and the senior management changes are made;
- UK election on 12 December and whether the 31 January EU withdrawal deadline will be met. These events have wider European implications;
- President Trump impeachment process;
- US/China trade situation;
- Whether the RBA cuts the official rate on Tuesday 3 December. This would take the official cash rate to a new all-time low of 0.5%. The RBA avowed lack of protection of savers and the very low bank and term deposits rates (with the RBA Governor mentioning "lower rates for longer") are a major reason we have seen inflows into our income funds.

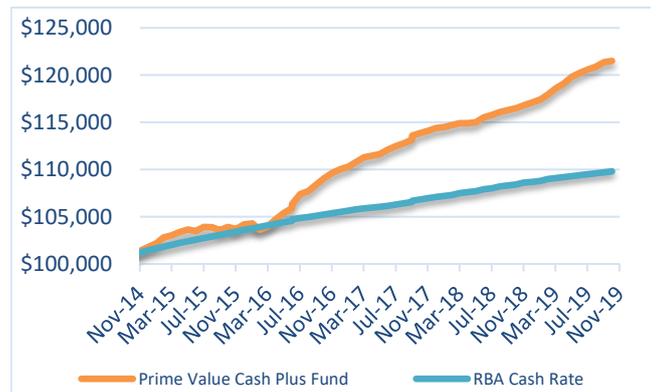
Overall the Fund is performing well and will finish the year on a strong note. The Fund's portfolio and credit quality is robust, and therefore resilient to market gyrations. Recent portfolio activity has centred on investing in debt securities on an extremely selective basis. We have switched a few securities to higher credit quality securities. We also subscribed to the new Australian Unity bond which has begun trading at a premium.

We expect the Fund to continue to perform well over the remainder of this year and throughout 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 \$121,500 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$109,800 over the same period.

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