

Prime Value Cash Plus Fund

Fund Update – September 2019



By Matthew Lemke, Fund Manager

- The Fund had a reasonable month in September but lower than the higher-than-benchmark returns of the past few months
- We have announced that the “bid/offer” spread for investors buying or selling units in the Fund has been considerably reduced from 0.10% to 0.02%. This can be seen in the daily deposit and withdrawal unit price and will facilitate the Fund being used as a “cash” account with reduced transaction costs
- Markets well-behaved in September despite trade issues, and new events (missile attack Saudi oil facility, possible Trump impeachment)
- A further RBA rate cut is predicted by the market but such a cut will not impact the Fund’s return in the short-term but may mean the Fund’s return falls slightly as more rate cuts are delivered by the RBA

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	3.63%	4.22%	1.74%
5 Years (p.a.)	3.66%	4.50%	1.69%
3 Years (p.a.)	3.93%	4.64%	1.45%
1 year	4.12%	4.62%	1.36%
3 Months	0.95%	1.02%	0.25%
1 Month	0.25%	0.33%	0.08%

* 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.

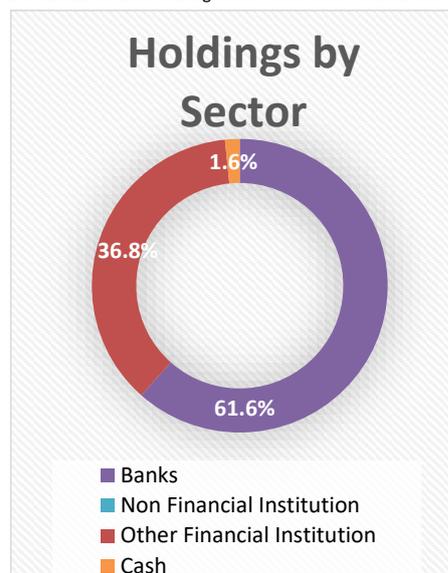
**Returns grossed up for Franking Credits are estimates.

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 44.4% 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	\$1.0362
Withdrawal Price	\$1.0358
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 had a reasonable month in September although the return was lower than the higher-than-benchmark returns of the past several months.

The Fund is predominantly involved in the cash and credit (debt) markets. The credit market was well-behaved in September, although some flow-on effect was felt from the volatility in global equity markets, and the big price spike in crude oil after the drone attacks on oil facilities at Abqaiq and Khurais in eastern Saudi Arabia.

Markets are trying to predict the outcome of the trade negotiations between China and the US. Every day, the situation changes, is clearly very complex involving a number of countries (not just China and the US), and will take a long to settle down. It is undoubtedly influenced by other geopolitical issues. China's economic growth and geopolitical influence is causing a fundamental re-vamp of the financial and institutional arrangements that have existed in the world for many years.

A further new event affecting markets was the call by the Democrats for Trump's impeachment over alleged statements made to the Ukrainians concerning the 2020 US Presidential election. These allegations will take time to play out, and will influence global markets from time to time depending on the headlines. It is difficult for the Democrats to get an impeachment vote through both houses given a 2/3 majority is required in the Democrat-controlled House of Representatives, and in light of the Republicans control of the Senate.

The UK situation is impacting the UK market but not having much of an influence on global markets. The important question is whether the UK and EU can sign the Withdrawal Agreement by the 31 October deadline. There will be a lot of UK and EU manoeuvring during October.

The market risk indicators we monitor settled back in September. We maintain our very defensive attitude in managing the Fund's investment portfolio.

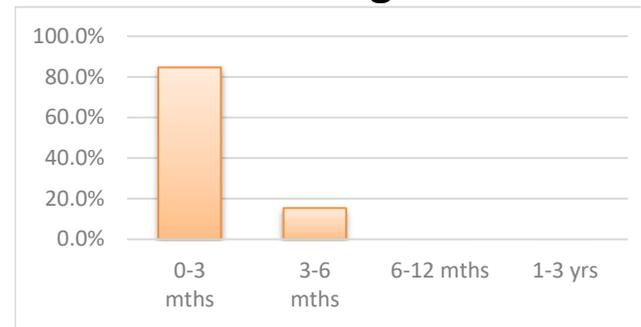
The Fund subscribed to one new debt issue, an issue by Australian Unity that will be listed on the ASX in October.

There is a chance the RBA will cut the cash rate once or twice in the next 3 months. The rate cuts to all-time lows have not impacted the Fund's return as many of the investments in the portfolio have rallied in price as the RBA has cut rates. The "hunt for yield" dynamic in the market is very strong as rates move to all-time lows. If more rate cuts are delivered by the RBA, the Fund's return may fall slightly.

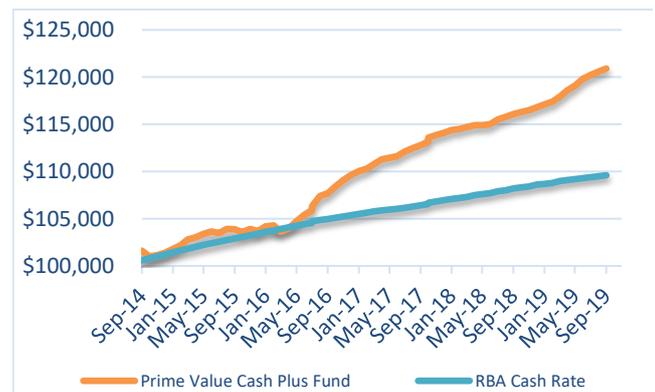
The Fund has seen a modest but pleasing increase in Funds under Management as the Fund demonstrates month-after-month in its published results both continued security of investor capital and an above-benchmark return which is in the top 1-2 of the 20 national "cash enhanced" funds surveyed by the independent Yield Report and Morningstar.

We expect the Fund to continue 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 \$120,900 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$109,600 over the same period.

Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott, Riza Crisostomo, Serena Shi & Daizi Zheng

Client Services Team

Phone: 03 9098 8088

Email: info@primevalue.com.au

Web: www.primevalue.com.au

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000

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