

# Prime Value Cash Plus Fund

## Fund Update – February 2020



By Matthew Lemke, Fund Manager

- All markets were buffeted in February by the evolving coronavirus situation. Monetary and fiscal stimulus will limit the downside
- The Fund recorded a mild negative return of -0.63% net of fees in February, its first negative monthly return for 2 years, and after several months of above-target performance as seen in the 12 month return after fees of 3.72% (which includes the month of February) well-above benchmark return
- The Fund will make its normal quarterly distribution at end March
- We are alert to further market deterioration as markets brace for an expected economic slowdown. The Fund's portfolio is very resilient
- We continue to expect the Fund to perform well throughout 2020

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	<b>3.48%</b>	4.06%	1.66%
5 Years (p.a.)	<b>3.44%</b>	<b>4.68%</b>	<b>1.55%</b>
3 Years (p.a.)	<b>3.35%</b>	4.02%	1.35%
1 year	<b>3.72%</b>	4.24%	1.05%
3 Months	<b>0.20%</b>	0.38%	0.19%
1 Month	<b>(0.63%)</b>	(0.63%)	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.

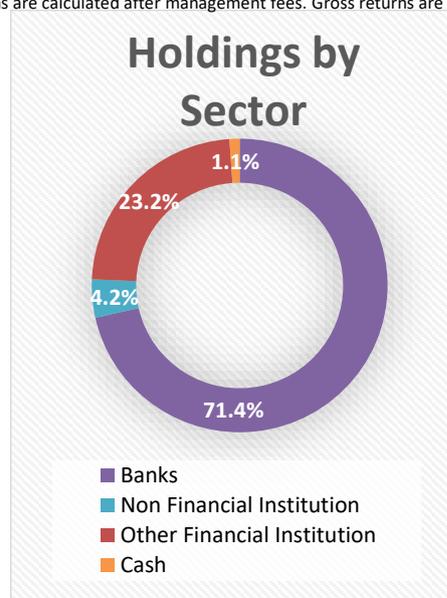
\*\*Returns grossed up for Franking Credits are estimates.

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 71.4% 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% <sup>1</sup> p.a.
Issue price	\$1.0283
Withdrawal Price	\$1.0279
Distribution (31/12/19)	\$0.0075

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



## Fund review and strategy

The Fund recorded a return of -0.63% net of fees in February, its first negative monthly return for two years. The Fund is scheduled to make its normal quarterly distribution at the end of March of 0.75%.

The negative return for February comes after the above-target and benchmark returns over recent months as seen in the 3.72% after fees return over the past 12 months which includes the month of February.

For those investors who have also invested in the Prime Value Diversified High Yield Fund, this fund had a very pleasing positive performance of +0.29% in February. This Fund coupled with the Cash Plus provide investors with a very durable and effective way to manage their cash, and provide ongoing income well-above the RBA cash rate (now 0.5%), term deposit rates and general money market rates.

All markets were affected in February by the fallout from the coronavirus (COVID-19). It is very hard to gauge the political, economic and market implications of coronavirus as it is very fluid at this stage and still evolving.

There has already been stimulus from the easing of monetary policy in several countries, and also fiscal stimulus. There is also reports of the testing in March of possible vaccine solutions, but it will clearly take some months for a viable vaccine to be approved and then manufactured and distributed.

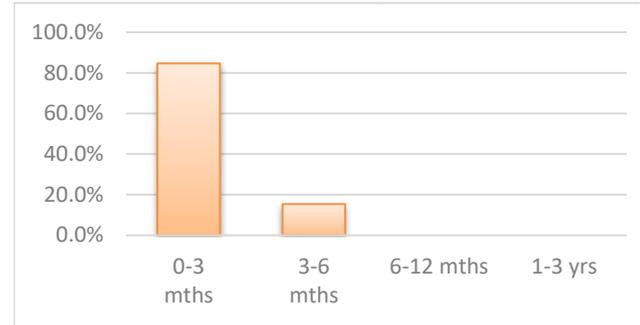
It is also becoming clear that coronavirus has a low mortality rate, and the vast majority of cases that do occur result in a fairly quick recovery.

It is quite possible that the market will continue to over-react. It is also possible that the market and economic fallout, though temporary, will tip some western economies into a short-term recession.

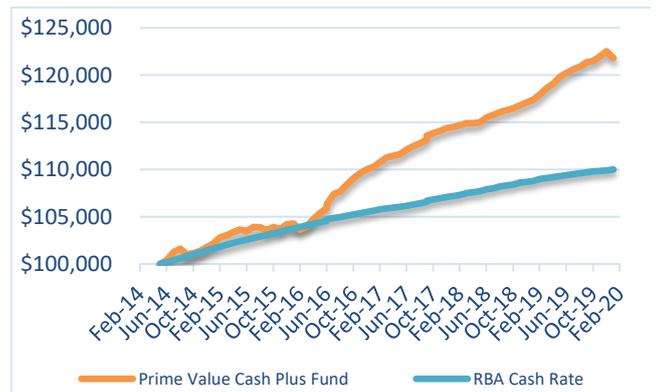
The Fund's portfolio has been reviewed carefully in the wake of the market fallout, and possible economic and market repercussions from the coronavirus situation. The portfolio is highly resilient and we do not intend to make any major adjustments at this stage.

We continue to expect the Fund to perform well 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 \$121,800 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$110,000 over the same period.

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