

Prime Value Cash Plus Fund

Fund Update – April 2020



By Matthew Lemke, Fund Manager

- The Fund had a very good month in April, with a 1.05% gain, significantly rebalancing the loss in March when markets experienced turbulence rarely seen before
- The Fund is fully expecting to pay its normal quarterly distribution of \$0.75 cents per unit at the end of June
- Markets rebounded in April but we remain wary of markets. To protect investor capital we have significantly de-risked the Fund's portfolio and built up the cash reserves of the Fund

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	2.84%	3.41%	1.63%
5 Years (p.a.)	2.69%	4.05%	1.49%
3 Years (p.a.)	1.98%	2.60%	1.28%
1 year	(0.43%)	0.02%	0.86%
3 Months	(3.67%)	(3.61%)	0.12%
1 Month	(1.05%)	1.05%	0.02%

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

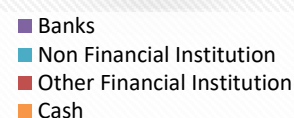
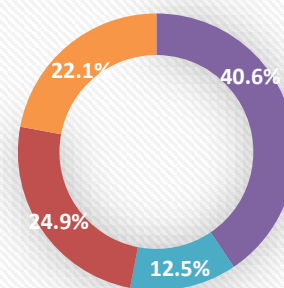
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 40.6% of the portfolio.

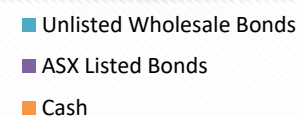
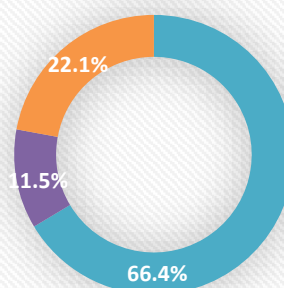
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk exposure. The Fund targets a return to investors in excess of the Reserve Bank of Australia's (RBA) cash rate with minimal risk of capital loss in the medium term.
Benchmark	RBA Cash Rate
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.40 years
Distributions	Quarterly
Suggested Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$0.9893
Withdrawal Price	\$0.9889
Distribution (31/03/20)	\$0.0075

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

Holdings by Sector



Holdings by Category



Fund review and strategy

The Fund had a very good month in April, registering a 1.05% gain, significantly rebalancing the loss in March when markets experienced turbulence and losses virtually never seen before in the history of markets.

It is expected that the Fund will pay its normal quarterly distribution of \$0.75 cents per unit (annual rate of 3%, net of fees) soon after the June quarter.

The market risk indicators that we follow were virtually all lower in April, except for the oil/energy markets to which the Fund is not exposed in any of its investments.

The better market conditions were a function of 4 factors:

- the slowdown in coronavirus cases
- the technical retracement of the losses in March
- the sheer volume of funds being made available by various governments around the world to deal with the economic fallout from the coronavirus pandemic, and
- market expectation that the lockdowns will be soon relaxed which will take the stress off global economies

The Australian market is expected to rebound quicker than most countries because Australia has experienced lower coronavirus cases, coupled with the fact that China our primary trading partner has been showing only a very small number of new coronavirus cases for some time with many businesses now re-starting and a general return to work from the lockdown imposed there.

We are however concerned that the better market conditions in April will not necessarily last and that bouts of market volatility will be experienced. This is because the coronavirus pandemic is still expanding globally particularly in the big economies of the US and Europe, with no vaccine yet found. This will probably mean that the quarantining/lockdowns, though they may be relaxed, will continue for some time. We are also concerned that the lockdowns will cause the world economic data releases to be poor through the next two months even signalling a global recession, which is likely to test market confidence.

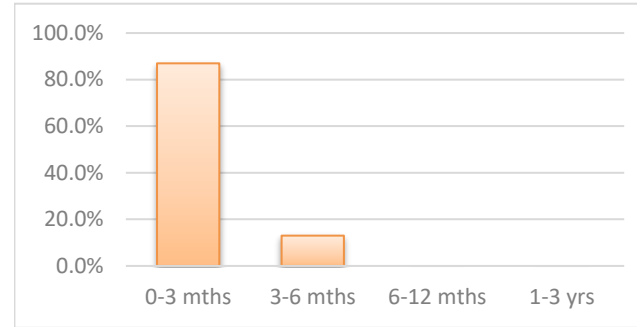
We are also concerned that any relaxation in the lockdowns/quarantining might cause a re-quicken of the coronavirus growth rate. This would be quite a shock to market confidence. We are sure that governments around the world will be aware of the danger of relaxing quarantining/lockdowns too quickly. As such, the economic data will therefore be likely to be quite weak for longer than markets expect.

We have therefore taken steps during April to take advantage of the better markets and liquidity conditions to significantly de-risk the Fund. We have primarily done this by shortening the credit duration of the Fund by selling longer-dated securities and significantly building up the cash reserves of the Fund.

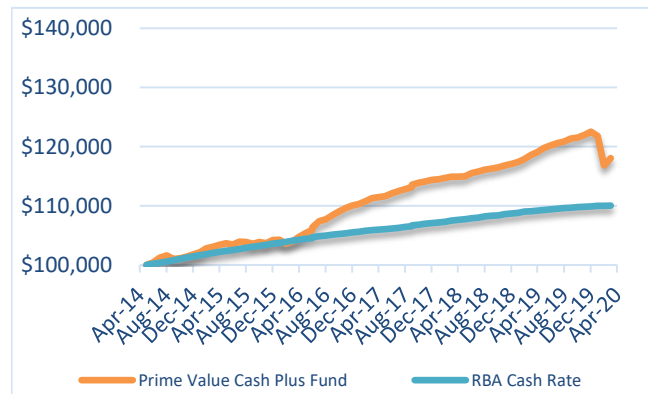
We welcome all questions that you may have about the Fund, and how it is performing in these very unusual times. It is your money that we are stewarding, and we are managing the Fund with this key objective in mind.

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Cash Plus Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Cash Plus Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.19 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 \$118,040 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$110,030 over the same period.

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