Prime Value Cash Plus Fund
Fund Update – May 2020

By Matthew Lemke, Fund Manager

- The Fund performed well in May with return for month of 0.48%, recovering more of the March loss; the Fund is benefitting from strategic "de-risking" of investment portfolio
- The Fund expects to pay normal distribution of 0.75 cents per unit in early July for June quarter
- Market risks are still very real, and the investment portfolio is being managed carefully and prudently
- The Fund is expected to meet its benchmark annual return net of fees of the RBA official cash rate plus 2.5%, with a target annual return net of fees of ca. 3.0-3.25%, and for the Fund to pay a quarterly cash distribution of 0.75 cents per unit. Increased portfolio allocations to cash made due to renewed market deterioration will only temporarily affect the Fund's returns

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**2.88%**	3.44%	1.61%
5 Years (p.a.)	**2.73%**	3.39%	1.45%
3 Years (p.a.)	**2.04%**	2.66%	1.25%
1 year	**(0.41%)**	0.03%	0.75%
3 Months	**(2.60%)**	(2.54%)	0.08%
1 Month	**0.48%**	0.48%	0.02%

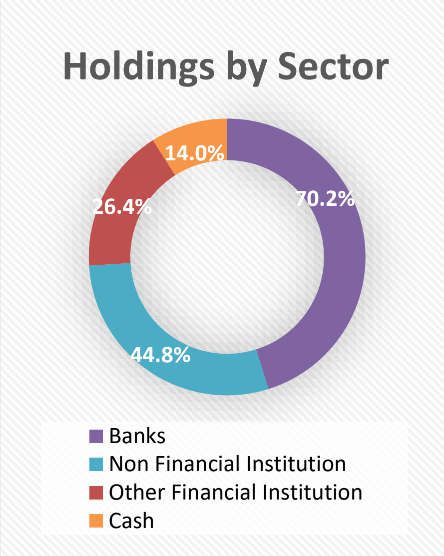
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. **Returns grossed up for Franking Credits are estimates.

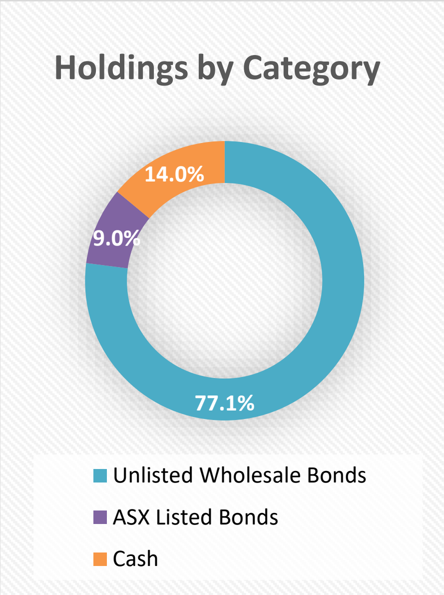
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 33.2% 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	$0.9940
Withdrawal Price	$0.9936
Distribution (31/03/20)	$0.0075

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





Fund review and strategy

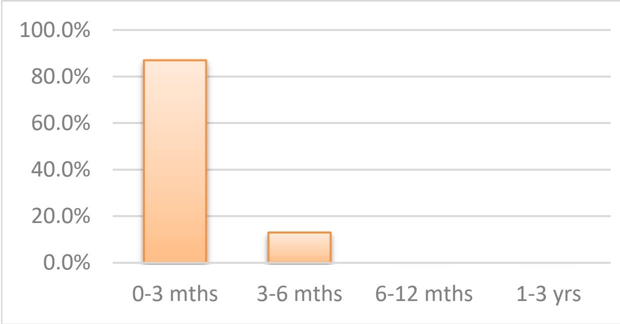
The Fund performed well in May with a return for the month of 0.48%. The loss in the unit price sustained in March due to the coronavirus pandemic and resultant global markets meltdown has now been substantially recovered. The Fund has greatly benefited from the strategic "de-risking" of the investment portfolio over the past two months. The Fund is now very well-positioned to withstand further market volatility. The Fund will pay its normal distribution of 0.75 cents per unit in early July for the June quarter.

Although market indicators for risk have fallen, we are still wary of the coronavirus situation, the global economic situation and pending recessions in various countries, and the considerable risks that can re-ignite market volatility. The main risks facing markets are inter-related, and summarised as follows:

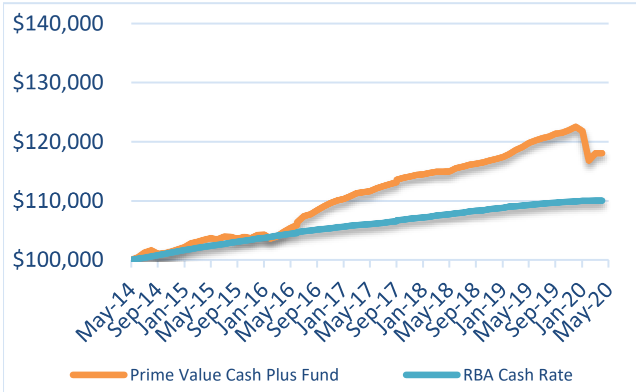
1. **Lockdowns**: Although the growth rate of coronavirus cases and deaths has decreased in China, Europe and US, the potential for delays in the relaxation of lockdowns, or a coronavirus second wave if lockdowns are relaxed too soon, with no vaccine yet found, will bring economic and market risks. A delay in lockdown relaxation will cause the economic situation to deteriorate having market impacts. A coronavirus second wave would be far more difficult to manage than the first wave in that public receptivity to lockdowns will be tested due to employment and income concerns, forcing difficult political decisions;
2. **Australia coronavirus situation:** The potential for a pick-up in Australia of the incidence of coronavirus cases and deaths is a risk, although incidence in Australia has been very low to date. Any pick-up in coronavirus cases will potentially impact the way the Australian economy re-opens and the speed with which the JobKeeper payments are phased out from September as indicated by the Federal Government, both of which will affect the Australian employment situation and the fiscal/ budget situation at the Federal and State level;
3. **Civic unrest in the US**: The growing civic unrest in the US is causing destabilisation and falling confidence in the US political situation and its public institutions which is crucially important given the importance of the US in the global economy and its strategic influence. This unrest has not yet surfaced into markets in terms of price volatility or withdrawal of liquidity. It is however further evidence of the process of political polarisation in the US. Mainstream media is also becoming more polarised. These developments are potential risks to the market especially as the US heads into the presidential election in November which will heighten the risk as political positions will become more visibly polarised. The agendas of the Democrats and the Republicans in this election are diametrically opposed with strong rhetoric on both sides. Each party is trying to make political gains in ways that may affect markets; and
4. **Developing/ Emerging markets**: The incidence of coronavirus is very high across South America, the entire Indian sub-continent, and Central Asia particularly Russia. Any debt default, or heightened risk of default, in these countries can have direct flow-through effects to major markets due to the banking and trade connections.

We expect the Fund to meet its *benchmark* annual return net of fees of the RBA official cash rate plus 2.5%, with a *target* annual return net of fees of ca. 3.0-3.25%, and for the Fund to pay its normal quarterly cash distribution of 0.75 cents per unit. If markets deteriorate, the Fund may allocate more of its investment portfolio to cash, temporarily reducing the portfolio return but with the benefit to investors of mitigated market risk.

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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