Prime Value Cash Plus Fund
Fund Update – July 2020

By Matthew Lemke, Fund Manager

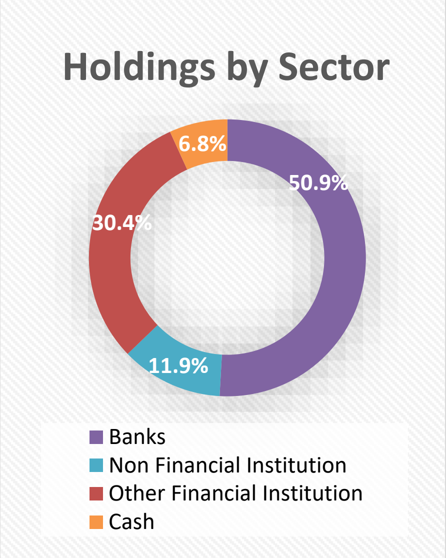
- The Fund had a reasonable month in July
- We are managing the Fund portfolio with a mindset of 'managing risks with unknown outcomes, and not taking a view'
- Risks that we are particularly taking into account at the moment are the possibility that coronavirus case numbers will only fall moderately or not at all, the speed and timing of the withdrawal of government support (such as JobKeeper), the lead up to the US presidential election in November, and the release of corporate/bank financial reports/updates over the next 2-3 weeks (with possible asset write-downs and dividend cuts)

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**2.89%**	3.43%	1.57%
5 Years (p.a.)	**2.78%**	3.43%	1.40%
3 Years (p.a.)	**1.95%**	2.49%	1.18%
1 year	**(0.89%)**	(0.58%)	0.60%
3 Months	**0.96%**	0.96%	0.06%
1 Month	**0.15%**	0.15%	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.

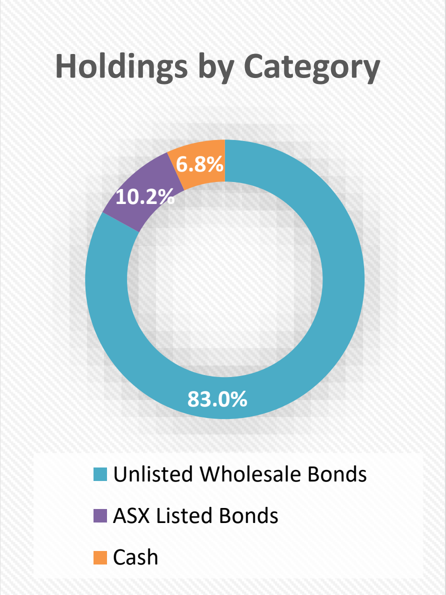
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 50.9% 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	$0.9913
Withdrawal Price	$0.9909
Distribution (30/06/20)	$0.0075

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



Fund review and strategy

The Fund had a reasonable month in July as markets across equities, property and credit/ debt securities were well-behaved and functional with good liquidity.

Liquidity is a major attribute of the current market environment. Liquidity has been introduced in a variety of guises, including significant interest rate cuts by central banks, 'Quantitative Easing' (purchase by the central bank of government securities) and central banks including the RBA making cheap loans to banks to enable them to extend credit to businesses. Government assistance comes typically in the form of benefits to businesses to ensure employees can be retained. These measures have caused a large increase in government debt and therefore budget deficits.

A significant risk to economies around the world at the moment is how this central bank and government support will be eventually removed ('tapered'), the speed of its removal, and whether this triggers a major recession. The politics and market effects surrounding the removal of government support cannot be anticipated. This factor will clearly be a major influence in the US presidential election in November. We are already seeing significant debate in the media and as between the White House and the Democrat-controlled House of Representatives on the additional support measures, its size, and how and to whom this support is delivered. The political, economic and social effects of coronavirus will be very significant and have profound implications in as-yet undefined ways.

As an income fund, we are particularly interested in the overall effect on interest rates from the liquidity deluge from the RBA and government support measures. The RBA has now mandated wholesale or 'base' interest rates out to 3 years at a maximum rate of 0.25%. This effectively means all money market rates are now less than 0.25%. Investment income is therefore very low as corporate dividends are being cut, placing pressure on many investors such as retirees to replace this lost income. No doubt the government liquidity and investor need for yield are part of the reason for the strong equity markets, with equities substantially taking on the mantle of "default investment of preference". This may not be sustainable. Low interest rates and fiscal stimulus will eventually cause inflation will be likely to pick up, but this will not occur at least for the next 1-2 years and will depend on the way the economy responds to the stimulus and how the pandemic works through society into the economy. However, inflation is a factor that we are taking into account in our portfolio management.

At a global level, the large fallout of the US$ (which has led to the big rally in the A$ against the US$ in recent weeks) and the rise of the gold price above US$2,000 per ounce is being said by some commentators to signal the ultimate demise of the US$ as the major international/reserve currency, particularly as President Trump has taken the US to a more domestic-orientated approach. If true, this would have profound economic and market ramifications across the globe. However, we believe the suggestion of the demise of the US$ is far too premature. Moreover, we believe the US is robust and will be able to deal with the civil unrest and political issues being seen, and continue its strong role albeit in a world where geopolitical balances are being tested and significant change experienced. Although there is some antagonism between the US and China at the moment, we believe these two countries will eventually work out ways to accommodate each other.

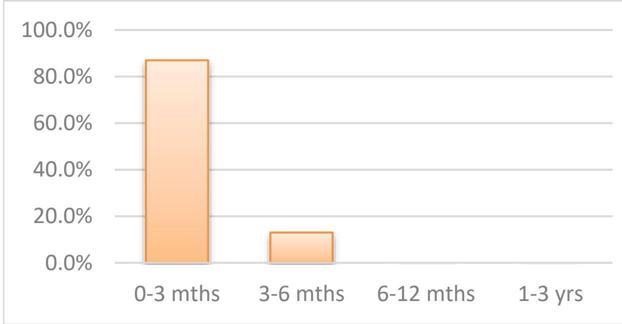
Having said that, we anticipate that longer term there will be significant changes to the financial/monetary system, and we believe the US$ weakness and gold surge beyond US$2,000 per ounce reflect this sentiment to some degree.

On a medium-term basis the current environment will create significant societal effects (via inter-generational factors, income disparities and wealth distribution), along with changes in the political, geopolitical, trade, employment and business landscape. Medical, health and aged care services will all have significant focus and change. Laws and the institutional framework will change in this new 'norm'.

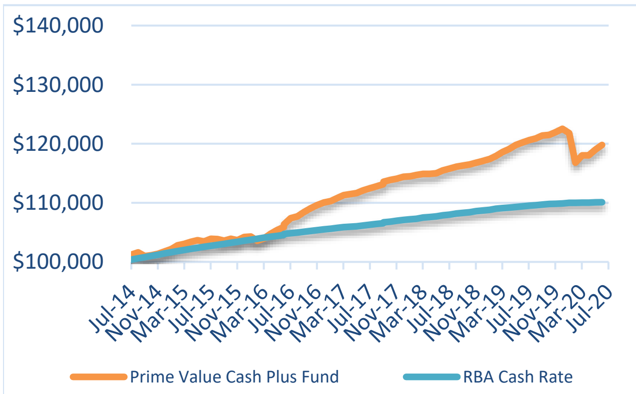
We do not have specific views on these changes, moreover our portfolio management approach is to manage potential risks from these changes to ensure income distributions to our investors are maintained and investor capital protected.

We also mention that we are considering the risks to the Fund from a "cyber war" and what these risks could entail and mean. Clearly, "cyber-attacks" have increased in Australia and globally, and it is a risk that the digital age has only begun to grapple with, and which society, businesses', politicians and laws must eventually deal with.

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 $119,780 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $110,100 over the same period.

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