

Prime Value Cash Plus Fund

Fund Update – August 2020



By Matthew Lemke, Fund Manager

- The Fund performed well in August meeting its target return and above its benchmark return. This continues the Fund's good performance since March
- Markets generally have been "well-behaved" and performed well over the last 5 months though now in a "holding pattern"
- The Fund portfolio is defensively positioned to ensure we protect investor capital, maintain our traditional quarterly distribution, and can continue to meet investor redemption requests within 1-2 days

	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	2.89%	3.43%	1.55%
5 Years (p.a.)	2.84%	3.50%	1.37%
3 Years (p.a.)	1.94%	2.49%	1.14%
1 year	(0.93%)	(0.62%)	0.54%
3 Months	0.76%	0.76%	0.06%
1 Month	0.27%	0.27%	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.

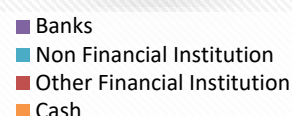
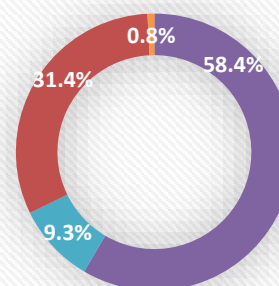
Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 58.4% of the portfolio.

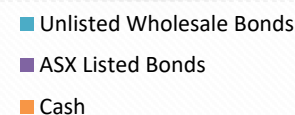
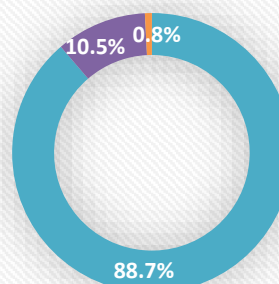
Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk exposure. The Fund targets a return to investors in excess of the Reserve Bank of Australia's (RBA) cash rate with minimal risk of capital loss in the medium term.
Benchmark	RBA Cash Rate
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.25 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 (30/06/20)	\$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 performed well in August meeting its target return and above its benchmark return.

The Fund is continuing its good performance since the market meltdown in March.

The Fund portfolio consists of debt securities so is “exposed” to global debt and credit markets. Credit markets have been well-behaved over the last 5 months.

My sense is that all markets are now in a “holding pattern” for three reasons:

1. Coronavirus cases globally and in Australia have settled down to a reasonably consistent pattern giving markets heart that the edges of the pandemic can be understood although strong predictions on outcomes are still dubious absent a vaccine.
2. Much of the attention in the US is on the elections in November with politicians and media now well and truly in election mode.
3. The massive amount of liquidity (monetary) that has been fed into markets by central banks around the world, plus the massive government support for economies (fiscal). The market knows this support will eventually be withdrawn but does not quite know when or how.

The US Presidential election coincides with Congress and Senate elections in the US. It is difficult to see how the Democrats can lose control of Congress. However it is not so clear about Republican control of the Senate. We are watching carefully for developments in this regard.

We remain extremely vigilant to markets, particularly the “in play” factors mentioned above. The unwind of government support will reveal the true extent of recessions globally and in Australia and whether government policy has been successful. At the moment, recessionary conditions are being “hidden” by the government liquidity with consequent debt build up not occurring at the level of individuals or companies/ businesses but at the government level - where it is far less visible and “urgent”. In Australia’s case, it is also far less worrisome given that Australia is AAA-rated and entered the coronavirus pandemic in good shape with a Budget surplus and very low debt.

The Fund’s portfolio remains defensively positioned, having been successfully “de-risked” over the last 4-5 months. We are now very comfortable with the portfolio and its resilience to any further market volatility. Any significant market downturn will only cause a minor gyration in the prices of the securities within the Fund’s portfolio.

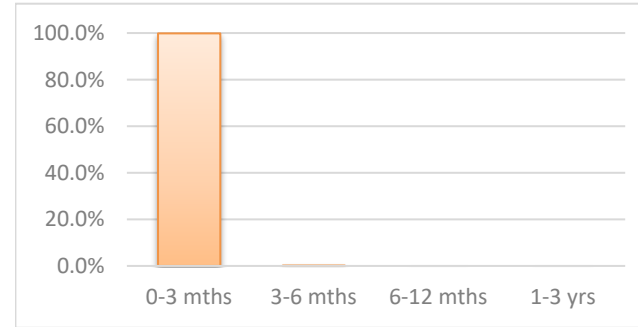
The portfolio’s “de-risked” position has been achieved through a variety of means, notably reduced overall credit duration of securities in the portfolio, ensuring all securities are extremely creditworthy, and raising the cash balance of the Fund.

These factors mean that the ability of the Fund to return quickly to a unit price over \$1 will be constrained. We remind our investors that the Fund’s recommended investor time frame is 1 year+ and we expect this to be fully satisfied by the unit price moving back to \$1 and above in coming months. We will only allow risk to increase in the portfolio once we are absolutely convinced any further market volatility is behind us.

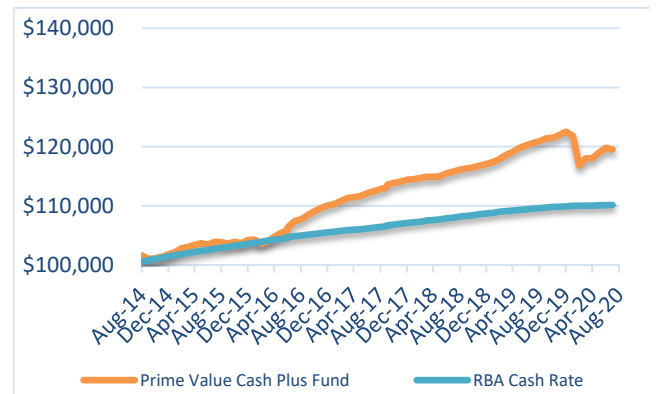
Our objective is not to take risk on “views” – my portfolio management is centred on managing risk. Our task is simple - to protect investor capital, deliver a quarterly distribution of 0.75 cents per unit, and ensure we can meet investor redemption requests within 1-2 days (which we have been achieving without any interruption whatsoever).

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of or make an investment in the Prime Value Cash Plus Fund must obtain and read the PDS dated September 2017 (particular Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Cash Plus Fund or 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 0.25 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 \$119,500 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$110,120 over the same period.

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