

Prime Value Cash Plus Fund

Fund Update – April 2017



- The Fund had a very good month despite a degree of volatility in equity markets, and with the A\$ and commodity prices being under pressure
- Credit markets were reasonable as bond markets rallied the downward revisions to US growth forecasts
- Fund performance was assisted by the geopolitical events which served to bring 'risk aversion' and 'hunt for yield' themes to the forefront of global investment markets
- We expect the Fund to continue to perform well for the remainder of 2017

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.4%	3.7%	4.3%	2.0%
2 Years (p.a.)	4.4%	3.8%	4.5%	1.8%
1 year	6.9%	6.3%	7.2%	1.6%
3 Months	1.3%	1.1%	1.3%	0.4%
1 Month	0.5%	0.5%	0.5%	0.1%

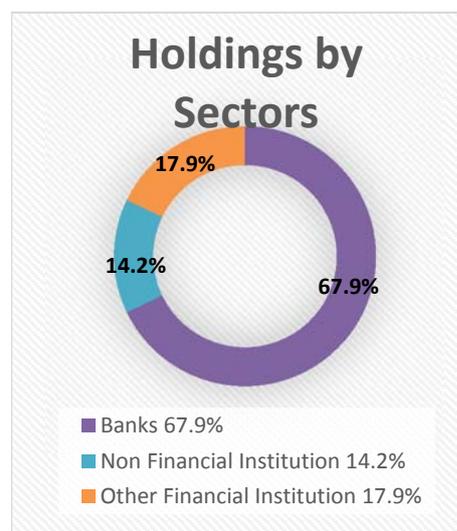
* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated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

**Returns grossed up for Franking Credits are estimates.

Top five holdings	Sector	Category
AMP Limited	Other Fin Inst.	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
PPP (Gov't facility)	Non Fin Inst	Unlisted Wholesale Bonds
ME Bank	Financial	Unlisted Wholesale Bonds
PPP (Hospital)	Non Fin Inst	Unlisted Wholesale Bonds

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. 0.3 years
Distribution	Quarterly
Recommended investment period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$1.0305
Withdrawal price	\$1.0285

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



Fund review & strategy

The Fund had another good month despite some equity market volatility, and weakness in the A\$ and key Australian export commodities such as oil/gas, coal and iron ore. Investors are worried that tax cuts in the US maybe less than expected, reducing the overall fiscal stimulus.

Geopolitical events, volatile equity markets and lowered US growth forecasts caused economists to put a far less probability of 'reflation' emerging in the US. These factors generated a strong rally in global bond markets. The late-month retracement of some of the equity market weakness followed the British Prime Minister's call for a General Election, and the view that independent centrist Emmanuel Macron will defeat far-right populist Marine Le Pen in the French presidential election, despite both contenders being outside the 'mainstream' parties.

The 'hunt for yield' theme was reinforced in April by the March quarter CPI data showing a 2.1% year-on-year result. Annual CPI growth in Australia has averaged 5.1% in the period 1951-2017. The current weak CPI growth 'pulse' signifies a structural decline in inflation which is fuelling lower interest rates and the 'hunt for yield' in Australia (a phenomenon also seen in other western developed economies).

We remain highly vigilant to geopolitical events, along with monetary policy developments in Australia, the US, China, Europe, Japan, and other western developed countries. The second and final round of the French Presidential election is on 7 May, our only concern for markets being if Le Pen unexpectedly overtakes Macron. The US Federal Reserve Board meets 2-3 May, with our focus on whether the Fed hikes rates again (not expected), and whether it lowers its economic forecasts and/or moves to a less restrictive monetary policy. Bond markets are anticipating this shift. The RBA also meets 2 May followed by a speech by RBA Governor Philip Lowe on 4 May - we will be looking for any evidence that the RBA is still moving TIB unwind its accommodative monetary policy position, particularly with the March quarter CPI result not signalling any inflation 'breakout', weaker commodity prices, and evidence China's growth rate may be waning. Lowe's speech precedes the Federal Budget on 9 May with our focus on whether any new fiscal measures are introduced that may impact markets in Australia. We are alert to any 'leaks' of the Budget ahead of Budget Night. We will be very interested whether the Federal Government will allow debt outstandings to push over the informal \$500 billion ceiling (media releases pre-April 30 suggest some infrastructure-related debt may be "re-classified" which would help to keep overall debt outstandings below the ceiling).

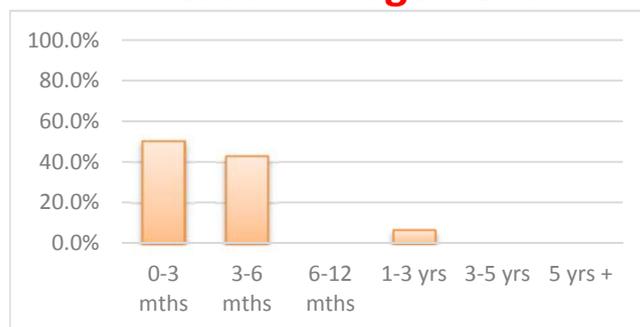
We expect the Fund to continue to perform well. We are keeping the interest rate duration of the portfolio low (3 month) and have reduced the credit duration of the Fund to 2.0 years. We are defensively invested, maintain a reasonably large cash holding, and continue to build the pool of franking credits that can be distributed to investors.

Contact details:

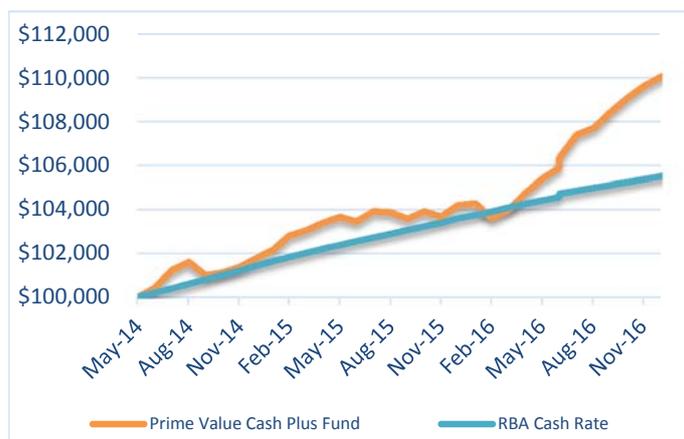
Phone: 03 9098 8088
 Fax: 03 9098 8099
 Email: info@primevalue.com.au

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 30 September 2016 (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

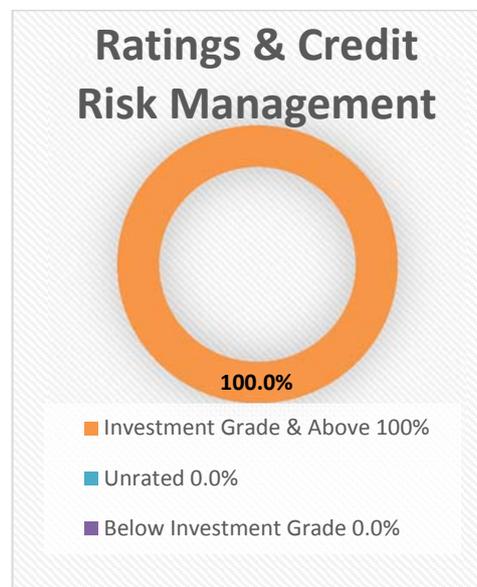


The Fund's portfolio weighted average interest rate reset duration is approximately 0.3 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$111,290 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$105,890 over the same

Ratings & Credit Risk Management



Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000
 Web: www.primevalue.com.au