

Prime Value Cash Plus Fund

Fund Update – December 2016



- The Fund performed well in 2016 and also in the month of December helped by the overall positive sentiment in equity and crude oil markets, with no impact from either the A\$'s slump, or the global rise in bond yields
- We are alert to economic data and central bank activity especially as the western New Year and Chinese New Year can be associated with reduced market liquidity
- We expect the Fund to continue to perform well in 2017 as we have it defensively positioned

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (pa)	4.2%	3.6%	4.1%	2.1%
2 Years (pa)	4.4%	3.8%	4.4%	1.9%
1 year (pa)	5.9%	5.2%	6.1%	1.7%
3 Months	1.9%	1.8%	2.0%	0.4%
1 Month	0.6%	0.5%	0.8%	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.

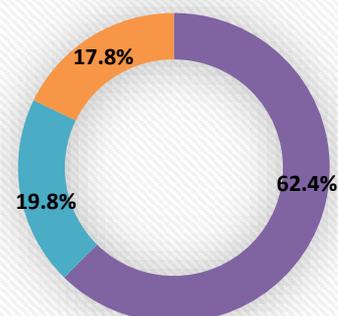
**Returns grossed up for Franking Credits are estimates.

Top five holdings	Sector	Category
AMP Limited	Other Fin Inst.	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
PP infrastructure assets	Non Fin Inst	Unlisted Wholesale Bonds
ME Bank	Financial	Unlisted Wholesale Bonds
RWH	Non Fin Inst	Unlisted Wholesale Bonds

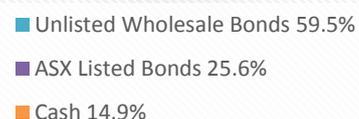
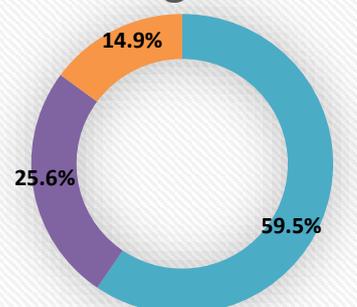
Feature	Fund facts
APIR Code	PVA0088AU
Portfolio Manager	Matthew Lemke
Investment objective	To provide regular income with low risk exposure. The Fund targets a return to investors in excess of the Reserve Bank of Australia's (RBA) cash rate with minimal risk of capital loss in the medium term.
Benchmark	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% p.a ¹ .
Issue price	\$1.0300
Withdrawal price	\$1.0280

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

Holdings by Sectors



Holdings by Categories



Fund review & strategy

The Fund overall had a highly satisfactory year, and performed well in December despite the A\$ slumping to around US72 cents and losses in global bond markets. The Fund was assisted by positive sentiment in the crude oil market (with major oil producing countries agreeing to output cuts), and strength in global equity markets. The US equity markets closed 2016 near all-time highs whilst Australia, the UK, Europe and China finished near year-highs albeit still down from the highs of early 2015.

Markets ignored the "No" vote in the Italian constitutional referendum on 4 December, but became more cautious as leadership appointments were announced by the Trump administration. Many currencies including the A\$ struggled against the US\$ as US bond yields continued their rise following Trump's victory, consolidated by the US Federal Reserve Board's rate rise on 14 December. The rise was long-anticipated and further rate rises may take time noting the difficulties faced by the Fed which took 12 months after the previous rise to raise rates again.

The Fund is primarily invested in floating rate securities and so was unaffected by the rise in Australian bond yields, and continued to benefit from the ongoing "hunt for yield" theme in Australia.

As the New Year commences, we are watching markets carefully, mindful of the current polarised interest rate outlook in Australia, some looking to a rate hike in late-2017, others pointing to the weak A\$, the unexpected 0.5% fall in Australian 3rd quarter GDP (2 December), the slightly weaker Chinese growth outlook, and subdued Australian inflation readings, as evidence rates will stay steady or even be cut further taking the record-low RBA cash rate of 1.5% even lower. Longer term interest rates are likely to be volatile with much debate about the outlook for economic growth and inflation in Australia.

We are particularly vigilant to the US market as Trump begins his term on 20 January, and also Europe especially if the "No" vote in Italy puts pressure on the EU itself, and should there be any withdrawal of State support for Italian bank, Banca Monte dei Paschi Di Siena (reportedly the world's oldest surviving bank).

The next RBA meeting is 7 February, just after the all-important 4th quarter inflation data release on 25 January. The US Fed next meets on 31 January.

We expect the Fund to continue to perform well. Strategically, we are ensuring the portfolio is invested defensively in prime stocks, limiting average credit duration to just over 2 years, limiting interest rate duration to around 3 months (so the Fund is essentially not exposed to current problems being experienced in the bond market), while continuing to build the franking credits that can be distributed to investors.

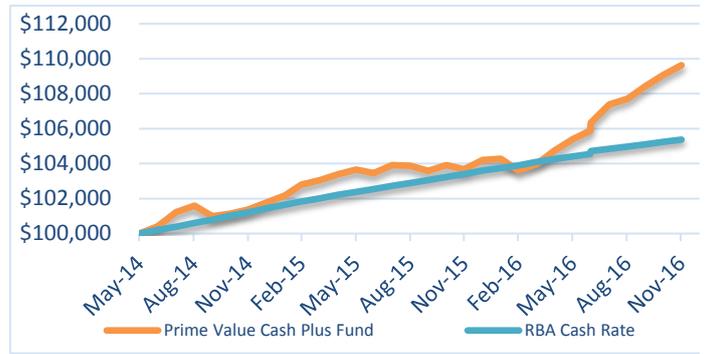
We wish all investors a safe holiday season and prosperous 2017.

Contact details:

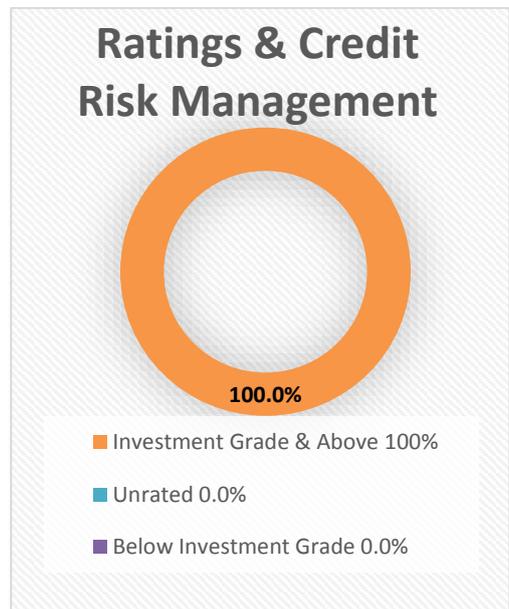
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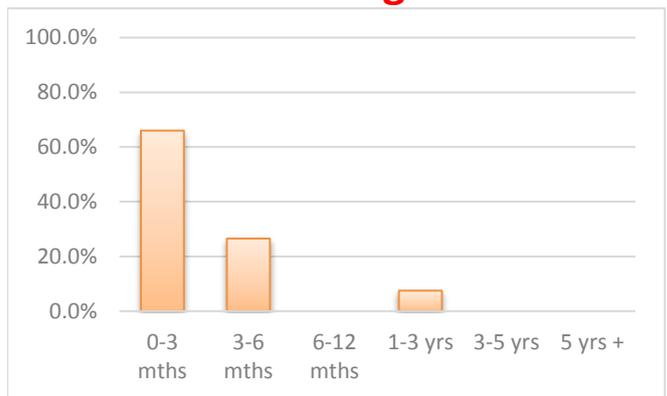
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This graph shows how \$100,000 invested at the Fund's Inception has increased to \$109,630 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$105,370 over the same period.



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

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