

# Prime Value Cash Plus Fund

## Fund Update – December 2017



- The Fund had a good month as markets ended the year in good shape
- We continue to be defensive in our portfolio investment allocations especially as the New Year begins
- The Fund continues to earn a good return with very low risk compared to other markets
- We expect the Fund to continue to perform well over the next 12 months
- We wish everyone a very happy and safe holiday season

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.4%	3.7%	4.4%	1.9%
3 Years (p.a.)	4.5%	3.9%	4.6%	1.8%
2 Years (p.a.)	5.3%	4.6%	5.6%	1.6%
1 year	4.7%	4.1%	5.0%	1.5%
3 Months	1.0%	0.8%	1.1%	0.4%
1 Month	0.2%	0.2%	0.4%	0.1%

\* 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. Gross returns are calculated before management fees.

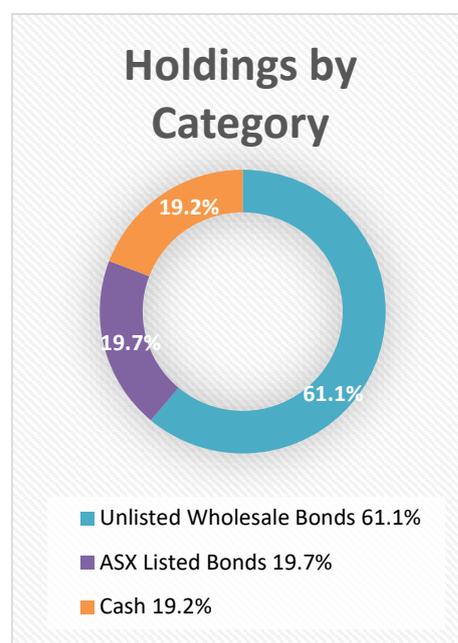
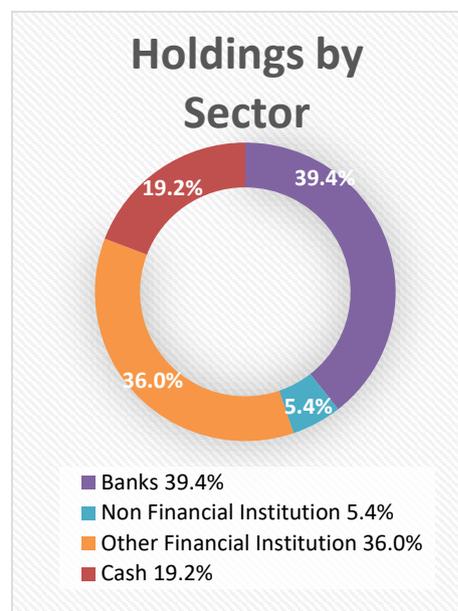
\*\*Returns grossed up for Franking Credits are estimates.

Top five holdings	Sector	Category
AMP Limited	Other Fin Inst.	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
IAG Note	Other Fin Inst.	Unlisted Wholesale Bonds
PPP (Government Facility)	Non Fin Inst.	Unlisted Wholesale Bonds
ME Bank	Banks	Unlisted Wholesale Bonds

The top five holdings make up approximately 46.9% 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. 0.41 years
Distribution	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% <sup>1</sup> p.a.
Issue price	\$1.0375
Withdrawal Price	\$1.0355
Distribution (31/12/17)	\$0.0075

<sup>1</sup> Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC



## Fund review and strategy

The Fund had a good month as global credit, equity, bond and commodity markets (base metals, oil and gold) ended the year in good shape.

Pleasingly, the Fund had a very good overall return for 2017, showing a 4.1% gain after fees, and 5.0% after fees and including the franking credits.

This return compares very well with the equity market return. However, of particular importance to our management of the Fund, the Fund's return was achieved with a daily volatility of 0.002 percent versus the Australian equity market daily volatility of 0.033 percent, which is over 15 times greater than the Fund's daily volatility. This shows that the Fund is achieving a good return with a very low comparative risk.

The market-based risk factors that we watch carefully are currently generally at low levels, showing that markets do not perceive much risk as 2018 begins. We are very mindful that markets can turn quickly, and therefore will not be taking anything for granted in management of the Fund.

Helping the confidence of markets has been the success of President Trump in the proposed corporate tax cuts. Markets generally see this fiscal stimulus as beneficial, although we must always watch for any associated increase in the US budget deficit and US government debt.

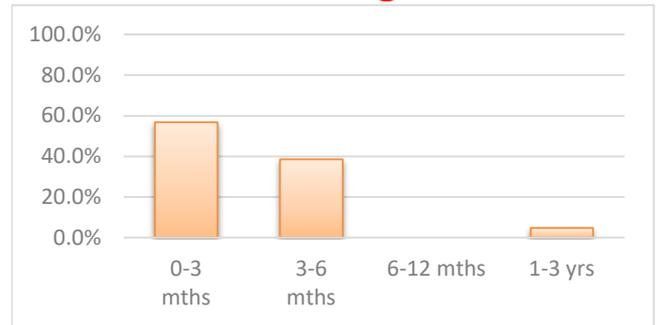
The corporate tax cuts in the US may also stimulate a "competitive" round of corporate tax cuts in other western developed countries to ensure they keep and attract corporate business. This could further help global markets in 2018 depending on how this development plays out.

We remain vigilant and defensive in our portfolio management, especially as we enter the New Year where there could be some market illiquidity and price movements, especially should large global funds decide to re-position their portfolios as the year begins.

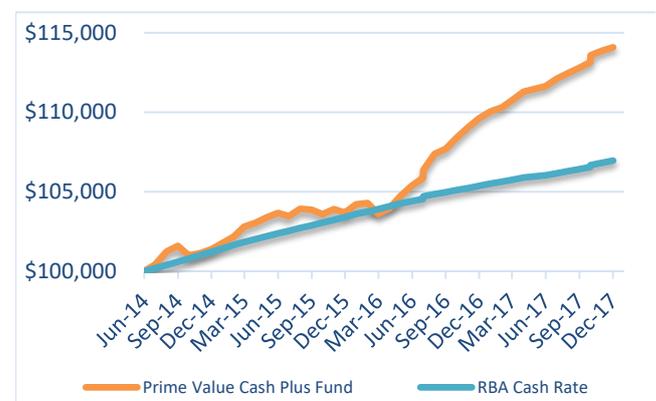
Our strategy is to retain a strong cash balance, a short interest rate reset frequency (duration), a short credit (maturity) duration, and a low percentage holding in ASX-listed stocks. We expect the Fund to perform well throughout 2018.

We wish you all a very happy and safe holiday season.

## Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.41 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 \$114,090 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$106,960 over the same period.

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