

Prime Value Cash Plus Fund

Fund Update – February 2017



- The Fund's performance was positive again in February
- Markets were generally steady in February with some slight profit-taking in the credit markets offset by some new issues receiving strong investor interest
- The equity market has warmed to the Trump presidency but we continue to be vigilant to political developments, economic data and central bank activity and announcements

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.3%	3.6%	4.1%	2.0%
2 Years (p.a.)	4.2%	3.6%	4.2%	1.9%
1 year	7.1%	6.5%	7.4%	1.7%
3 Months	1.3%	1.1%	1.4%	0.4%
1 Month	0.3%	0.2%	0.2%	0.1%

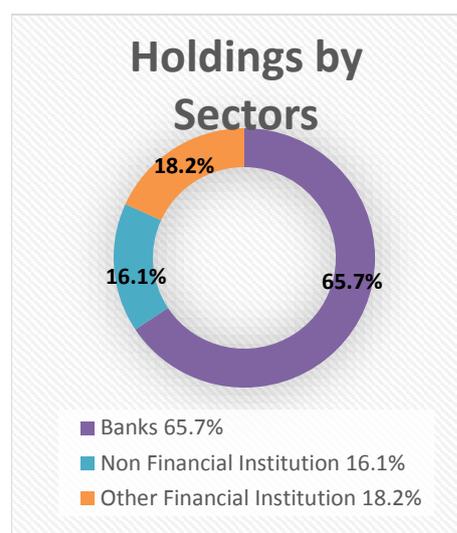
* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated 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	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	\$1.0289
Withdrawal price	\$1.0269

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



Fund review & strategy

The Fund had a satisfactory month in February. Profit-taking in credit markets was balanced by solid investor participation and gains in global equity market capital led by the US as investors warmed to the Trump Presidency.

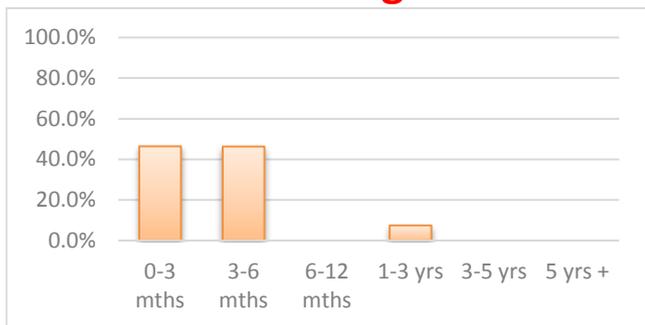
The overall dominant theme in credit markets is still the "hunt for yield". As testament to this, several new issues were brought to market in February and were strongly sought after by investors. These included the record issue by the Federal Government (2028 maturity, \$11 billion), three new hybrid issues (NAB, CBA and Challenger), bank senior debt issues (such as Bank of China, Rabobank and Bank of Tokyo-Mitsubishi), RMBS issues (such as Resimac and Apollo), and some investment-grade corporate issues (such as the 10 year issue by Goldman Fielder Office Trust).

The RBA with Phillip Lowe now at the helm is cautiously moving monetary policy to a neutral setting as seen in the RBA Board meeting minutes released in February. Hence, rate cuts are highly unlikely for the time being, but equally a rate hike is also not envisaged. Events to observe with interest include RBA meeting (7 March), US Federal Reserve meetings (14-15 March), the March quarter CPI release (26 April), and then the Federal Budget in May. Our Fund retains a 3-month interest rate reset duration so the return will increase in line with any increase in interest rates.

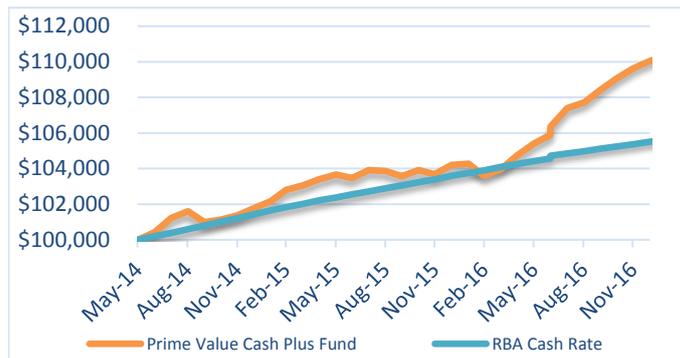
The A\$ at 0.7680, global bond markets, crude oil (US\$54/barrel), gold (US\$1,234/oz) and other commodity markets were all steady in February.

We expect the Fund to continue to perform well. We are defensively invested in stocks issued by investment-grade entities, a reasonably large cash holding, with low credit duration (approximately 2 years), and short interest rate duration (approximately 3 months), whilst continuing to build the franking credits that can be distributed to investors.

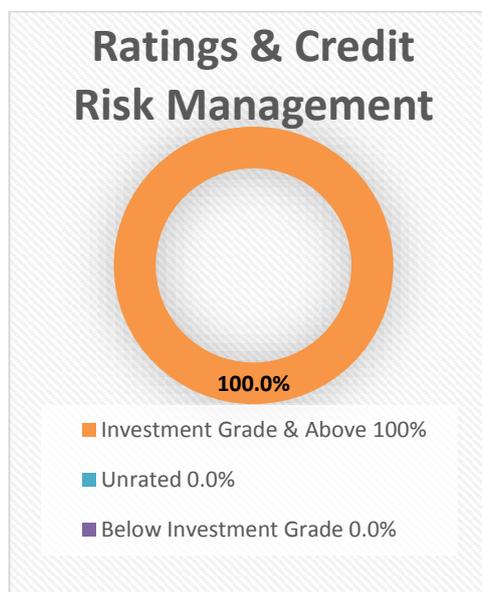
Interest Rate Reset Management



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 \$110,310 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$105,630 over the same period.



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