

# Prime Value Cash Plus Fund

## Fund Update – January 2017



- The Fund again performed well in the month of January despite global equity markets generally ending lower. We expect the Fund to continue to perform well in 2017 as we have it defensively positioned
- Other markets such as the credit market, crude oil, bonds and the A\$ were stable in January but there is a growing risk that these markets could lose the gains seen in recent months should the equity market losses gather pace
- The market has successfully negotiated the western and Chinese New Year

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.3%	3.7%	4.1%	2.0%
2 Years (p.a.)	4.4%	3.8%	4.4%	1.9%
1 year	6.2%	5.5%	6.5%	1.7%
3 Months	1.7%	1.5%	1.8%	0.4%
1 Month	0.4%	0.4%	0.4%	0.1%

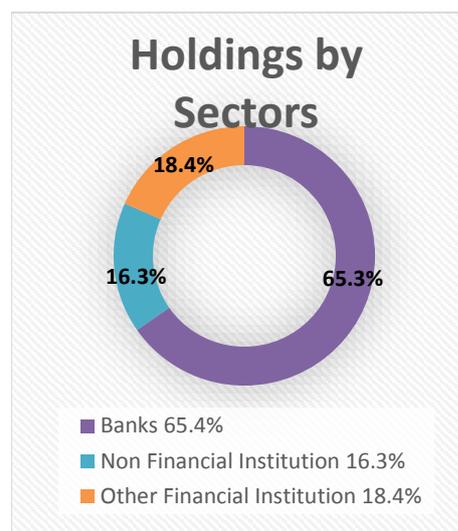
\* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated 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% <sup>1</sup> p.a.
Issue price	\$1.0264
Withdrawal price	\$1.0244

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



**Fund review & strategy**

The Fund had a very satisfactory month, testimony to the way the portfolio is managed and the overall defensive nature of the investment strategy.

Global equity markets fared well for most of the month. However, late in the month equity markets experienced losses as nervousness crept in, largely due to uncertainty about the implications of the Trump presidency and some of the policies announced after his inauguration on 20 January.

Equity markets reflected weaker investor sentiment but this was not universally shared, and other markets fared reasonably well, including the A\$ which held at 0.7590 US cents, bond markets where yield fell slightly, and the crude oil market which held US\$50/ barrel.

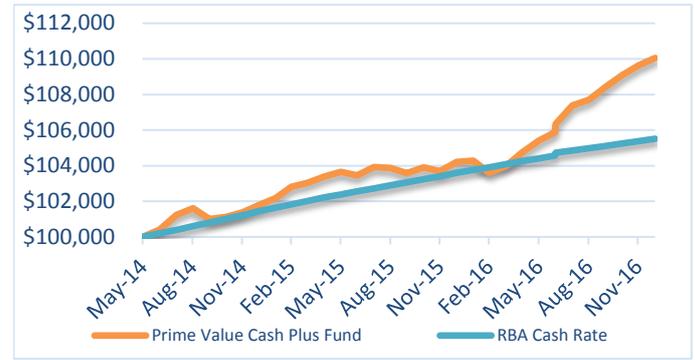
Credit markets were a little more nervous about the equity selloff but the "hunt for yield" drove investors to again bid for credit and that market remained robust.

Economic data was noticeably benign, with special mention of the 4th quarter CPI in Australia which showed inflation is neither increasing or decreasing beyond expectations. We still expect an ongoing debate about the direction of Australian interest rates after the GDP data in December was so weak, whilst the Trump policies are by-and-large inflationary. We do not expect the RBA to alter the cash rate for some time.

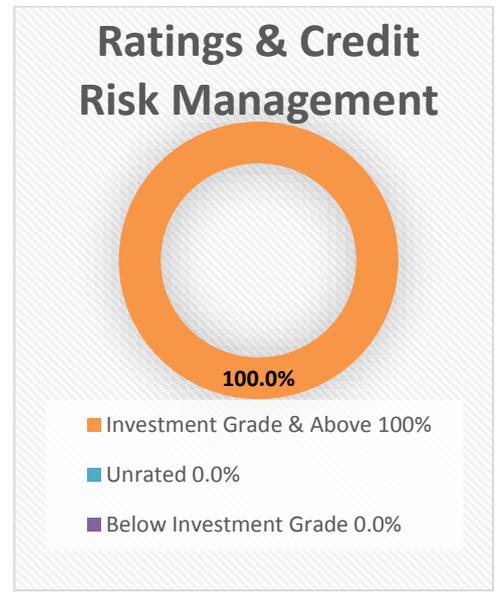
We expect the Fund to continue to perform well. We are defensively positioned with a reasonably large cash holding, low credit duration (2 years), and short interest rate duration (3 months), whilst continuing to build the franking credits that can be distributed to investors.

**Seminar**

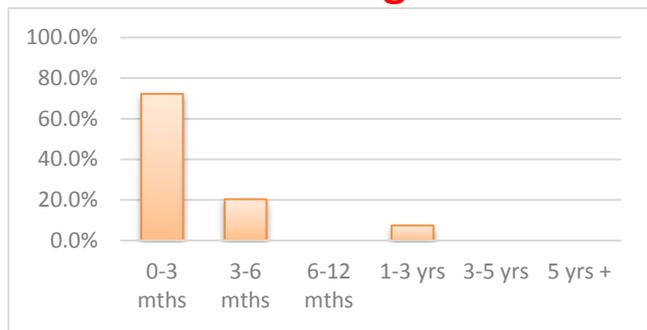
A special seminar will be held at Prime Value's offices on Wednesday 22 February where Matthew Lemke, the Fund's Portfolio Manager since inception will be presenting on the Fund and the economic and market outlook. Current investors and guests are thoroughly welcome to attend.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$110,050 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$105,150 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 investments.

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