Prime Value Cash Plus Fund
Fund Update – June 2017

- The Fund had a another good month despite some end of financial year volatility, finishing the year with a net return of 5.9%
- Large bond redemptions created demand for existing bond issues, helping fund investments
- We expect the fund to continue to perform well over the remainder of 2017 as credit markets are well supported with continued “hunt for yield” and risk aversion themes
- Our portfolio management is defensive to protect investor capital: we retain our strong cash holding, and have largely completed our strategy of lowering the Fund’s credit duration whilst still maintaining investor returns

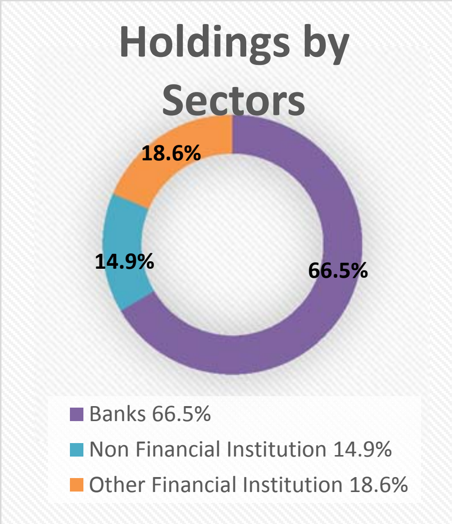
	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.4%	3.8%	4.3%	2.0%
3 Years (p.a.)	4.4%	3.7%	4.3%	2.0%
2 Years (p.a.)	4.7%	4.1%	4.9%	1.7%
1 year	6.5%	5.9%	6.8%	1.5%
3 Months	1.4%	1.2%	1.4%	0.4%
1 Month	0.5%	0.4%	0.7%	0.1%

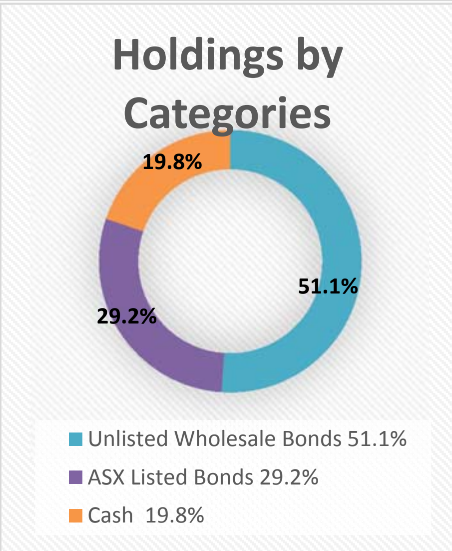
* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated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

Top five holdings	Sector	Category
AMP Limited	Other Fin Inst.	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
PPP (Government Facility)	Non Fin Inst	Unlisted Wholesale Bonds
PPP (Hospital)	Non Fin Inst	Unlisted Wholesale Bonds
ANZ	Banks	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	$1.0380
Withdrawal price	$1.0360

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





Fund review & strategy

The Fund had a very good month despite some volatility in equity and foreign-exchange markets. The issues faced by markets in June included end of financial year portfolio restructuring, the UK election (with Theresa May eventually forming government), the US Federal Reserve rate hike, and US politics in general. Upcoming events include the Japanese election in early July (where the long-ruling LDP party could be toppled), Trump's meeting with Putin in July, the prospects of an Italian election being held earlier than the 5-year parliamentary term ending May 2018, and the continued oil price weakness: despite OPEC's roll-forward of production cuts, the Saudi-led trade and travel blockade on Qatar is being seen as bringing more oil supply to world markets.

Bond markets had a busy month with significant new bond issuance and a number of large bond redemptions. Redemptions of large subordinated bond issues created significant inflows into existing issues, which helped prices of our Fund's investments.

The local credit market was assisted by Federal Reserve comments indicating fewer rate hikes in the US. The strong labour/jobs report in Australia in June suggested the RBA may quicken their move to raise rates. However the dominant view, and our view, is that the RBA is a long way from any rate hike.

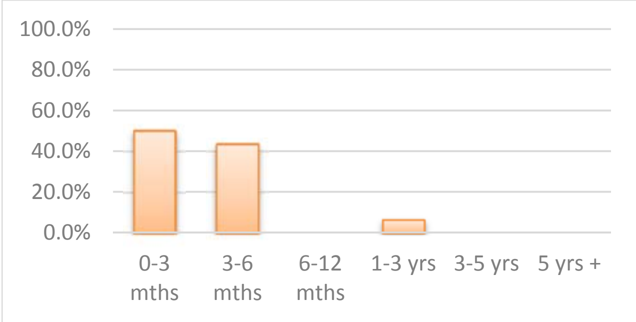
Locally we are looking to the upcoming bank reporting season, and any further effects of the new bank levy combined with the extra bank levy imposed in the South Australian budget in June (with the potential for other States to follow suit). We are also looking to any effects of the one-notch downgrade in May by Standard & Poor's of 23 local banks (not the major four banks). We are also mindful of the impact from China's official credit tightening measures, coupled with the one-notch downgrade in May of China’s rating by Moody's.

We are also assessing the impact to the local real estate market of the out-of-cycle mortgage interest rate increases by banks, and the reduced availability and increased costs of interest-only loans by banks after APRA's new tougher loan policies. This will flow through to pressure on business margins, aggravated by the impending rise in wholesale electricity prices.

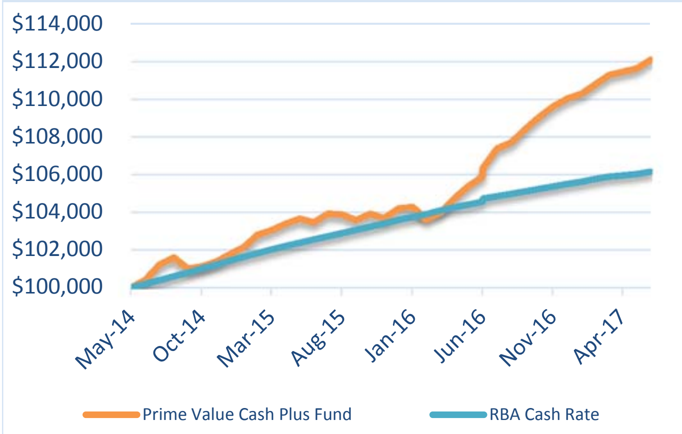
The Fund is well-positioned for any interest rate rises that may occur in Australia given that a significant proportion of the Fund's portfolio is invested in securities that have three monthly rate re-sets (and therefore benefits from rate rises).

Overall, we remain highly vigilant to potential negative credit and geo-political events. As a result, we have now completed our strategy to shorten the credit duration of the Fund, pleasingly without affecting the Fund's return to investors. We continue to increase the franking credit distribution to investors. We are defensively invested, with a strong cash/ liquid investments holding. We expect the Fund to continue to perform well over coming months.

Interest Rate Reset Management

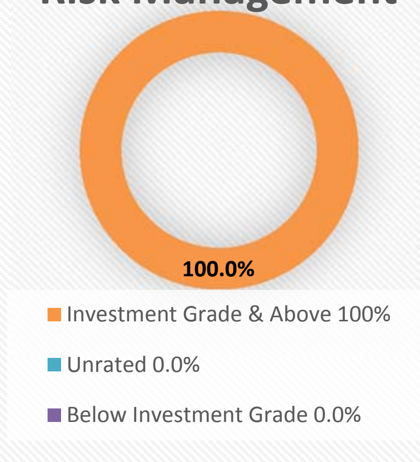


The Fund’s portfolio weighted average interest rate reset duration is approximately 0.3 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how $100,000 invested at the Fund’s Inception has increased to $112,100 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $106,160 over the same

Ratings & Credit Risk Management



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