

# Prime Value Cash Plus Fund

## Fund Update – May 2016



- Credit markets improved again helping the Fund deliver 0.67% in May
- The economies of Australia, China, Europe and the US are behaving quite differently, creating divergences in official monetary policy and local equity/ credit market conditions
- Given the divergences and global uncertainties, we continue to position the Fund conservatively to protect investor capital and pay a quarterly distribution above RBA Cash Rate

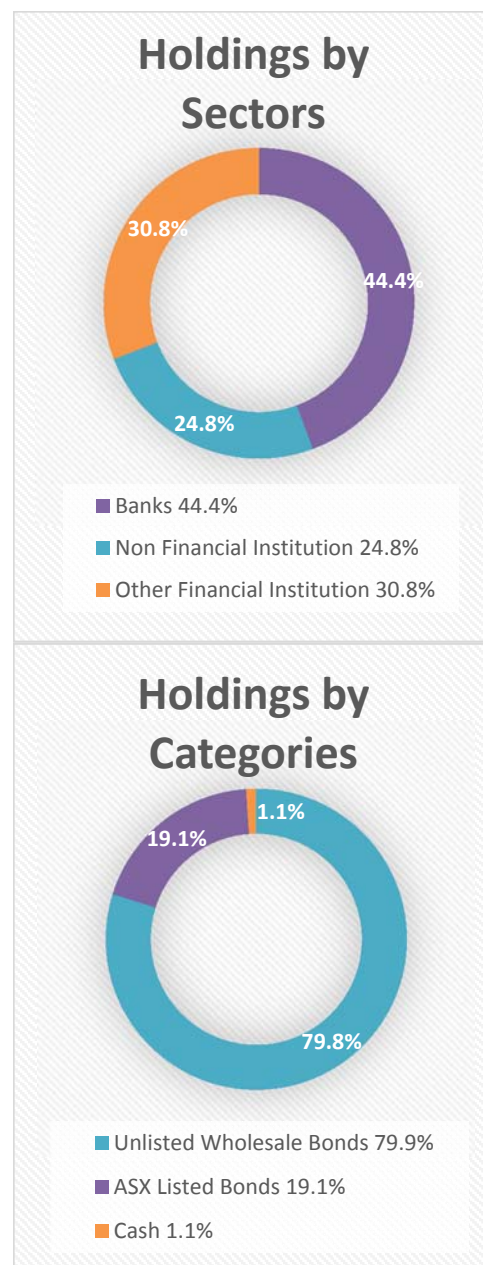
	Gross Return*	Net Return*	RBA Cash Rate
Since inception (pa)	3.28%	2.66%	2.18%
1 Year (pa)	2.29%	1.68%	1.99%
6 Months	1.96%	1.65%	0.98%
3 Months	1.89%	1.74%	0.48%
1 Month	0.67%	0.62%	0.15%

\* 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. **The returns exclude the benefits of imputation credits.** 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
ME Bank	Banks	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
Praeco	Non Fin Inst.	Unlisted Wholesale Bonds
AXA	Other 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. 3 months
Distribution	Quarterly
Recommended investment period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% p.a. <sup>1</sup>
Issue price	\$1.0010
Withdrawal price	\$0.9990
Distribution (31/03/2016)	\$0.0050

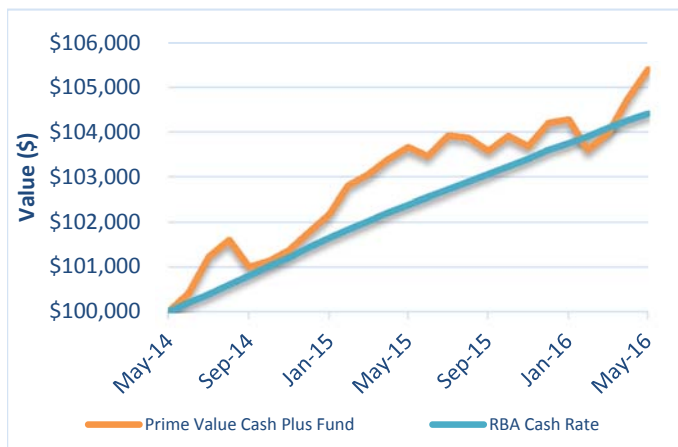
<sup>1</sup>Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC.



## Fund review & strategy

The Fund return was 0.67% in May with global credit markets improving, and improved investment sentiment in the Australian stock market. This was partly bolstered by the RBA cut rate in May to 1.75% (an all-time low). The rally in bonds continued and the 3-year Australian Government bond yield reached an all-time low of 1.50%. Rate cuts in Australia with another expected stand at odds with the US where a further rate hike is widely expected at the June 14-15 Federal Reserve meeting. The dichotomy between the US and Australia caused the Australian dollar to fall (to around USD 0.7200) despite crude oil reaching US\$50 per barrel for the first time this year. We continue to believe credit markets will show stability over the next 3-6 months with the only risk being a resumption of the volatility seen in equity markets earlier this year. Credit markets have comfortably absorbed the higher bond issuance seen in the last 6 weeks.

We remain vigilant to political developments in both Australia (Federal election July 2) and the US (party presidential nominations in June with the election November 8), economic data and official monetary policy actions in Australia, China, Europe and the United States. Whilst the "hunt for yield" has replaced the "flight to quality" theme of the first three months of this year, investor sentiment can change quickly and given the divergence in the performance of the major markets and economies around the world, we are committed to manage Fund investments conservatively to protect investor capital and continue to pay a quarterly distribution above RBA Cash Rate.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$105,400 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$104,410 over the same period.

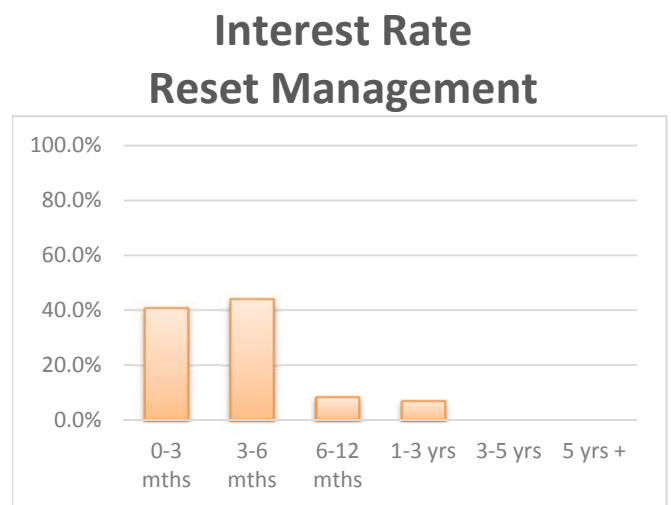
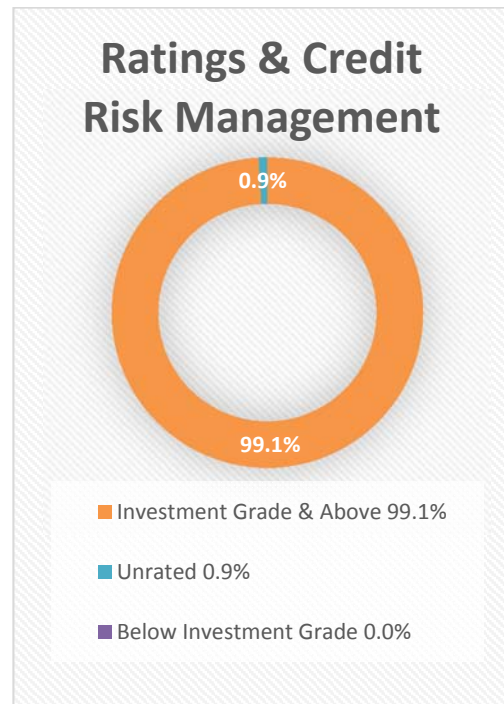
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The Fund's portfolio modified duration is approximately 0.3 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate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