

Prime Value Cash Plus Fund

Fund Update – May 2017



- The Fund had a positive month in May with benign equity markets, stable commodity and credit markets, and a stable AUD\$ contributing to lower volatility
- We are continuing to reduce the Fund's credit duration as a strategic initiative due to credit headwinds locally and overseas, and an increase in geopolitical risk
- We expect the Fund to continue to perform well over the remainder of 2017, helped by the 'hunt for yield' investment theme and our defensive selection of investments

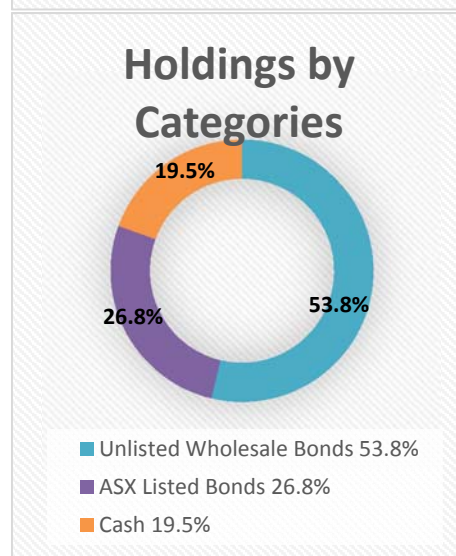
	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.4%	3.7%	4.2%	2.0%
3 Years (p.a.)	4.4%	3.7%	4.2%	2.0%
2 Years (p.a.)	4.4%	3.8%	4.5%	1.8%
1 year	6.6%	5.9%	6.9%	1.5%
3 Months	1.6%	1.2%	1.4%	0.4%
1 Month	0.4%	0.3%	0.3%	0.1%

* 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 Faculty)	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	\$1.0337
Withdrawal price	\$1.0317

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



Fund review & strategy

The Fund had another good month with overseas equity markets and credit markets performing well, and stable commodity and currency markets. The 'hunt for yield' is fuelling demand for credit product, boosting the prices of assets that we are invested in.

We remain vigilant to potential negative credit events as recent geopolitical events have raised the risk barometers that we track. The market has navigated several potentially destabilising events (Syrian air-strike, imbroglio over North Korea's nuclear and missile programme, French presidential election, and the OPEC meeting). However the risks have increased due to several factors:

- President Trump's termination of FBI Director James Comey's employment and investigation of information allegedly shared with Russia pre-election. This will fan negative media commentary for some time and even calls for Trump's impeachment. These events will postpone Trump's promised concerning tax cuts and infrastructure spending, both of which were supporting equity and credit markets.
- Trump's visit to the MidEast and Europe has created some unpredictability in international relations. Trump has aligned on some issues with Russia and China, and distanced the US on some issues with NATO allies such as Germany. The US withdrawal from the Paris Climate Accord is also creating uncertainty. These events have not led to significant market pressures, but we are vigilant to developments.
- There are headwinds emerging in bank credit, e.g. the distinct possibility of a US rate hike mid-June, with more hikes possibly later this year, along with the new bank capital requirements (Basel Accord). Locally the capital requirements combine with the new bank levy, the recent one-notch downgrade by Standard & Poor's of 23 banks (not the major four banks), and continuing rhetoric from the RBA to move monetary policy from 'accommodative' to 'neutral' (although a rate hike is probably many months away). In China, authorities are making bank lending more difficult, aggravated with the one-notch downgrade of China's rating in late-May by Moody's.

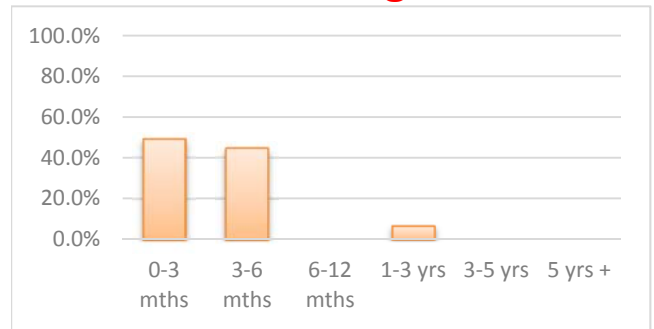
These global influences have cross-winds to Australia either through the debt/capital markets or the traded goods/commodity sector with potential flow-on effects to other asset markets (e.g. real estate/property).

The 'hunt for yield' theme will continue to assist the Fund and we expect the Fund to continue to perform well. We are keeping the interest rate duration of the portfolio low (3 months) and have reduced credit duration to now below 2 years and will continue this the given emerging risks mentioned above.

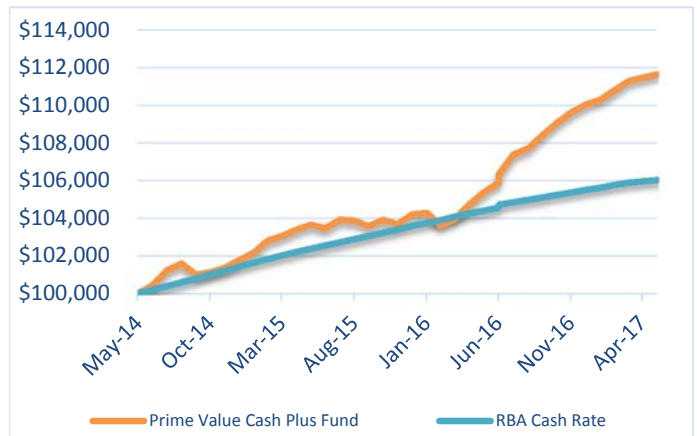
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Interest Rate Reset Management

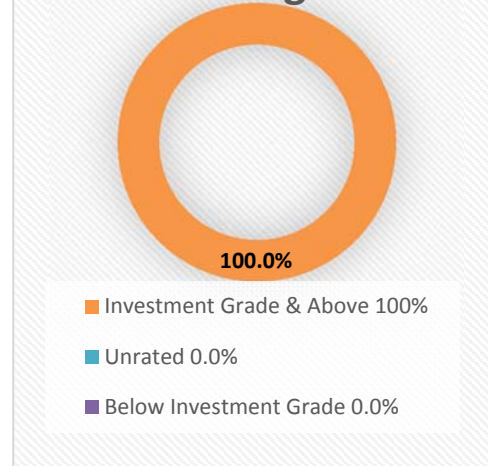


The Fund's portfolio weighted average interest rate reset duration is approximately 0.3 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$116,400 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$106,030 over the same

Ratings & Credit Risk Management



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