

Prime Value Cash Plus Fund

Fund Update – November 2016



- The fund continued to perform well in November despite market volatility post-Trump's victory as investors revise their investment settings for the anticipated fiscal stimulus and higher inflation in the US
- We are closely watching economic data and central bank activity especially as year-end approaches, and continue to invest defensively to protect investor capital and maintain the quarterly distribution which has been increased to 3.0% pa

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (pa)	4.16%	3.54%	3.95%	2.06%
2 Years (pa)	4.32%	3.70%	4.20%	1.96%
1 year (pa)	5.84%	5.21%	6.02%	1.78%
3 Months	1.73%	1.58%	1.80%	0.37%
1 Month	0.66%	0.61%	0.61%	0.13%

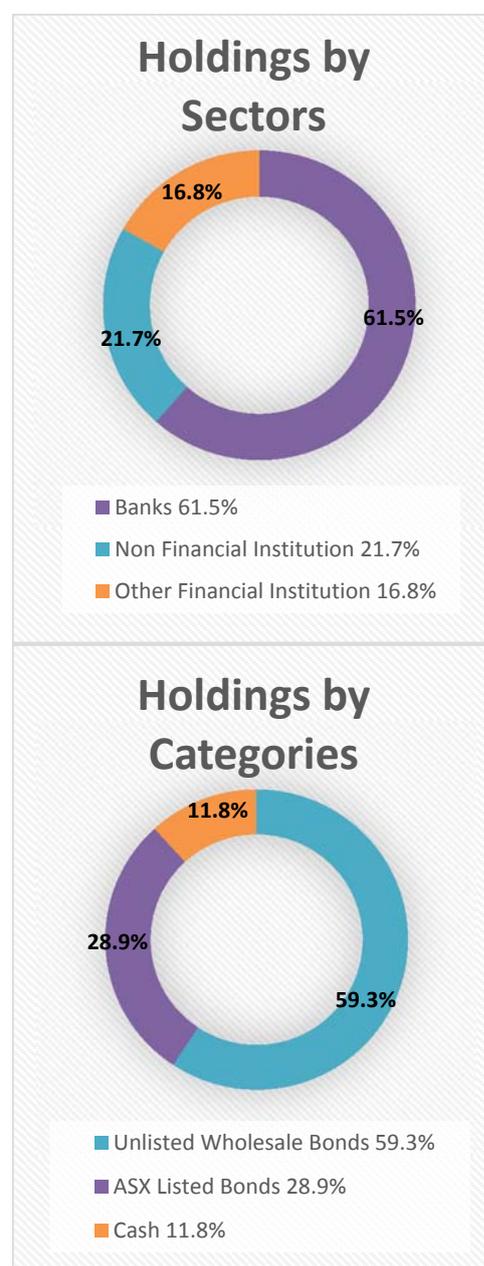
* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated 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
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RWH	Non 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. 0.3 years
Distribution	Quarterly
Recommended investment period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% p.a. ¹
Issue price	\$1.0249
Withdrawal price	\$1.0229

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



Fund review & strategy

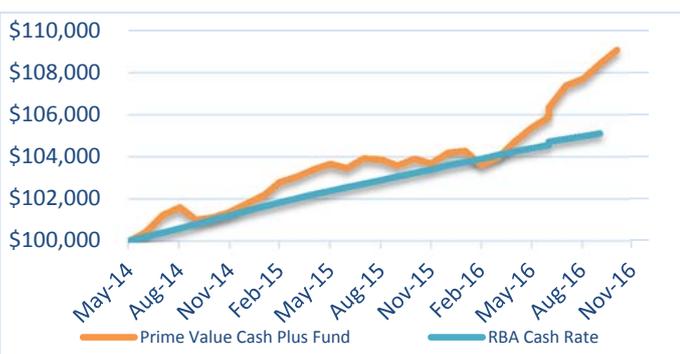
The Fund had another good month in November despite market volatility following Donald Trump's victory in the US presidential election (8 November), with the Republicans also now controlling the Congress and the Senate.

Following Trump's victory, equity markets rallied, however there was a strong selloff in global bond markets given the anticipated fiscal stimulus from Trump's policies (even though he does not officially take office until 20 January) and stronger inflation. The 10 year US Treasury rose a significant 60bp during November whilst the Australian 10 year government bond yield rose 40bp. Apart from gold, commodity prices especially those associated with industrial production/commercial use overall rallied post-Trump's victory.

Credit markets were reasonably strong in November, with investor buying helping to rally credit spreads as the "hunt for yield" continued. The local market easily absorbed the bank and insurance company hybrid and subordinated note issuance.

We continue to remain extremely vigilant to global economic data and central bank activity, especially as year-end approaches. We are particularly interested in outcomes of the Italian constitutional referendum and Austrian elections in early December, the Australian 3rd quarter GDP data release on 2 December, the RBA monetary policy meeting on 6 December, and the Federal Reserve board meeting on 13 December (with a rate hike being flagged after recent comments from Fed chair, Janet Yellen). In January, the key data in Australia is the 4th quarter CPI (late-January) which is released ahead of the first RBA policy meeting of 2017, on 7 February. It is unlikely that the RBA will ease rates at either its December or February meetings, and there is some chance that the current 1.5% cash rate will be the low-point in this cycle. The Federal Reserve board meets late-January.

We expect the Fund to continue to perform well through the next 6 months. Strategically, we are continuing to ensure that the portfolio is invested well, with an average credit duration of just over 2 years and a growing franking credit in the quarterly distribution.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$109,080 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$105,110 over the same period.

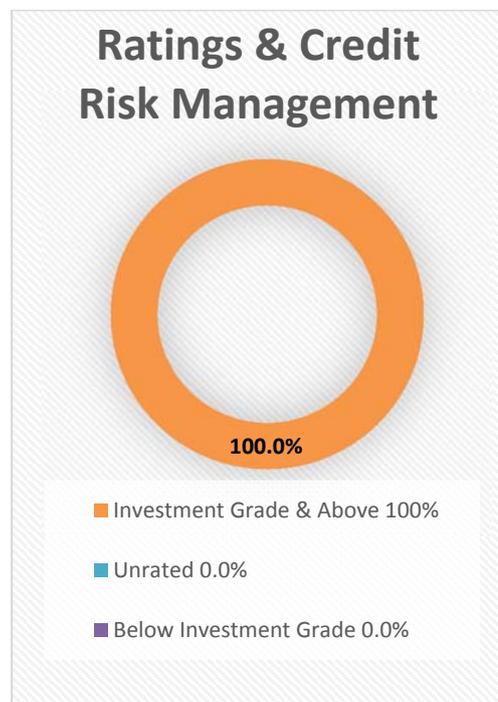
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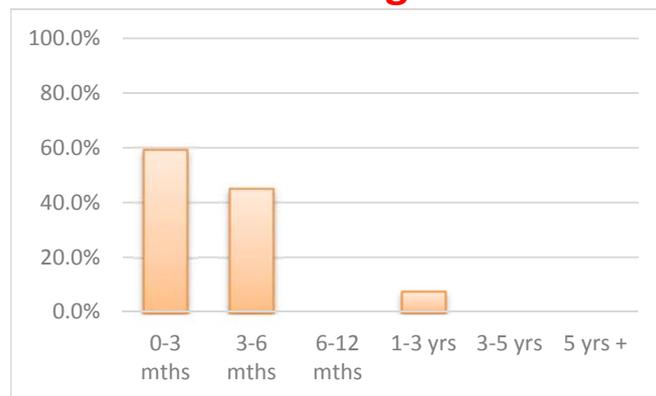
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Interest Rate Reset Management



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