

Prime Value Cash Plus Fund

Fund Update – October 2016



- The Fund performed well again in October despite many markets recording losses.
- The "hunt for yield" continues in global investment markets helping the Fund's overall performance.
- We expect the Fund to continue to perform well in the medium-term as we continue to invest in a range of securities that aims to protect capital and have strong quarterly distributions.

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (pa)	4.02%	3.40%	3.83%	2.08%
2 Years	4.16%	3.54%	4.04%	2.00%
1 year (pa)	4.97%	4.34%	5.15%	1.82%
3 Months	2.11%	1.95%	2.18%	0.37%
1 Month	0.71%	0.66%	0.66%	0.12%

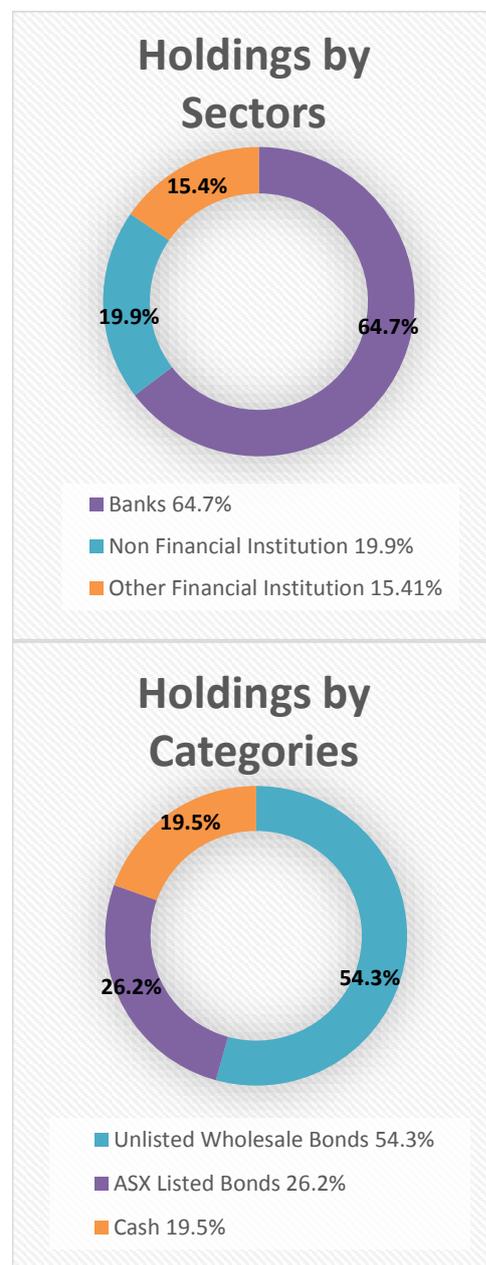
* Performance figures have been calculated in accordance with the Financial Services Council (FSC). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated 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
PPP infrastructure assets	Non Fin Inst	Unlisted Wholesale Bonds
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ME Bank	Banks	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	\$1.0187
Withdrawal price	\$1.0167

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



Fund review & strategy

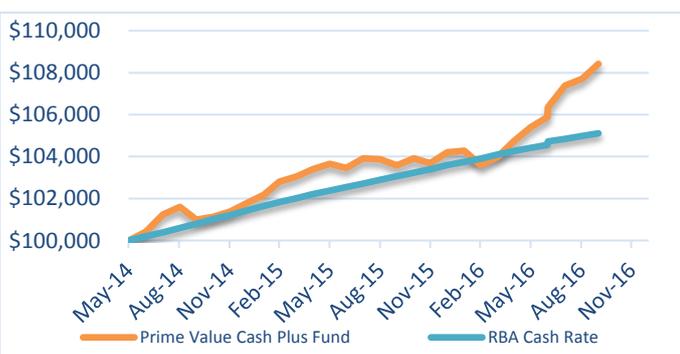
The Fund had another good month despite the Australian All Ordinaries and the US Dow Jones Industrial share indices posting their third monthly losses, the AUD slipping back, crude oil prices retreating under USD 50/ barrel, mixed US quarterly corporate earnings reports, and bond prices in Australia falling in line with international markets.

The "hunt for yield" continued to drive credit spreads lower, helping the Fund's overall performance. The RBA left the cash rate at 1.5% however another rate cut is possible as inflation readings are likely to remain benign for some time. The June and September quarterly CPI outcomes were weak, with annual CPI below the RBA's 2-3% medium-term target band. Interest rates in Australia are likely to remain near their all-time lows for some time but may move marginally higher if the US Fed hike rates again.

Some commentators believe interest rates will start to rise next year even moving eventually back to 5% in line with historical averages in Australia. However, we believe interest rates will not necessarily move higher given certain paradigms shifts in Australia and globally which should keep inflation low, notably muted global economic growth, ageing demographic in Australia and in many western countries, reduced defence spending, technology advances driving lower unit-costs, anti-trust regulations limiting corporate power to raise prices, and globalisation suppressing consumer prices.

We are highly alert to the various economic data releases, statements by key central banks around the world, the US presidential election (November 8), and the year-end which may see market gyrations associated with illiquidity and investor re-positioning ahead of the New Year as we saw in 2015. We are also vigilant to "black swan" (unexpected) events in the market and therefore continue to retain a strong cash holding in the Fund.

We continue with our strategy to limit the average credit tenor of the fund and to build the franking credits available to investors. Our strategy is to invest in a range of securities with the aim to protect investor capital, be accessible and deliver regular strong quarterly distributions.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$108,420 (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.

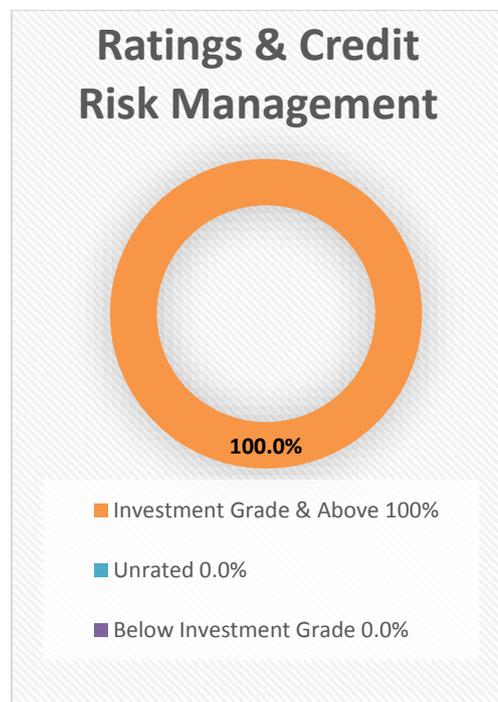
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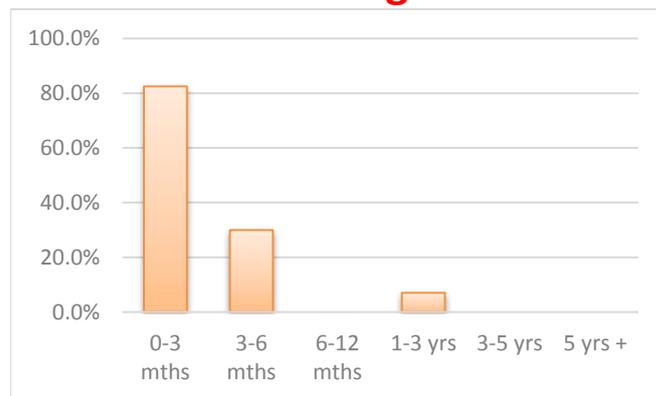
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Interest Rate Reset Management



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