

Prime Value Cash Plus Fund

Fund Update – October 2017



- The Fund had a very good month as global equity and credit markets were generally buoyant
- We continue to be defensive maintaining a strong cash balance, low interest rate duration, reduced credit duration, and low percentage holdings in ASX-listed securities
- We expect the Fund to continue to perform well over the next 12 months

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.4%	3.8%	4.4%	1.9%
3 Years (p.a.)	4.6%	3.9%	4.6%	1.8%
2 Years (p.a.)	5.2%	4.6%	5.4%	1.7%
1 year	5.4%	4.8%	5.7%	1.5%
3 Months	1.1%	1.0%	1.2%	0.4%
1 Month	0.4%	0.4%	0.4%	0.1%

* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. 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.

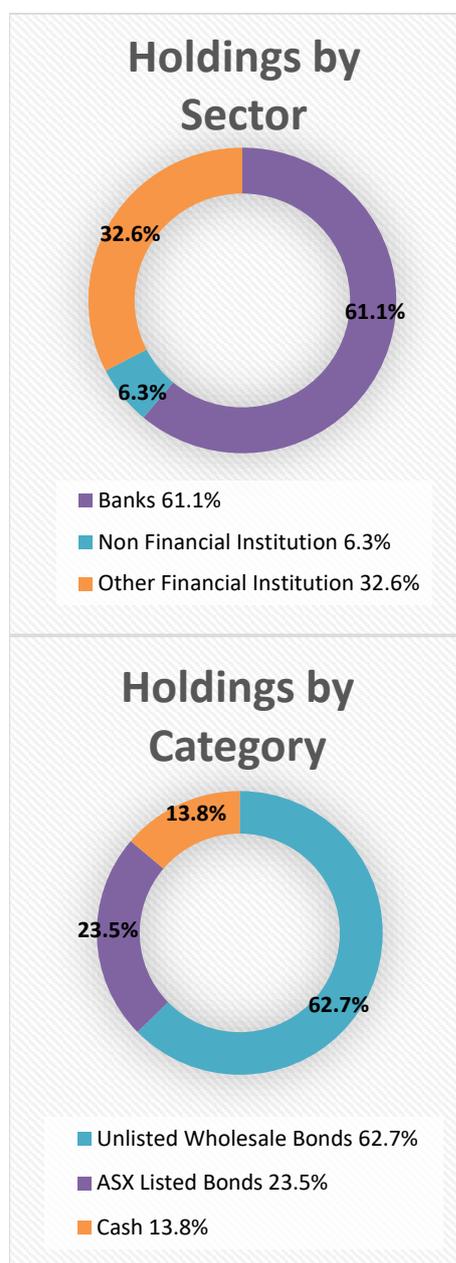
**Returns grossed up for Franking Credits are estimates.

Top five holdings	Sector	Category
AMP Limited	Other Fin Inst.	Unlisted Wholesale Bonds
Bank of Queensland	Banks	Unlisted Wholesale Bonds
PPP (Government Facility)	Non Fin Inst	Unlisted Wholesale Bonds
ANZ	Banks	Unlisted Wholesale Bonds
Vero Insurance	Other Fin Inst	Unlisted Wholesale Bonds

The top five holdings make up approximately 50.1% of the portfolio.

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. 0.48 years
Distribution	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$1.0329
Withdrawal Price	\$1.0309
Distribution (30/09/17)	\$0.0075

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



Fund review and strategy

The Fund had a very good month as global credit, equity, and commodity markets (base metals particularly) fared well. US equity markets were the standout performer rallying to all-time highs in the month. European equity also performed well as economic data indicated growth momentum and the ECB flagged that its long-standing Quantitative Easing programme would be downsized from September 2018. Asian equity markets traded strongly too, with Hong Kong, Japan and China faring well. China's 19th 5-Year Plan and the consolidation of President Xi as authority were generally seen as market-friendly.

The Australian equity market started the month strongly but towards the end of the month felt the effect of the late-month High Court decision disqualifying some MPs which raised concerns the ruling Liberal/Coalition Government may be under pressure as they only hold a slim working majority.

Risk indicators we watch such as equities, crude oil, gold, the VIX equity volatility index, and credit spreads all behaved in a way that suggests the markets are not seeing any undue risk. This is being helped by the North Korean situation moving off the news front page. Trump's tax cut proposal is a key factor driving US equity and overall market strength, and we are watching closely how the politics plays out in the proposal's legislative passage.

Significant bond issuance domestically and overseas continued to show strong credit and investment markets. Bond rates trended sideways overall as the market still struggles to come to grips with future economic growth, employment and inflation outcomes.

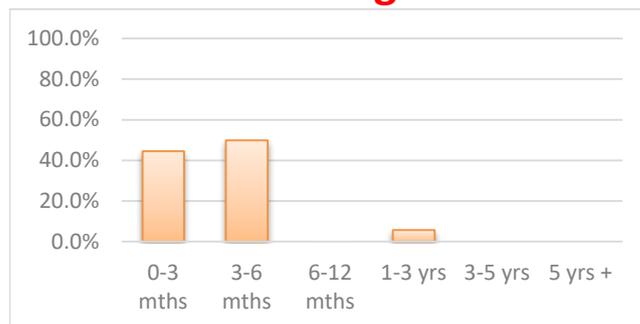
The Australian CPI for the September quarter released late-October showed a year-on-year inflation rate of 1.8%, below the RBA's target band of 2-3%. We do not believe this creates the case for the RBA to cut rates - noting the high household debt situation - but it certainly does not allow the RBA to hike until inflation moves toward or above the 3% upper-band level. The all-time low Cash Rate of 1.50% is fuelling the 'hunt for yield' dynamic in investment markets which is helping credit markets.

Other countries are likely to raise rates well before Australia, and in this group include the US (further rate hikes expected from the current 1.25% Fed Funds rate), Canada (two hikes in 2017 to 1%), and the UK (from its low 0.25% official rate).

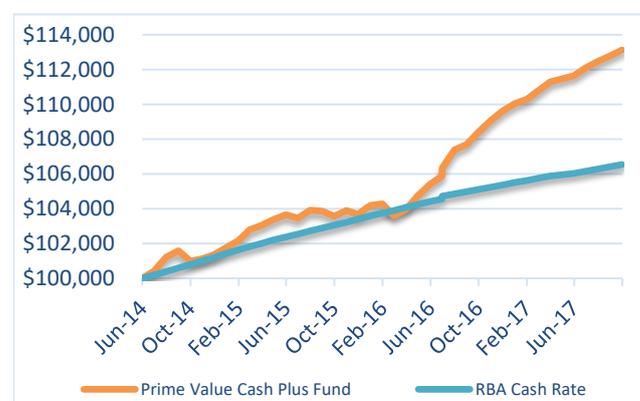
We are very well positioned for any move to higher rates in Australia as the Fund has a 0.48 year "interest rate duration".

We remain vigilant and defensive in our portfolio management, retaining a strong cash balance, a short interest rate reset frequency (duration), a short credit (maturity) duration, and a low percentage holding in ASX-listed stocks. 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 0.48 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 \$113,580 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$106,690 over the same period.

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