Prime Value Cash Plus Fund
Fund Update – March 2018

- The Fund performed satisfactorily in March, despite large debt issuance and heightened market uncertainty and volatility
- Market uncertainty and volatility will likely persist as a major theme throughout 2018, with "cash" increasingly seen as a safe haven investment
- The average interest rate reset on Fund securities is 3-4 months, meaning the Fund benefits from higher short-term interest rates
- The Fund doesn't hold equities or other securities which have been significantly influenced by the equity market selloff
- We expect the Fund to perform well throughout 2018

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	**4.2%**	**3.6%**	4.3%	1.9%
3 Years (p.a.)	**4.2%**	**3.6%**	4.4%	1.7%
2 Years (p.a.)	**5.6%**	**5.0%**	5.9%	1.6%
1 year	**4.1%**	**3.5%**	4.4%	1.5%
3 Months	**0.6%**	**0.5%**	0.7%	0.4%
1 Month	**0.2%**	**0.1%**	0.3%	0.1%

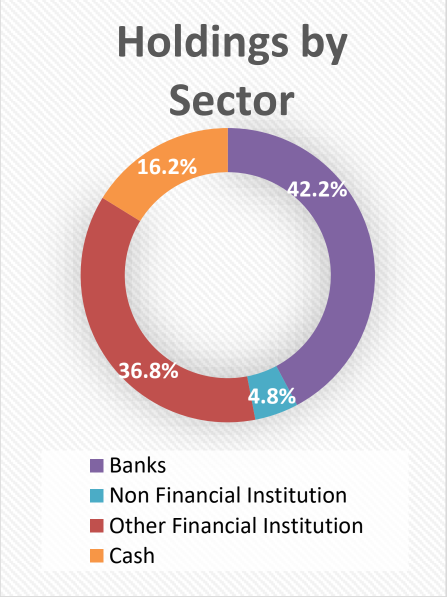
* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. Gross returns are calculated before management fees.
**Returns grossed up for Franking Credits are estimates.

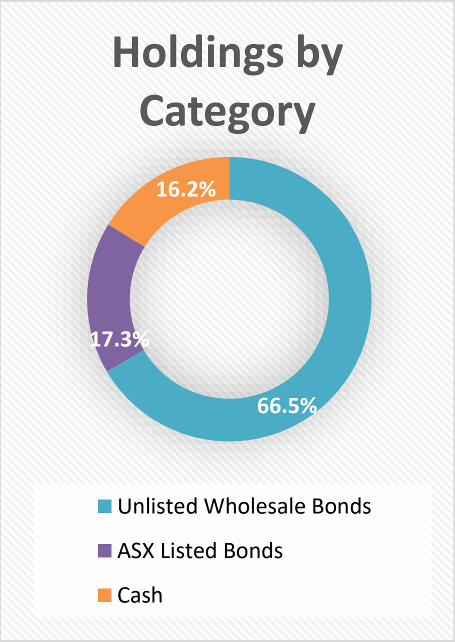
Major Holdings	Sector	Category
NAB	Banks	Unlisted Wholesale Notes
Westpac	Banks	Unlisted Wholesale Notes
CBA	Banks	Unlisted Wholesale Notes
ANZ	Banks	Unlisted Wholesale Notes
AMP	Non Fin Inst.	Unlisted Wholesale Notes

The top five holdings make up approximately 39.3 % 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. 0.41 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	$50,000
Indirect Cost Ratio (ICR)	0.60%[1] p.a.
Issue price	$1.0351
Withdrawal Price	$1.0331
Distribution (31/03/18)	$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 satisfactory month in March, despite increased debt issuance volumes and a generally heightened environment of market uncertainty, especially since the equity market selloff in early February. We expect uncertainty and volatile markets to be the major theme for markets throughout 2018. In this environment "cash" can be expected to come to the fore as a safe investment. The factors that are creating uncertainty globally across many market sectors include:

- Market concern the recent rise in short term and long term rate may create a major headwind for equity markets. The benchmark 10 year US Treasury yield has moved from the all-time low of 1.5% (July 2016) to the current rate of 2.80%. The US equity market has become increasingly sensitive to rate rises and the resulting uncertainty is crossing over into many countries, including Australia, due to the size and significance of the US economy.

- Protectionist rhetoric and heightened prospects for 'trade wars' - we have recently seen tariffs imposed by the US on China, followed by reciprocal action by China on the US and then additional US tariffs on China.

- Signs the inflation "pulse" is stronger in the US and elsewhere - after years of market concerns of low inflation and even deflation in major economies such as the US, Japan, and Europe.

- Very large US Treasury issuance as Federal Budget deficits are forecast to move higher and for longer, consequent to Trump's US corporate tax cuts passing both Houses late last year.

- Synchronised growth in major economies, leading to interest rate hikes and tighter monetary conditions, which may be a problem for sectors and asset classes that have expanded aggressively in the low interest rates over the decade since the GFC.

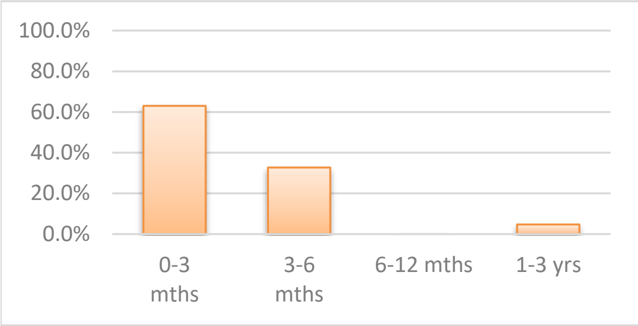
- Other geopolitical events such as the recent expulsion of Russian diplomats and Russian reciprocation, and the forthcoming 'summit' between North Korea and the US.

This uncertainty in equity markets significantly increased after the equity selloff in early February, but has only very insignificantly crossed over to debt and credit markets where the Fund's portfolio is invested. We are vigilant to the credit market effects, noting the Fund has no equities in its portfolio.

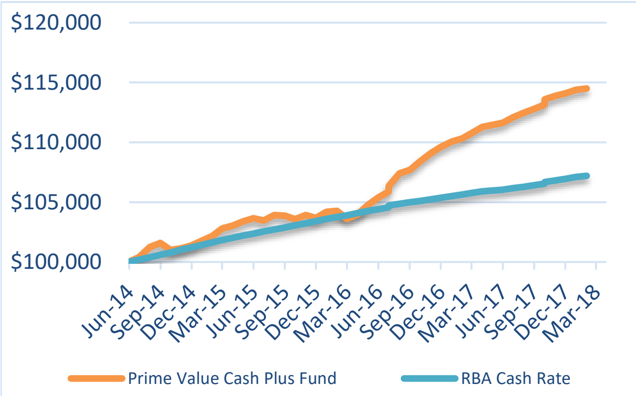
The interest rate on the securities held by the Fund resets, on average, every 3-4 months, so the Fund benefits from any move to higher interest rates. The short term interest rate in Australia (the "BBSW" rate) has moved higher in recent weeks due to very large bank funding volumes in the short term money market, and the Fund is benefiting from this move.

We continue to manage the Fund defensively to protect investor capital, as there is no doubt that all markets have greater sensitivity especially to "bad" or "unexpected" news. However, we do not see any reason to expect any sort of crisis market scenario unfold. Virtually all global markets - across equities, foreign exchange, credit and commodities - have experienced a recent step higher in implied volatility. For example, the VIX index, which is a well-known market standard for 'risk' as it measures S&P 500 equity option implied volatility, has moved higher but is nowhere near any sort of "crisis" level and not suggesting a major equity correction.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.38 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 $114,700 (net of fees). This compares with the return of the RBA cash rate, where a $100,000 investment would have increased to $107,300 over the same period.

Contact details:

Esther Oh, Julie Abbott & Serena Shi.
Client Services Team
Phone: 03 9098 8088
Fax: 03 9098 8099
Email: info@primevalue.com.au
Web: www.primevalue.com.au

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000