

## Fund Performance

Tables 1 and 2 show the PVGF performance relative to the S&P/ASX 300 Accumulation Index for the period to 31 December 2011. Table 1 shows the performance on an annual basis and Table 2 shows the cumulative return.

Table 1:

| Annual Return (Class A Units)*                      | 1 Mth | 3 Mths | Financial YTD | 1 Yr   | 3 Yrs (p.a.) | 5 Yrs (p.a.) | 7 Yrs (p.a.) | 10 Yrs (p.a.) | Since April 98 (p.a.) |
|---|-------|--------|---------------|--------|--------------|--------------|--------------|---------------|-----------------------|
| Prime Value Growth Fund                             | -1.4% | 3.2%   | -7.1%         | -8.1%  | 7.7%         | 1.1%         | 6.7%         | 12.7%         | 13.7%                 |
| S&P/ASX300 Accumulation Index                       | -1.4% | 2.1%   | -9.8%         | -11.0% | 7.7%         | -2.4%        | 4.4%         | 6.1%          | 6.9%                  |
| Relative Performance To Benchmark                   | 0.0%  | 1.1%   | 2.8%          | 2.9%   | 0.0%         | 3.5%         | 2.3%         | 6.6%          | 6.8%                  |
| Approximate Annual Return (after Performance Fees)# |       |        |               | -8.1%  | 7.7%         | 0.4%         | 6.3%         | 11.3%         | 12.3%                 |

Table 2:

| Cumulative Return (Class A units)*                       | 1 Yr   | 3 Yrs | 5 Yrs  | 7 Yrs | 10 Yrs | Since April 98 |
|--|--------|-------|--------|-------|--------|----------------|
| Prime Value Growth Fund                                  | -8.1%  | 24.8% | 5.5%   | 57.7% | 230.0% | 483.6%         |
| S&P/ASX300 Accumulation Index                            | -11.0% | 24.8% | -11.4% | 35.1% | 81.5%  | 151.4%         |
| Relative Performance To Benchmark                        | 2.9%   | 0.0%  | 16.9%  | 22.6% | 148.5% | 332.2%         |
| Approximate Cumulative Return (after Performance Fees) # | -8.1%  | 24.8% | 2.0%   | 53.1% | 199.5% | 415.5%         |

\* Performance figures have been calculated in accordance with FSC Standard No 6.0, Product Performance - "Calculation of Returns" and FSC Standard No 10 - "Presentation of Past Performance Information". The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

# Post-performance fee returns are an APPROXIMATION only, as performance fees are charged each year on June 30 (or on withdrawal), based on the performance of each investment. Performance fees are only payable where the return of the Fund exceeds the performance of the benchmark and the net return is positive.

## Manager's Commentary

The Australian equity market ended the year on a poor note, with the benchmark S&P/ASX 300 Accumulation Index falling a further 1.4% during December to be down 11.0% for the calendar year. The continuing European debt crisis was the dominant theme, with a commitment by 26 EU nations (the UK declined to be involved) leading to the ECB providing €490 billion to European banks at 1% for three years. These funds will be partially used to purchase higher yielding European government bonds bringing sovereign borrowing costs down. The focus on Europe masked generally positive US economic data, reinforcing the continuing pick up in activity.

Domestically, a number of profit warnings in the retail sector in the crucial lead up to Christmas led to weakness, while materials and energy companies lagged due to weaker commodity prices, particularly gold. The defensive and high yielding sectors, including Telcos, Healthcare and Utilities, were the better performing sectors, while banks and REITs also held up. The RBA cut interest rates for the second time, with expectations of further cuts increasing.

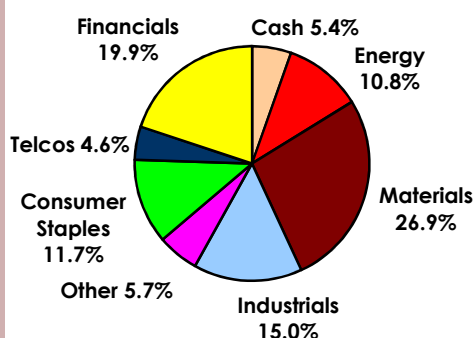
The Fund performed in line with the market, falling 1.4% during the month. Sector allocation was negative, as the fund was underweight Financials and overweight Materials and Energy. This was partially offset by an underweight position in Consumer Discretionary stocks.

Stock selection was positive. The biggest contributors to performance were holdings in Telstra (up 5.4%), Commonwealth Bank (up 3.8%) and ANZ (up 3.2%). The holdings which detracted from performance were Newcrest Mining (down 14.5%), Woodside Petroleum (down 6.6%) and Orica (down 4.3%).

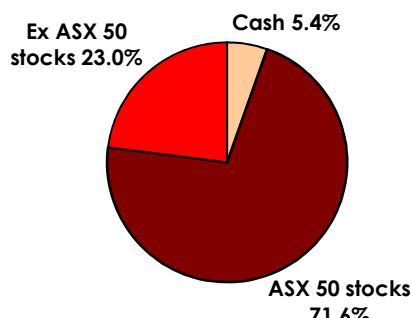
While the calendar year return was -8.1%, this was significantly above the market fall of 11.0%. Performance over longer periods was also consistently above benchmark, with 3, 5, 7 and 10 year returns of 7.7%pa (benchmark 7.7%pa), 1.1% pa (-2.4%pa) and 12.7%pa (6.1%pa) respectively. The Fund was also able to maintain an attractive distribution of 2.3% (or 3.4% including franking credits) for the half-year period, reflecting positions in high yielding companies. (Please note however that as some companies pay both dividends in the December half year, distributions for the June half are expected to be lower).

We are cautiously optimistic about the outlook for 2012. The global macro environment will remain challenging but valuations reflect much of the negativity. We also expect smaller and mid-cap companies to be less influenced by the macro "noise". Downside risk remains however. We prefer mining services, consumer staples and quality resource companies and continue to avoid consumer discretionary and non-bank financial stocks.

### Holdings by Sectors



### Holdings by Market Cap



### Top Five Holdings

| Name                    | Sector           |
|-------------------------|------------------|
| BHP Billiton            | Materials        |
| Monadelphous            | Industrials      |
| National Australia Bank | Financials       |
| Wesfarmers              | Consumer Staples |
| Westpac                 | Financials       |

The portfolio is generally comprised of 30 - 60 stocks.

## Key Fund Details

### Investment Objectives

The PVGF aims to provide superior medium to long-term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian stock exchange.

### Investor Profile

The PVGF is appropriate for an investor seeking medium to long-term capital growth, who is prepared to accept some fluctuations in short-term returns. This type of investment is appropriate as a significant part of a properly diversified investment portfolio for individuals, companies, trusts and superannuation funds.

**Launch Date:** 10 April 1998<sup>1</sup>

**Size of Fund:** \$219.9m

#### Direct Investment (Class A)

#### Indirect Investment via IDPS or IDPS-Like Schemes (Class B)

|                                |  |  |
|--------------------------------|--|--|
| Indirect Cost Ratio (ICR)      | 1.435% p.a. <sup>2</sup>   | 1.23% p.a. <sup>2,3</sup>  |
| Performance Fee                | 20.5% p.a. <sup>2</sup> of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance | 20.5% p.a. <sup>2</sup> of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance |
| Benchmark                      | S&P / ASX 300 Accumulation Index   | S&P / ASX 300 Accumulation Index   |
| Minimum Initial Investment     | \$20,000   | N/A  |
| Minimum Additional Investment  | \$5,000  | N/A  |
| Contribution Fee               | Nil <sup>4</sup>   | N/A  |
| Withdrawal Fee                 | Nil  | N/A  |
| Early Withdrawal Fee           | 2% <sup>5</sup>  | N/A  |
| Income Distributions           | Half-yearly  | Half-yearly  |
| Unit Prices @ 31 December 2011 | Issue Price: \$2.5904<br>Withdrawal Price: \$2.5708<br>Distribution: \$0.0606  | Issue Price: \$2.5682<br>Withdrawal Price: \$2.5488<br>Distribution: \$0.0632  |

<sup>1</sup> Research Rating—Standard & Poors—3 stars

<sup>2</sup> Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC.

<sup>3</sup> Fees for indirect investments do not include the fees charged by the IDPS operator. The fund is available in the following platforms: Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, IOOF Global One, Macquarie Wrap, netwealth, Portfolio Advantage, Premium Choice, Symetry, Wealthtrac.

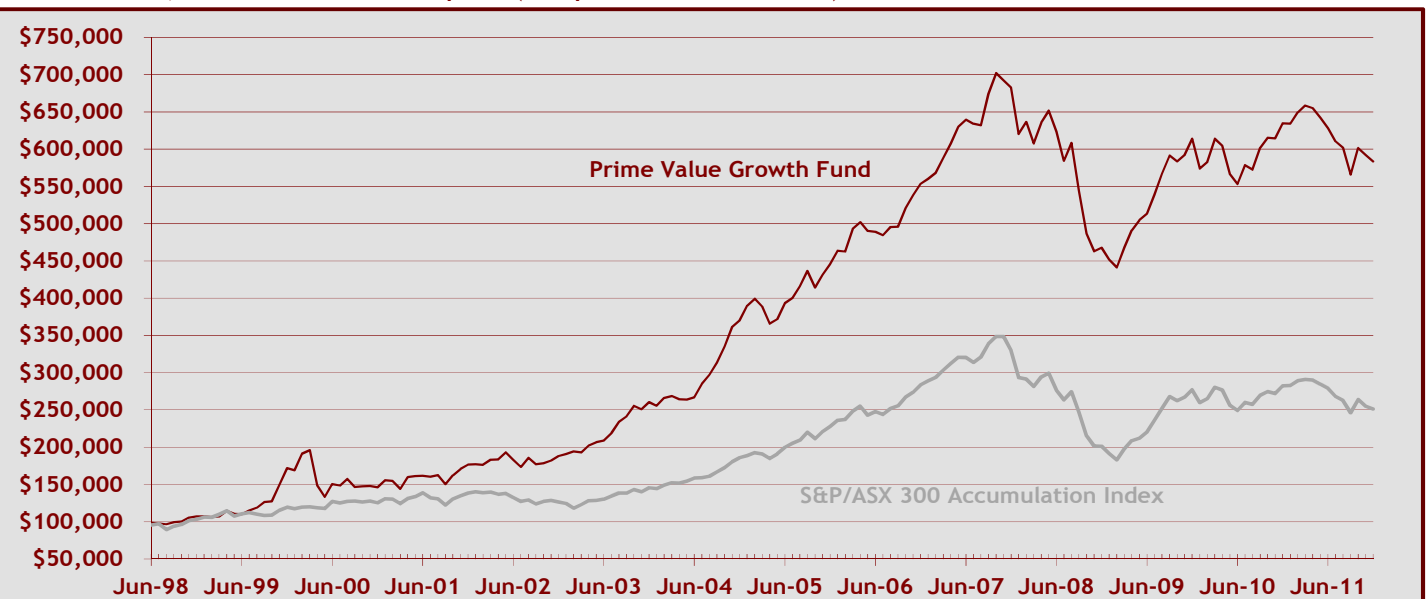
<sup>4</sup> Up to 3% may be charged where a Direct Investor is introduced by an adviser to the Fund, as mutually agreed between the investor & adviser.

<sup>5</sup> Applies to investments of less than 12 months' duration to discourage short term investing. The Fund invests in a portfolio of equities designed to deliver returns over the medium to long term.

### Historical Performance (Class A Units)

The following graph shows how a notional \$100,000 invested at the Fund's Inception (10 April 1998) has increased to \$592,100 (net of fees excluding performance fees) as at 31 December 2011. After performance fees, the amount would be approximately \$523,000. This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$255,000 over the same period. The returns exclude the benefits of imputation credits.

#### Value of \$100,000 invested since inception (10 Apr 1998 - 31 Dec 2011)



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