

PRIME VALUE ASSET MANAGEMENT LIMITED

"Building Wealth Together"

Highlights of the first half of 2002/2003 Financial Year are:

Prime Value Growth Fund (PVGF)

The Growth Fund continues its out-performance in a falling Australian & global equity market environment.

Return +2.7% vs. S&P/ASX 300 Accumulation Index of -4.5% for the half year.

Return of +6.4% vs. S&P/ASX 300 Accumulation Index of -8.6% for the last 12 months.

The Cumulative return is 88.2% since the Fund was established on 10 April 1998.

Prime Value Imputation Fund (PVIF)

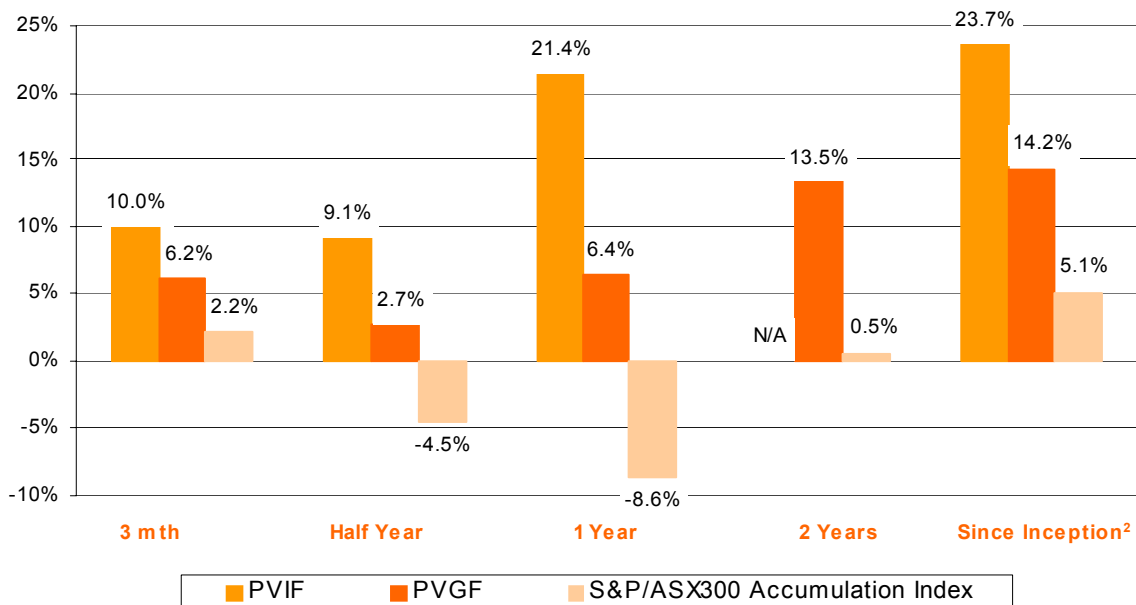
Excellent performance as the portfolio benefit from the shift to defensive stocks.

Return of +9.1% vs. S&P/ASX 300 Accumulation Index of -4.5% for the half year.

Return of +21.4% vs. S&P/ASX 300 Accumulation Index of -8.6% for the last 12 months.

The Cumulative return is 25.9% since the Fund was established on 20 December 2002.

Graph 1: Annual Return¹ of PVGF, PVIF and S&P/ASX 300 Accumulation Index for period ended 31 December 2002



¹ Returns are calculated after management fees (1.25% including GST) and disbursements (assumed to be 0.2%) but before performance fees. Returns are not annualised for 3 months and 6 months periods. The returns exclude imputation credits of approximately 1% - 1.5% per annum (grossed up for tax purposes for Australian residents only). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indication of future performance.

² The 5.1% figure expressed in respect of the S&P/ASX 300 Accumulation Index is determined from the date of inception of the PVGF on 10 April 1998.

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Prime Value Asset Management Limited

The following are important events for the management company in the last 6 months:

- Mr Alan G Haintz (B Sc [Melb], FIAA GAICD) and Mr Richard Giles (B Sc [Columbia], M Sc [Econ—London] CA) were appointed as the non-executive chairman and the non-executive director of the company as from 19 July 2002.
- Alan was Chief Actuary and Chairman of the Managed Investment Act Compliance Committee of National Australia Financial Management until his retirement in 2000. He was a director of National Australia Fund Management, National Australia Superannuation, National Australia Management Services and National Australia Financial Planning. He served as a senior executive in Guardian Royal Exchange Insurance before joining National Australia Bank. Alan is a fellow member of the Institute of Company Directors of Australia and the Faculty of Actuaries (Scotland). Alan has more than 35 years experience in the investment industry.
- Richard was a senior financial executive with ICI Australia/Orica until his retirement in December 2001. He was the Investment Manager of the \$600 - \$800 million Superannuation Fund for nine years during which the fund consistently achieved top quartile investment performance. He also served as Corporate Treasurer and Investor Relations Manager. He has held a number of directorships associated with both his corporate role at ICI Australia and his role as the investment manager for the Orica Superannuation Fund. Currently, Richard is director of Advent Limited; an ASX listed investment company and is a member of the Australian Institute of Company Directors, the Institute of Chartered Accountants, the Securities Institute of Australia and the Australian Shareholders Association.
- Prime Value was granted an AFS Licence pursuant to Section 913B of the Corporations Act 2001 by the Australian Securities and Investments Commission (ASIC) on 14 October 2002.
- The Product Disclosure Statement (PDS) was issued dated 25 October 2002 and a supplementary (SPDS) was issued dated 20 December 2002 to provide further information to potential investors.

With the release of the PDS and the Responsible Entity status, Prime Value is now able to offer its equity investment Funds to a wider range of investors. Investors and potential investors are offered greater protection under the Corporation Acts; including a comprehensive compliance plan, to be reviewed quarterly by an independent Board and audited annually by the external auditor; and the appointment of an external custodian; namely Permanent Trustee Australian Limited.

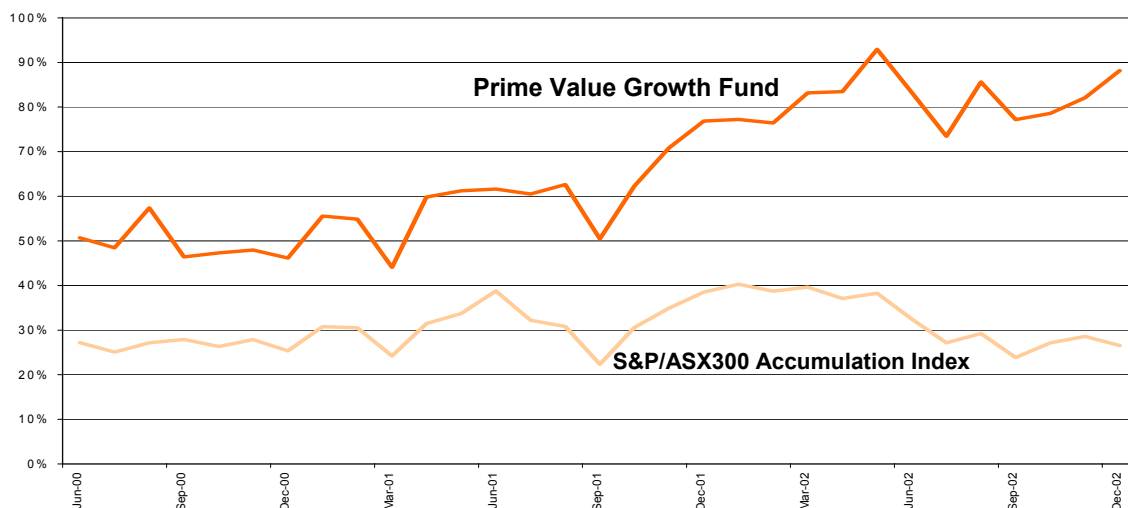
Prime Value Growth Fund

The cumulative return is 88.2% as at 31 December 2002 since the Fund was established...

The Growth Fund cumulative return is 88.2% (after management fees and disbursements but before performance fees) since it was established on 10 April 1998 as at 31 December 2002. This compares very favourably with the market return of 26.5% over the same period. Investors who are Australian tax residents receive an additional 1% - 1.5% per annum of imputation credits, which can be used to off set any other taxable income.

The following graph shows how the cumulative return has continued to increase in a relatively flat Australian equity market for the period 30 June 2000 to 31 December 2002:

Graph 2: Cumulative return for the period of 30 June 2000 to 31 December 2002



The Growth Fund, which comprises of a portfolio of predominantly Australian equities, continues to achieve its medium term management objective of producing high capital growth with some income. We are fully cognisant of new investors who joined us in 2002, who however, have not benefited from the Fund historical double-digit return. Investors from overseas also benefited from the appreciation in Australian dollar, over the last year against USD (from 0.5088 at 31 December 2001 to 0.5617 as at 31 Dec 2002) and other currencies linked directly or indirectly to the USD.

Fund return of +6.4% for the last twelve months.

The returns for the half year of +2.7% and the full year of +6.4% compare favourably with the S&P/ASX 300 Accumulation Index which has fallen by -4.5% and -8.6% respectively. The out-performance is a result of the portfolio's concentration on the value/safety/yield end of the growth stock sector. We continue to remind investors to focus on medium term returns. It is interesting to note that the "rolling annualised return since inception" (calculated on a monthly basis) have been relatively steady predominantly in the range of 13% - 17%.

Tables 1 and 2 show the PVGF's relative performance to the S&P/ASX 300 Accumulation Index for the last quarter, last 6 months, 1 year, 2 years, and since its inception (10 April 1998), to 31 December 2002. Table 1 shows the performance on an annual basis and Table 2 shows the cumulative return.

Table 1: Annual Return

Annual Return *	Last Quarter	Last 6 months	1 Year (p.a.)	2 Years (p.a.)	Since Inception (p.a.)
Prime Value Growth Fund	6.2%	2.7%	6.4%	13.5%	14.2%
S&P/ASX300 Accumulation Index	2.2%	-4.5%	-8.6%	0.5%	5.1%
Relative Performance To Benchmark	4.0%	7.2%	15.0%	13.0%	9.1%

Table 2: Cumulative Return

Cumulative Return *	1 Year	2 Years	Since Inception
Prime Value Growth Fund	6.4%	28.7%	88.2%
S&P/ASX300 Accumulation Index	-8.6%	0.9%	26.5%
Relative Performance To Benchmark	15.0%	27.8%	61.7%

* Returns are calculated after management fees (1.25% including GST) and disbursements (assumed to be 0.2%) but before performance fees. Returns are not annualised for 3 months and 6 months periods. The returns exclude imputation credits of approximately 1% - 1.5% per annum (grossed up for tax purposes for Australian residents only). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. The unit price (mid) ex-distribution as of 31 December 2002 is 1.2359. Past performance is not necessarily an indication of future performance.

Charts 1 and 2 provide a breakdown of the stocks in the Growth Fund as at 31 December 2002

Chart 1: Holdings by Sectors

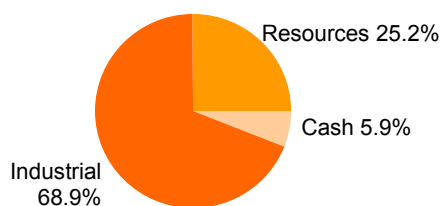
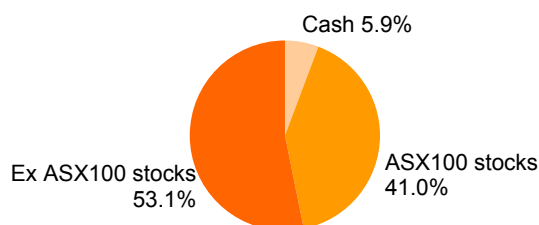


Chart 2: Holdings by Market Cap



Prime Value Imputation Fund

The Imputation Fund has recorded a solid performance of +21.4% for the last 12 months...

The Prime Value Imputation Fund (PVIF) was established on 20 December 2001. PVIF aims to provide capital growth over the medium to long term combined with regular tax-effective income by managing a portfolio of assets comprised mainly of Australian equities listed on the ASX. The Fund is suitable especially for residents who could benefit from the imputation credits.

The return since inception to 31 December 2002 (just over twelve months) was 25.9%. This is 32.3% ahead of the return for the S&P/ASX 300 Accumulation Index of -6.4% over the same period. The estimated dividend yield of the current portfolio is around 3% – 5% of franked dividends. Any Australian tax residents will therefore receive an additional 1% – 1.5% per annum in imputation credits.

PVIF's excellent performance is mainly due to the shift from growth – oriented stocks to defensive stocks and stock specific factors in the portfolio. The size of the out-performance is significantly above management expectation.

Tables 3 and 4 show the PVIF's relative performance to the S&P/ASX 300 Accumulation Index for the last quarter, last 6 months, 1 year, and since its inception (20 December 2001), to 31 December 2002. Table 3 shows the performance on an annual basis and Table 4 shows the cumulative return.

Table 3: Annual Return

Annual Return *	Last Quarter	Last 6 months	1 Year (p.a.)	Since Inception (p.a.)
Prime Value Imputation Fund	10.0%	9.1%	21.4%	23.7%
S&P/ASX300 Accumulation Index	2.2%	-4.5%	-8.6%	-5.9%
Relative Performance To Benchmark	7.8%	13.6%	30.0%	29.6%

Table 4: Cumulative Return

Cumulative Return *	1 Year	2 Years	Since Inception
Prime Value Growth Fund	21.4%	N/A	25.9%
S&P/ASX300 Accumulation Index	-8.6%	N/A	-6.4%
Relative Performance To Benchmark	30.0%	N/A	32.3%

* Returns are calculated after management fees (1.25% including GST) and disbursements (assumed to be 0.2%) but before performance fees. Returns are not annualised for 3 months and 6 months periods. The returns exclude imputation credits of approximately 1% - 1.5% per annum (grossed up for tax purposes for Australian residents only). No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. The unit price (mid) ex-distribution as of 31 December 2002 is 1.2603. Past performance is not necessarily an indication of future performance.

Charts 3 and 4 provide a breakdown of the stocks in the Imputation Fund as at 31 December 2002

Chart 3: Holdings by Sectors

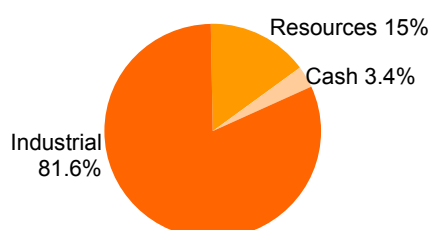
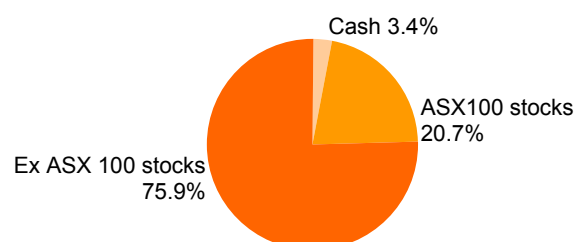


Chart 4: Holdings by Market Cap



PORTFOLIO CONSTRUCTION AND INVESTMENT STRATEGY

ECONOMIC AND INVESTMENT OUTLOOK FOR 2003

Global equity markets have – over the past 3 years – experienced one of the worst bear markets since the depression of 1929 – 32, with stock prices falling in each of the last 3 years and under performing bonds.

The Australian market, as measured by the S&P/ASX 300 Accumulation Index, performed relatively well compared to the rest of the world, and managed to record a 2.1% per annum return during the last 3 years. This performance was achieved despite an 8.6% fall during calendar year 2002. There were numerous profit warnings in blue chip names during 2002. A defensive strategy, combined with some selective trade in growth stocks, resulted in the superior performance of both the Prime Value Growth and the Imputation Funds. It should be noted, however that a change of mood started to develop post the market lows of October 2002:

- The ascendancy of global reflation, represented by the media and resources sectors
- Growth over value, with previously sold down growth stocks starting to outperform against value stocks.
- A struggling banking sector, due to a combination of disappointing earnings reports and fears of a domestic credit slowdown.

It would be reasonable to expect that the trends of reflation, growth over value, and a struggling bank sector to continue for the time being.

One question often asked is: What will happen if the US goes to war against Iraq? The economic impact will vary depending largely on the scale and duration of the war. One thing is certain: an operation in Iraq will be different from a campaign in Afghanistan. A spike in world oil prices, particularly in winter when demand is strong, could shake the global economy. Japan, and some Western European countries which depends almost entirely on foreign oil, would be hit particularly hard.

One of history's greatest lessons is that peace, not war, pays rich dividends. America's boom of the 1990s, the longest in its history, was due largely to the

peace dividend brought by the end of the Cold War. Major reductions in military spending, coupled with large tax cuts, stimulated consumer spending, turning a huge budget deficit into a surplus. The Bush Administration has substantially increased defence spending; the budget is now back in deficit. Unlike the Persian Gulf War, which lasted only a short time, a new war against Iraq could prove far more costly.

Adding to uncertainties over the American economy is a growing view that the past decade of prosperity may have been not so much of a boom as a bubble – an inflation in high-tech stock prices fuelled by an information-technology revolution. In this view, the collapse of the bubble may lead to protracted economic stagnation in the US, just as the burst of Japan's bubble in land and stock prices set the stage for a prolonged slump.

Australia is no exception, and may well be exposed to the housing bubble bursting in 2003. Australian residential property demand has received a boost from low interest rates, direct government subsidies to first home buyers, and lack of investment alternatives. Younger readers should be reminded that during the late 1980's, fiscal and other incentives in the UK and some other European countries for home buyers lead to negative equity and mass insolvency.

Whilst we are still mindful of the geopolitical risks in Iraq and the possibility of the bursting of the housing bubble in Australia, we also notice a surge in prospective corporate activity amongst Australian stocks. This indicates the attractiveness of Australian companies from a corporate perspective. Corporates have a tendency to value companies from a longer-term perspective.

Another positive factor is the strength of the Chinese economy, which augurs well for some Australian stock such as BHP Steel and Simsmetal.

These mixed signals indicate that the global equity environment for 2003 is likely to be choppy. There continues to be attractive value in the Australian equity market, with the likelihood for risk appetite to move back into the normal range from the current cheap levels. Rotational styles in sector and stocks selection will be extremely important in achieving better than average returns. Needless to say that the Australian market will, to a large extent, be influenced by the global environment generally and the US equity market in particular.

Han Koen Lee
Managing Director

Yak Yong Quek
Executive Director

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