

PRIME VALUE ASSET MANAGEMENT LIMITED

"Building Wealth Together"

- Performance
- Security
- Personal Service
- Stable Team

Prime Value Growth Fund

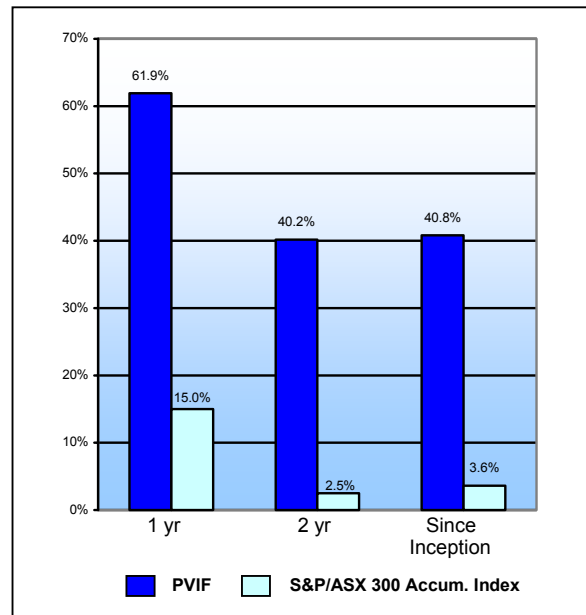
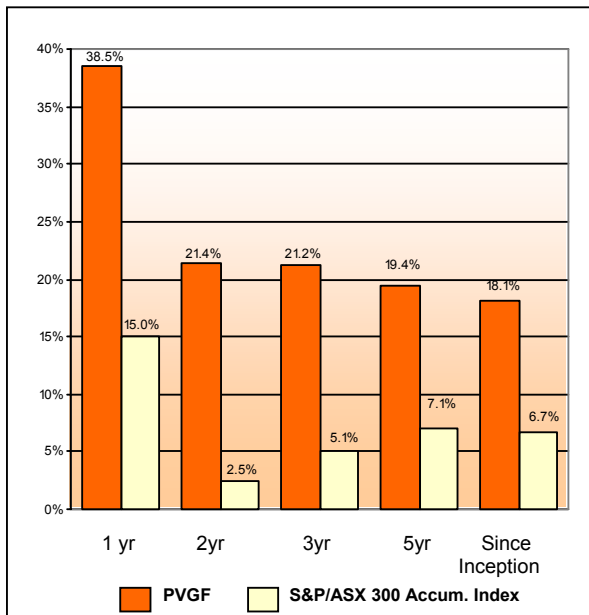
- increased by **160.6%***
since it was established
10 April 1998.

For more information see page 2.....

Prime Value Imputation Fund

- increased by **103.9%***
since it was established
20 December 2001

For more information see page 3.....



Graphs: Annual Return of PVGF, PVIF and S&P/ASX 300 Accumulation Index for period ended 31 December 2003

* All returns in this Newsletter are calculated after management fees (1.25% including GST) and disbursements (assumed to be 0.2%) but before performance fees. The returns exclude imputation credits (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.

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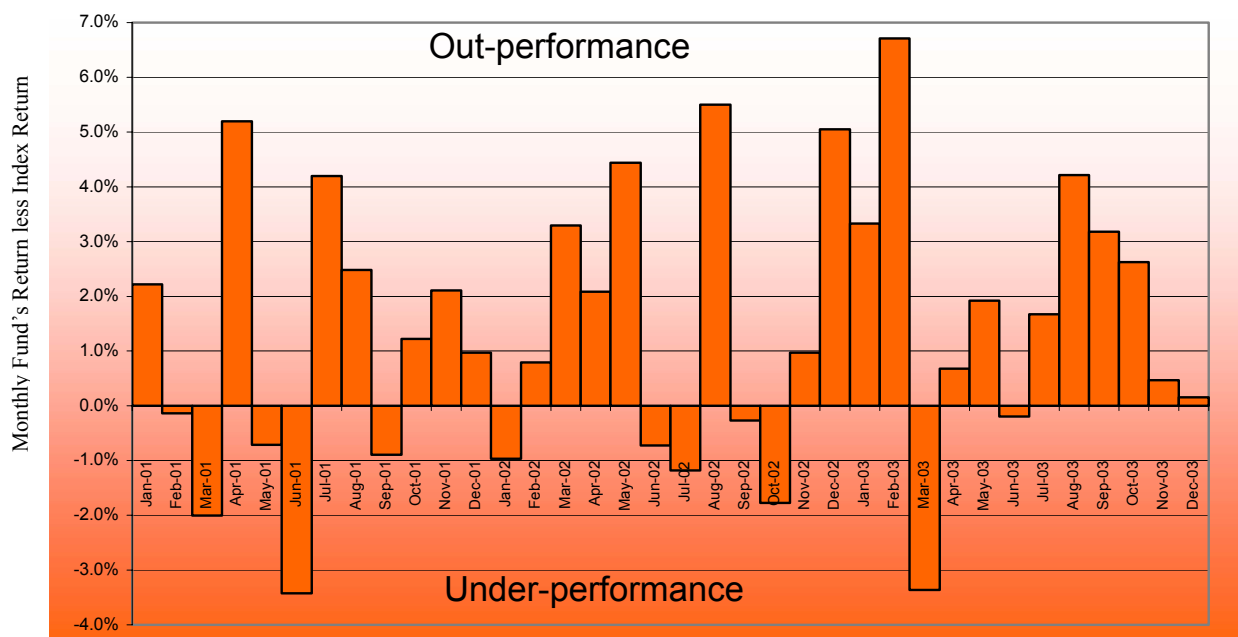
Prime Value Growth Fund

The **Growth Fund**, which comprises of a portfolio of predominantly Australian equities, continues to achieve its medium term management objective of producing superior capital growth with some income. Overseas investors benefited further from the significant appreciation in the Australian dollar against USD and other currencies linked to the USD.

Fund return of 24.9% for the first half of 2003/04 and 38.5% for the last 12 months...

We are pleased to report a return of 24.9% for the first half of the year compared with the market return of 11.6%. This out-performance is more significant for the 12 month period, where the Fund's return is 38.5% compared with the market return of 15.0%. This is an excellent outcome in both absolute and relative terms to the Australian market.

We wish to emphasize that the returns are on the higher end of our medium term expectation. Our performance has compared favourably with the market over the medium term period, but we have not always out-performed the Index every single month. The graph below shows the Fund's monthly performance compared the Index for the last 3 years.



Taking a medium to long term perspective when investing....

Prime Value now provides a monthly update through our Fact Sheets. We remind our investors that short term returns are volatile. When selecting stocks in which to invest, we look at their potential cashflow and earnings over the medium term. We believe that this approach can create more consistent wealth and we appreciate the patient client with a long term value investing discipline.

Charts 1 and 2 provide a breakdown of the stocks in the Growth Fund as at 31 December 2003

Chart 1: Holdings by Sectors

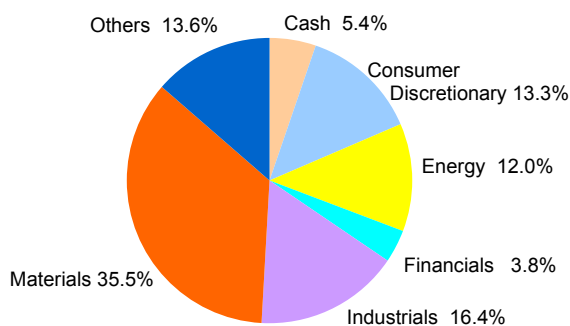
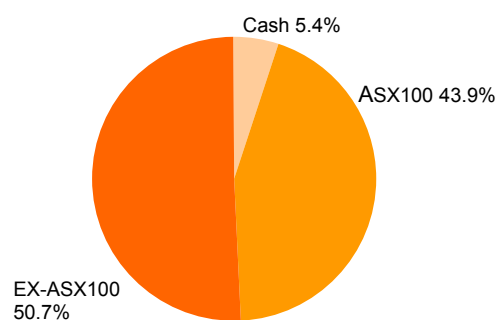


Chart 2: Holdings by Market Cap



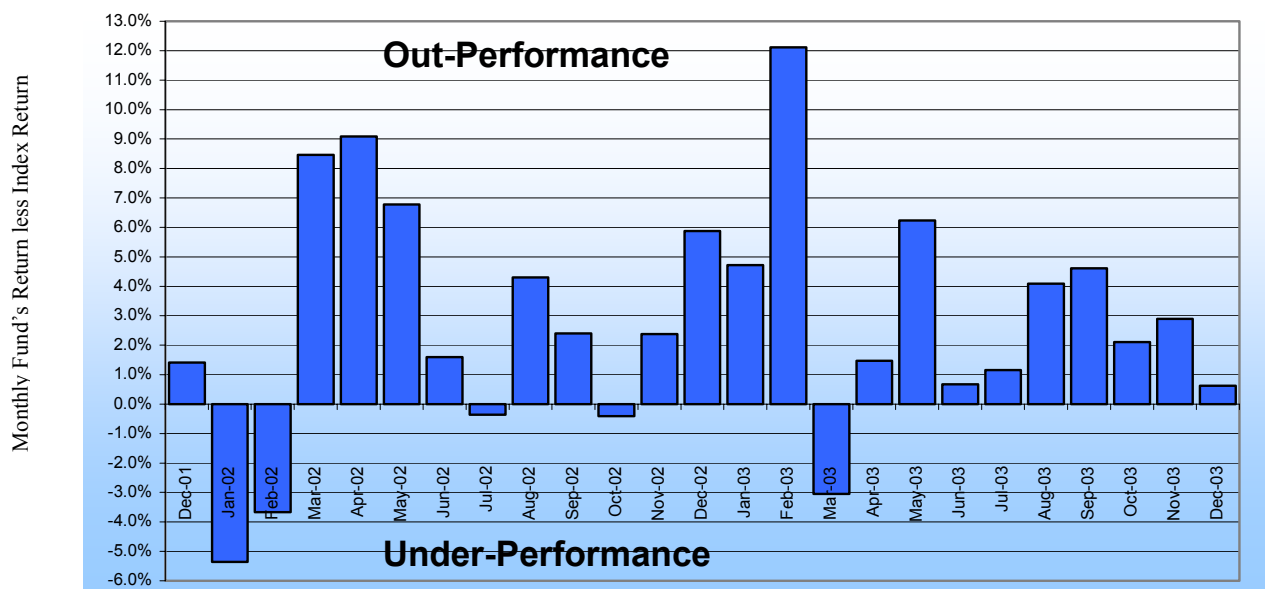
Prime Value Imputation Fund

The **Imputation Fund** 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. This type of investment is appropriate as a significant part of a properly diversified investment portfolio for individuals, companies, trusts and superannuation funds.

Fund return of 28.9% for the first 6 months of 2003/04 and 61.9% for the last 12 months...

We are particularly pleased to report a return of 28.9% for the last 6 months and 61.9% for the last 12 months. The returns calculations exclude the imputation credits. The size and continuation of out-performance is significantly above management expectations. The excellent return of the last two years should not cause clients to expect a continuation of such results. We remind clients that while we are committed to consistency in our investment philosophy and process, there is no guarantee of repeating these excellent results.

As stated previously in relation to the Growth Fund, we like to remind our investors that although we have out-performed the market over the medium term, shorter term returns remain volatile. The graph below shows the monthly performance of the Fund compared with the S&P/ASX300 Accumulation Index since inception.



Portfolio remains defensive, with a high level of franked dividends...

The Portfolio of stocks in the Fund remains relatively defensive and with a high level of franked dividends. We are likely to remain over-weight in mid/small-cap industrial stocks and under-weight in major financial stocks for the foreseeable future.

Charts 3 and 4 provide a breakdown of the stocks in the Imputation Fund as at 31 December 2003

Chart 3: Holdings by Sectors

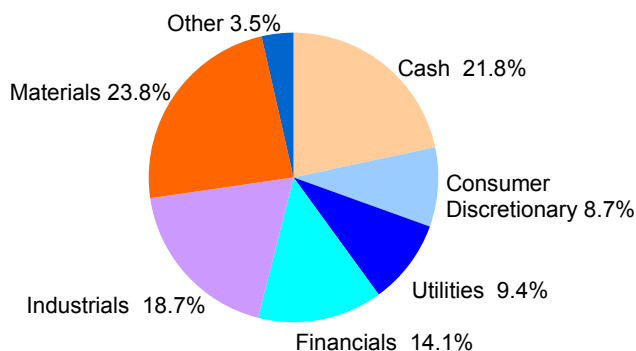
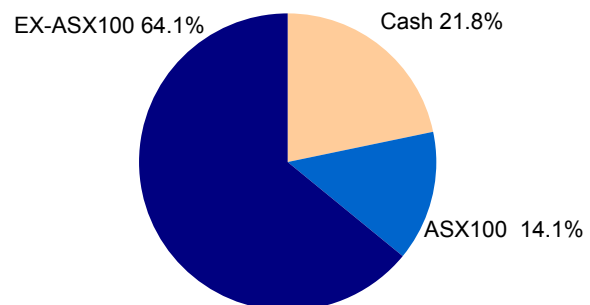


Chart 4: Holdings by Market Cap



Dear Investors,

Celebrating another excellent performance ...

We are pleased to report another solid half year and full year performance as of 31 December 2003. The 12 month returns for both Funds were significantly above our own expectations.

Investors who joined at inception, have more than doubled their initial investment in the Growth Fund (after approximately 5 years since inception) and similarly for the Imputation Fund (after approximately 2 years since inception).

New Website, New Staff...

Our website www.primevalue.com.au was launched in November 2003. We would appreciate you introducing us to your family and friends and you could do this by giving them our website address. You will find on our website that the unit prices and the monthly Fact Sheets are updated regularly.

*We have recruited **Michael Chien** as Quantitative Analyst in November 2003 to increase the size and the quality of our investment and support team.*



Michael has a double degree in Commerce and Electrical & Computer Systems Eng (Hons) at Monash University. He has just completed a Masters degree in Electrical & Computer Systems Eng. and he is currently undertaking the Chartered Financial Analyst (CFA) course.

*We have promoted **Debbie Wilson** to the role of Office Manager. When you contact the office, it will probably be her voice you hear first. She will continue to provide reliable and friendly service in relation to general enquiries.*

Before joining our team at Prime Value, Debbie was on the staff at Kingsley College for 18 years, with the last 6 of those years serving as Registrar of the College.



Sponsorships...

Prime Value was one of the sponsors for the annual Head of Yarra Rowing Competition in November 2003. We will continue to selectively support some sporting and community events.

Investment...review of 2003

The Australian and global equity market has recovered significantly in 2003. The turning point was around March, as the pre-occupation with drought (in Australia), SARS (in Asia) and war with Iraq subsided. The risk appetite has increased and growth stocks in general have benefited.

Our Growth Fund has performed well, due to the overweight position in resource stocks (BHP Billiton, WMC Resources, Newcrest, Jubilee Mines) and selective growth stocks (e.g. Gunns, Origin Energy, Computershare). The Imputation Fund has benefited from the significant out-performance of mid/small-cap stocks, including Alinta and AV Jennings Homes. The corollary of this is our lack of mistakes in the last 12 months, apart from Smorgan Steel and a few other minor holdings which under-performed the market.

Investment Outlook...2004 and Beyond

The investment climate has shifted from liquidity-driven to earnings-driven. This means stock selection and portfolio strategy (sector allocation) are critical. Both factors have been and will continue to be the key to our out-performance.

Some of the major issues for 2004 are:

- 1. Rising Australian dollar and interest rate uncertainties*
- 2. Commodity growth story and China*
- 3. Election year "economy" in USA and Australia*
- 4. Housing sector – soft-landing or bubble?*
- 5. Water and wider environmental issues.*
- 6. Security – local and overseas*

For the Australian market, we continue to suggest that share investing in Australia is not so much about finding ways to time the market, but rather remain invested in the companies where the strategies are transparent to investors and the management team has a proven track record.

We reiterate here what was in the last newsletter. "...It would be more prudent to expect a 6 – 8 % per annum growth rate for the Australian share market, over the medium to long term; with gains likely to be limited to the elimination of the under valuation that accompanies the current economic uncertainties. However, we believe that with careful stock selection investors can achieve satisfactory investment returns. We will continue to diversify portfolio risk with stock specific, or industry specific calls that are likely to perform well regardless of the macro view. Our objective is still to achieve average returns of 10%+ per annum over the medium to long term, for both the Prime Value Growth Fund and the Prime Value Imputation Fund."

Han K Lee
Managing Director

Y Yong Quek
Executive Director

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