

Prime Value Asset Management Limited

Level 10, 34 Queen St, Melbourne 3000
 Tel: (613) 9620 7762 Fax: (613) 96207776
 Email: info@primevalue.com.au

ASIC Dealers Licence No. 175 332

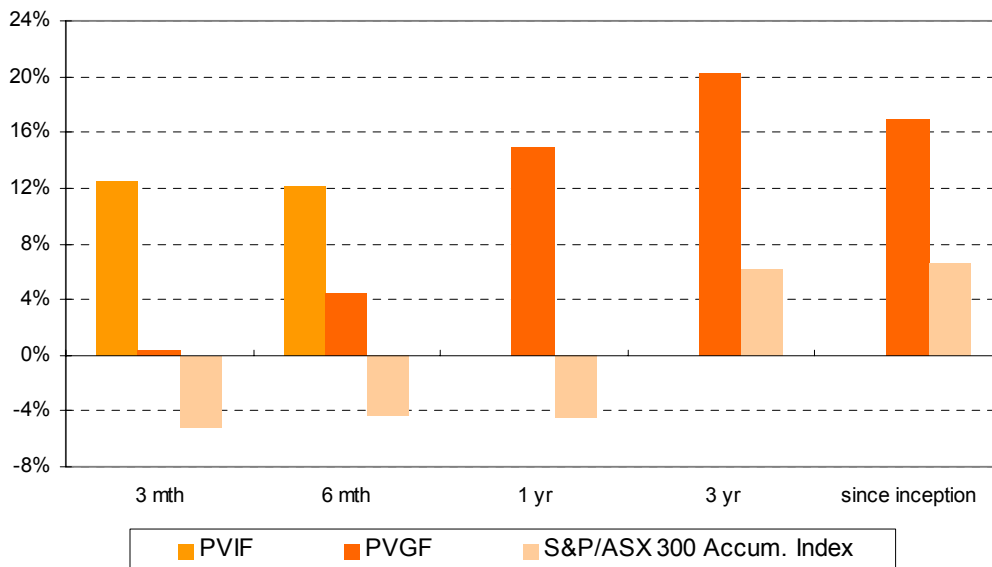
“Building Wealth Together”

Dear Investor,

The highlights of 2001/2002 Financial year are:

- **Prime Value Asset Management Limited**
 - Two non-executive directors appointed on 19 July 02.
 - Product Disclosure Statement (PDS) likely to be issued by the end of September 2002.
- **Prime Value Growth Fund (PVGF)**
 - Cumulative gross returns increase to 94.7% after just over 4 years since inception on 10 April 1998.
 - 2002 Financial Year return is 15% vs. S&P/ASX 300 Accumulation Index of -4.5%.
- **Prime Value Imputation Fund (PVIF)**
 - Gross Return of +16.4% vs. -2% for S&P/ASX 300 Accumulation Index since inception on 20 December 2001. The return is not annualized.

Graph 1: The Annualised Gross Return¹ of PVGF, PVIF and S&P/ASX 300 Accumulation Index for periods ended 30 June 2002



¹ Gross Return before Management fees (1.1% including GST) and Performance fees. The return for 3 months and 6 months are not annualised. Past performance is not necessarily an indication of future performance. The unit prices (mid) ex income distribution as of 30 June 2002 are 1.2200 and 1.1712 for PVGF and PVIF respectively.

Prime Value Asset Management Limited

We are pleased to advise that Mr. Alan G Haintz (B Sc (Melb), FIAA FAICD) and Mr. Richard H Giles (B Sc (Columbia) M Sc (Econ - London) CA) have agreed to be the non-executive chairman and the non-executive director respectively 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.

We have lodged an application for an Australian Financial Services Licence (AFSL) on 19 July 02. This is to comply with the new Financial Services Act – March 2002, which is intended to offer greater protection to investors. With the AFSL Licence, we can distribute our products widely to both professional investors and other investors. The existing licence allows Prime Value to have only a limited number of investors. The Product Disclosure Statement (PDS); previously called the prospectus, is likely to be issued by the end of September 2002.

Prime Value Growth Fund

The Cumulative return has increased to 94.7 %²

At the conclusion of the June Quarter 2002 (and just after our Fourth Anniversary³ on 10 April 2002), we are pleased to report a cumulative growth return for the Prime Value Growth Fund of 94.7%. This excludes imputation credits of around 1-2% per annum. Investors who are tax

² Before fees and taxes.

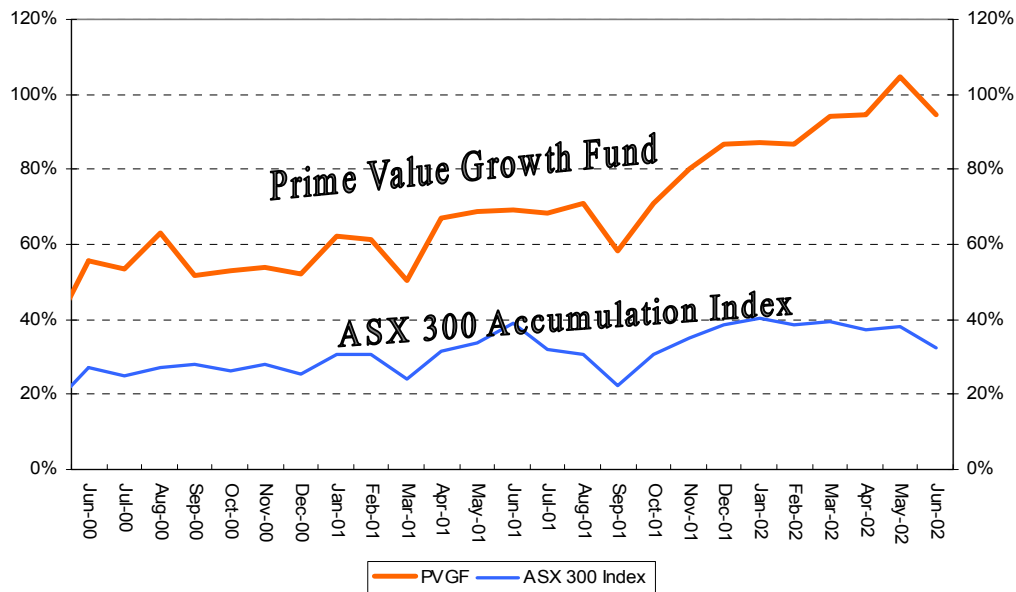
³ The mandate of the Growth Fund for the initial 14 months (10.4.98 – 30.6.99) was more like a Balanced Fund. This was at the request of the initial investors in view of the uncertainty surrounding the Asian currency crisis.

residents of Australia can claim the imputation credits to offset other taxable income.

In other words, investors who invested with the Fund at inception would have more than doubled the value of the investment if the value of franking credits is included before deducting management and performance fees.

Graph 2 shows how the cumulative return has steadily increased over the last 2 years compared with a relatively flat market.

Graph 2: Cumulative Gross Return for the last 2 years



This is an excellent outcome in both absolute and relative terms to the Australian market. Importantly, the Growth Fund, which comprises a portfolio of predominantly Australian equities, continues to achieve its medium term management objective of producing high capital growth with some income.

Fund return of 15.0% for the last twelve months and 0.3% for last quarter

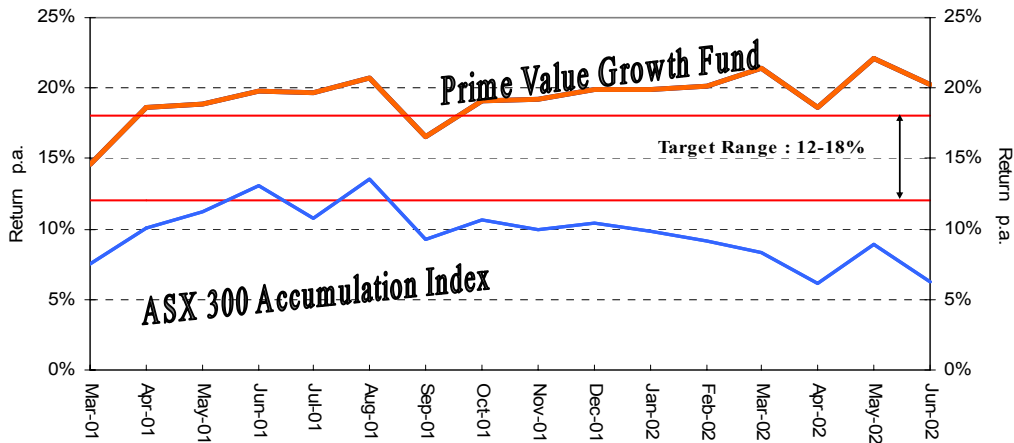
The +0.3% return for the quarter ending 30 June 02 was somewhat disappointing in absolute terms, although it compares favourably with the market of -5.1%. The Fund performed strongly in April-May 2002 but dropped back in June 2002. This is clearly shown in Graph 2, where the cumulative return reached a recent high of 104.8% in May 02 but dropped to 94.7% by 30 June 2002. It highlights the short-term volatility of equities investments and the desirability of focusing on medium term returns.

The return for the last financial year (from 1 July 2001 to 30 June 2002) was +15.0% compared to the Australian market S&P/ASX 300 Accumulation Index of -4.5. We, as the manager and significant investors in the Fund, are very pleased with the results and against the S&P/ASX300 Accumulation Index the relative

return of 19.5% is again at the higher end of our medium term expectation. We remind our investors that any return over a period of less than one or two years may continue to be volatile. A truer indicator of the performance for a Growth Fund is over a longer period of time.

Graph 3 shows the rolling annualized 3-year return for the Growth Fund – vs. – the S&P/ASX 300 Accumulation Index.

Graph 3: Rolling Annualized 3-year Return



The following table shows the Prime Value Growth Fund’s (PVGF) relative performance to the S&P/ASX300 Accumulation Index for the last quarter, 1 Year, 3 Years and since its inception (10 April 1998), to 30 June 2002. The first table shows the performance on an annual basis and the second table shows the cumulative return.

Table 1: Annual Return

Annual Return *	Last Quarter	1 Year	3 Years (p.a.)	Since Inception (p.a.)
PVGF	0.3%	15.0%	20.2%	17.0%
S&P/ASX300 Accumulation Index	-5.1%	-4.5%	6.2%	6.8%
Relative Performance To Benchmark	5.4%	19.5%	14.0%	10.2%

Table 2: Cumulative Return

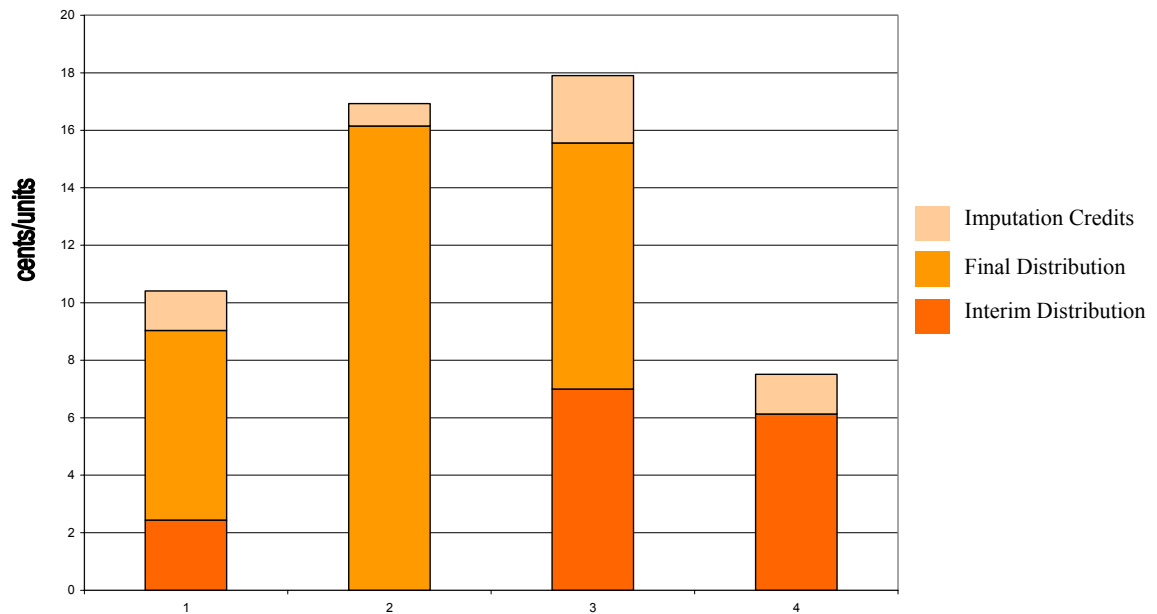
Cumulative Return *	1 Year	3 Years	Since Inception
PVGF	15.0%	73.7%	94.7%
S&P/ASX300 Accumulation Index	-4.5%	19.8%	32.5%
Relative Performance To Benchmark	19.5%	53.9%	62.2%

* *Gross Return before Management fees (1.1% including GST) and Performance fees. The Gross Return excludes the imputation Credits of around 1-2% per annum (grossed-up for tax purposes for Australian residents only). The cumulative return assumes reinvestment of all income distributions. The Fund inception was 10 April 1998. Past performance is not necessarily an indicator of future performance.*

Income Distributions continue

Graph 4 shows the details of income distributions by financial year since inception in cents/unit.

Graph 4: Income Distribution by Financial Years



Prime Value Imputation Fund

The Imputation Fund has recorded a solid performance of +16.4% in just over 6 months.

The **Prime Value Imputation Fund (PVIF)** was launched on 20 December 2001. The primary objective of this Fund is to provide regular tax effective income and medium term capital growth from a portfolio comprised mainly of Australian equities. The fund is suitable especially for Australian Tax Residents who could benefit from the imputation credits

The return since inception to 30 June 2002 (just over six months) was 16.4%. This is 18.4% ahead of the return for the ASX 300 Accumulation index of -2.0% over the same period of time. The estimated dividend yield of the current portfolio is around 4 – 5% of franked dividends. Australian tax residents will therefore receive an additional 1 – 2 % in imputation credits.

Table 3: Return (not annualized)

Return *	Last Quarter	Since Inception
PVIF	12.5%	16.4%
S&P/ASX300 Accumulation Index	-5.1%	-2.0%
Relative Performance To Benchmark	17.6%	18.4%

PORTFOLIO CONSTRUCTION AND INVESTMENT STRATEGY

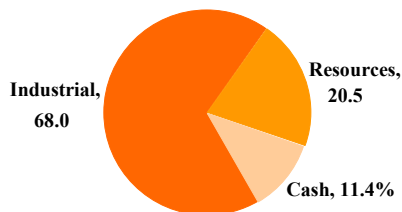
The fiscal year 2001/02 has been a difficult year for share market investors both in Australia and overseas. For the first nine months to 31 March 2002, the Australian market increased a marginal 0.6%. However, the S&P/ASX300 Accumulation Index ended in negative territory by the end of the year. For the year ending 30 June 2002, the index fell by 4.5%. It is interesting to note that between 1 March 2000 and 22 July 2002, the Australian share market has fallen by 5.6%. If News Corp were excluded from the Index, the performance would have been +8.3%.

The performance of overseas markets was even worse. In Australian dollar terms, the US market fell by 19.6%, the UK by 14.1%, and Japan by 20%. While we started the calendar year 2002 with some optimism that the US and global economic recovery was underway, by mid-year a series of negative issues were raised. Some doubts arose about the integrity of the US market, its corporate culture and the ability/willingness of the Bush administration to seriously tackle the problem.

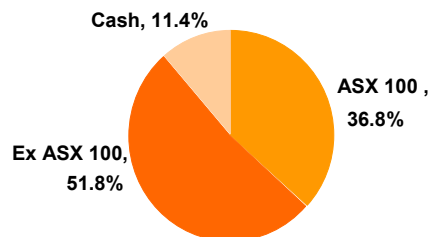
Although we have not come out completely unscathed from this raft of negative issues, the Funds have been able to produce satisfactory performance results in both absolute and relative terms. The Growth Fund’s June quarter performance result of +0.3% compares favourably to the S&P/ASX 300 Accumulation Index performance of -5.1%, as does our +15.0% performance result for the year ending 30 June 2002 (vs. Index -4.5%) Readers may be interested to note that the average net return from the Australian equity funds in the Mercer survey of Australian equity fund managers was -4.5% this last 12 months. A significant factor contributing to PVGF’s out-performance is the funds substantial underweighted position in News Corp. We do not hold Telstra shares.

Graph 5 and 6 provides a breakdown of the stocks in the Growth Fund as at 30 June 2002. The latter clearly shows that we are over-weighted in mid-cap and small-cap stocks. We are continuing to find worthwhile opportunities in the smaller companies which have been the main factors in our recent out-performance results.

Graph 5: Holdings by Sectors



Graph 6: Holdings by Market Cap



It is important to note that notwithstanding recent US corporate scandals, the world economy remains in an expansionary phase and the profit recovery story remains intact. The global economy is continuing to recover from last year's slowdown, although not as rapidly as financial markets had previously, and incorrectly, inferred based on data for the early months of the year.

We still maintain a fairly positive view of the Australian share market over the remainder of the calendar year 2002. While the recovery in business investment has not yet materialized, it seems to be reasonably assured and economic growth should be maintained at 3.5% - 4.0% over the next year.

When the US dollar falls, the flow of capital to the Asia Pacific Basin emerging markets will tend to grow stronger. This should benefit the domestic demand-related sectors in Australia, Korea, Taiwan, Thailand, and possibly also Japan that are not strongly affected by the negative impact of the deflationary pressure and reduced export competitiveness caused by the falling US dollar. Stocks dependant on external demand could be adversely affected. Although our funds are invested predominantly in Australian Equities, we are not ruling out the possibility of diversifying into the Asian and other overseas markets if/when the opportunities arise, but this will only be done after due consideration of the risk/reward opportunities.

Yours sincerely

Han K Lee
Managing Director

Y Yong Quek
Executive Director
