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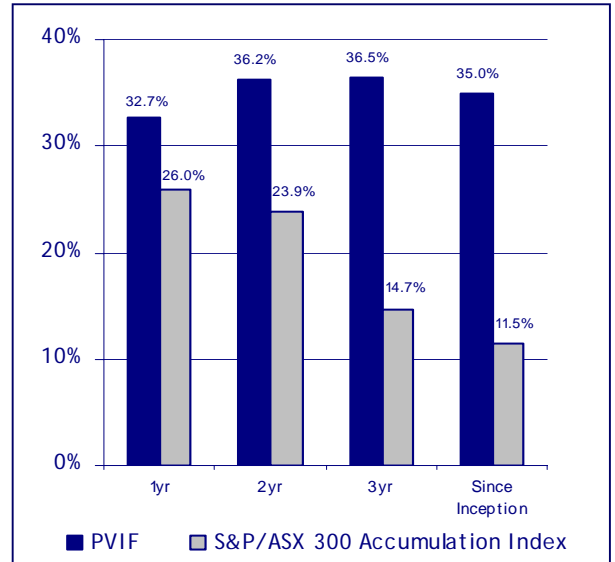
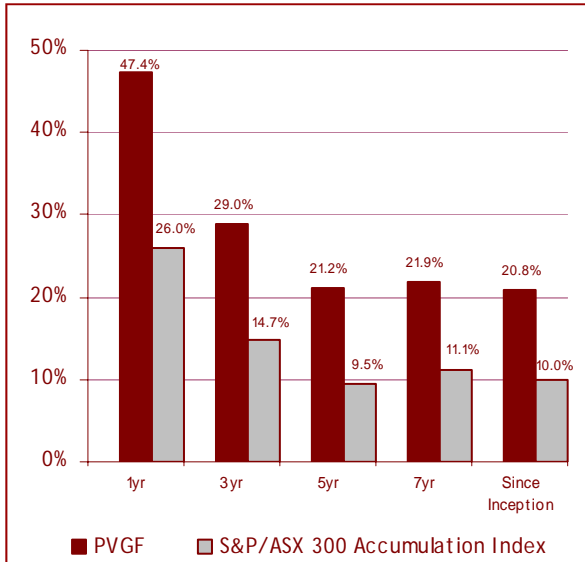
Prime Value Growth Fund

Increased by 293.6%* since it was established 10 April 1998, or by approximately 253.9% after performance fees

Prime Value Imputation Fund

Increased by 193.3%* since it was established 20 December 2001, or by approximately 163.5% after performance fees

Graphs 1 & 2: Annualised Return* of PVGF, PVIF and S&P/ASX 300 Accumulation Index for the period ending 30 June 2005.



* Performance figures in this Newsletter have been calculated in accordance with IFSA Standard No. 6, Fund Performance - Calculation and Presentation of Returns. The returns are calculated before performance fees which are charged against individual accounts. The returns exclude 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.

“Minimisation of mistakes”: what is our track record?

Despite significant out-performance over the medium and longer time periods of 3, 5 and 7 years, reporting on Fund performance on a monthly basis can tend to shift the focus to monthly numbers. We recommend that investments in equity markets, including managed investments such as the Prime Value Funds, be made for the medium to long term and are cautious about this focus on shorter-term results. We decided to have a look at monthly returns in more detail; to see how often the market has produced negative returns on a monthly basis, and how the Prime Value Growth Fund (PVGF) and Prime Value Imputation Fund (PVIF) perform in both positive and negative market conditions. The results of the analysis are below.

Prime Value Growth Fund

In the 87 months analysed since the Fund started, PVGF experienced positive returns in 60 months, compared with the S&P/ASX 300 Accumulation Index (benchmark), which experienced positive returns in 54 months. The PVGF outperformed the market in 54 months.

Positive Markets (54 months)		Negative Markets (33 months)	
PVGF outperforms	PVGF underperforms	PVGF outperforms	PVGF underperforms
35	19	19	14

Prime Value Imputation Fund

In the 43 months analysed, PVIF experienced positive returns in 33 months, compared to the S&P/ASX 300 Accumulation Index (benchmark), which experienced 29 months of positive returns. The PVIF outperformed the market in 28 months.

Positive Markets (29 months)		Negative Markets (14 months)	
PVIF outperforms	PVIF underperforms	PVIF outperforms	PVIF underperforms
18	11	10	4

What can we learn from this analysis? Although past performance is not necessarily an indicator of future performance, the following summary points can be made:

- On average, it would not be unusual to achieve a negative return 1 month in every 3.
- On average, the PVGF and PVIF could underperform 1 month in 3.
- In negative markets, the PVIF has been less volatile and more likely to outperform.

Our key investment philosophy is to minimise mistakes; however it is impossible to avoid mistakes entirely. **Historically, for every three steps forward that we make, we will make one step backwards.** The key is performance over longer periods and it is important to not focus purely on the results of a few months.

PRIME VALUE GROWTH FUND

The Prime Value Growth Fund aims to provide superior medium to long-term capital growth, with some income, by managing a portfolio of predominantly Australian equities.

The PVGF returned an attractive 6.4% for the half-year compared with the benchmark return of 7.5%. Over the six months, the key contributions to performance were an over-weight position in the resources and energy sectors. Newcrest and Gunns were relative underperformers dur-

ing the half year, but are still attractive longer term investments.

The return for the financial year came in at 47.4% compared with the benchmark return of 26.0%. Annual returns for 3, 5 and 7 years were also well in excess of benchmark and the Fund's objectives at 29.0% pa (benchmark 14.7% pa), 21.2% pa (9.5% pa) and 21.9% pa (11.1% pa) respectively.

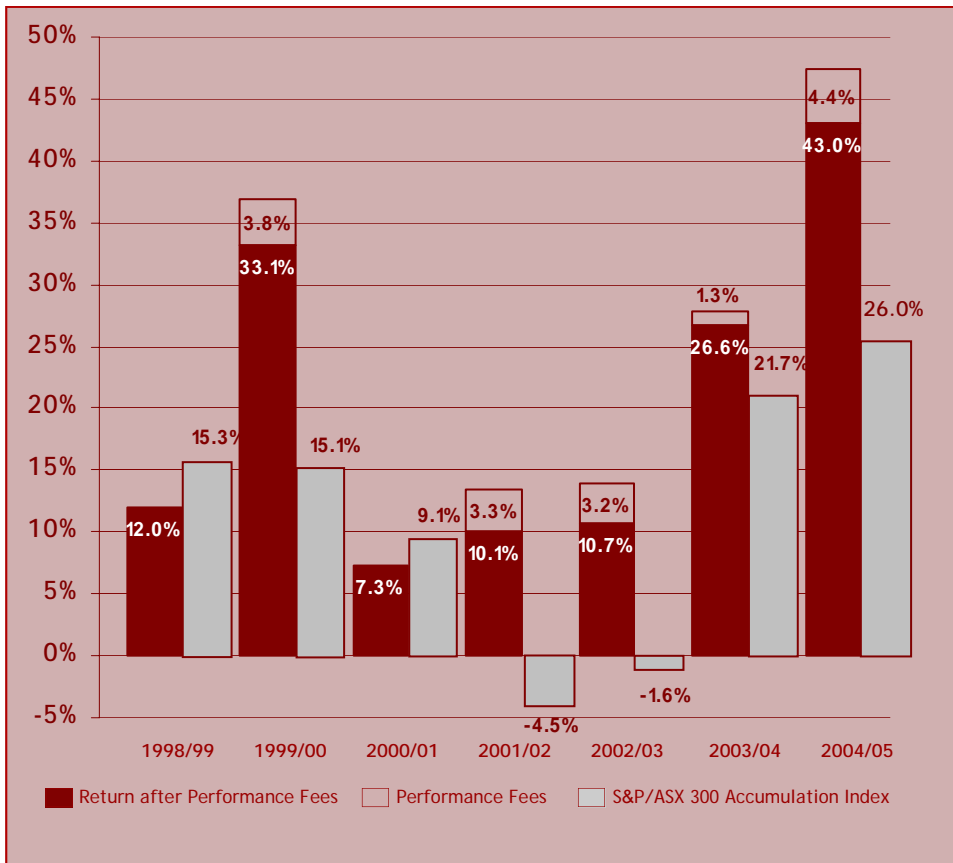
Portfolio Outlook

The PVGF will maintain a core holding of stocks with an enhanced level of earnings growth driven by a strong return on equity, sectoral dynamics and competitive advantage.

Under the current economic scenario, this points to an overweighting in the resources/energy sectors, and an underweighting in financials and domestic cyclicals.

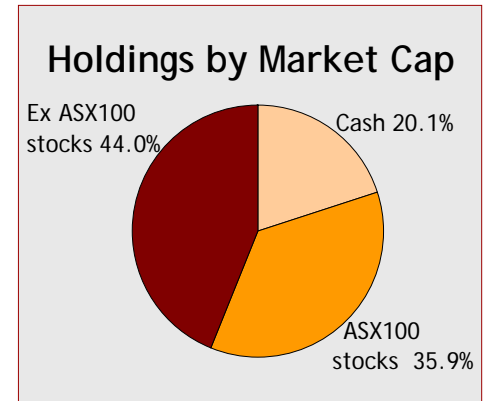
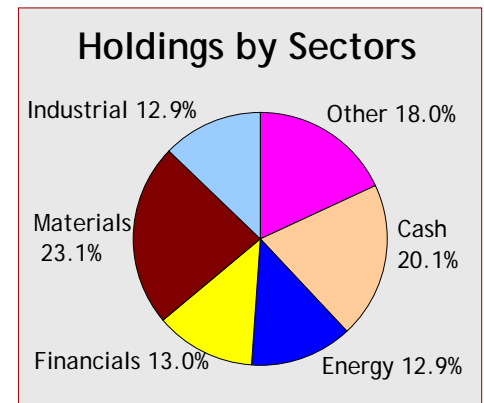
Performance

Graph 3: Annual Return of PVGF and S&P/ASX Accumulation Index by Financial Year. This shows the performance of the PVGF for each discrete financial year, demonstrating consistently positive & attractive returns. The Fund out-performed in 5 out of the last 7 financial years.



Portfolio Holdings

Charts 1 & 2 provide a breakdown of the stocks in the Growth Fund as at 30 June 2005. The portfolio is overweight the energy and materials sectors, and underweight the financial sector. Cash holdings have remained stable at 20% and the level of small cap stocks (outside the ASX 100) has fallen to 44.0%.



Distributions (Class A Units)

Distributions	2003/04	2004/05		
		Dec	June	Total
Distribution (per unit)	\$0.1676	\$0.0647	\$0.0939	\$0.1586
Distribution (% of Unit Price)	10.2%	3.0%	4.2%	7.2%
Imputation Credit (per unit)	\$0.0187	\$0.0049	\$0.0079	\$0.0128
Franking Level (%)	26.0%	17.7%	19.6%	18.8%

* The "level of franking" is a measure of the grossed-up imputation credit relative to the total distribution made. Unlike the franking level of a company's dividend however, the "denominator" includes not just dividends, but realised capital gains as well. In times where capital growth is strong, distributions are like to be higher, and the "level of franking" will be proportionately lower. This does not necessarily mean that dividends received were low or that they were not highly franked.

TOP FIVE HOLDINGS

Name	Sector
BHP Billiton	Materials
Commonwealth Bank	Financials
Gunns	Materials
Monadelphous Group	Industrials
Orica	Materials

Note: The portfolio is generally comprised of 20 – 60 stocks.

PRIME VALUE IMPUTATION FUND

The Prime Value Imputation Fund aims to provide capital growth over the medium to long-term, combined with regular, tax-effective income, by managing of assets comprised mainly of Australian equities.

The PVIF achieved a return of 4.5% for the half-year, lower than the benchmark return of 7.5%. While lower than the benchmark, this return is still attractive over a six-month time-frame compared with other investment alternatives.

The Fund's underperformance was related to two key factors:

- Underweight holdings in the resources and energy sectors. These sectors do not generally fit the investment criteria of the Imputation Fund in relation to tax-effective dividend income.
- Underperformance of smaller companies, which was a feature of the period as concerns about earnings certainty and margins became a focus.

In particular, the Fund suffered from profit taking in companies which had previously experienced strong positive performance and which remain attractive medium term investments.

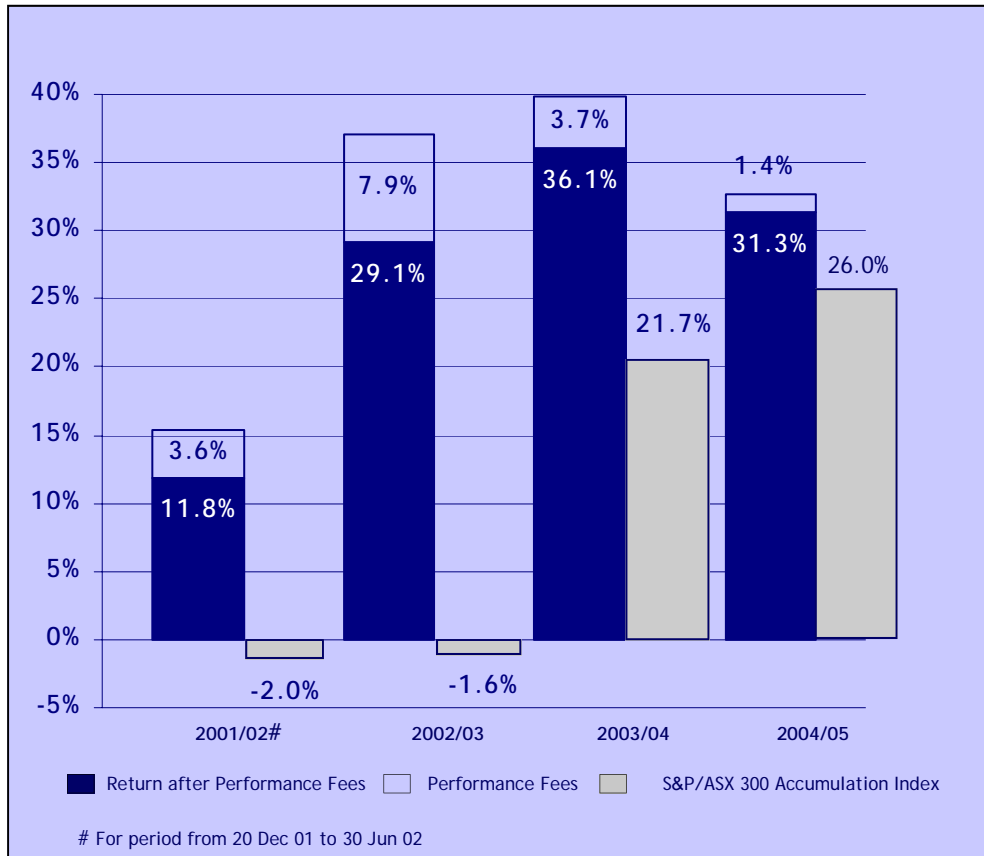
The return for the financial year was 32.7% compared with the benchmark return of 26.0%. The annual return for 3 years was also well in excess of benchmark at 36.5% pa (benchmark 14.7% pa).

Portfolio Outlook

The PVIF will mainly consist of stocks offering a degree of both earnings and dividend income certainty, with a bias towards a higher stream of tax effective dividend income.

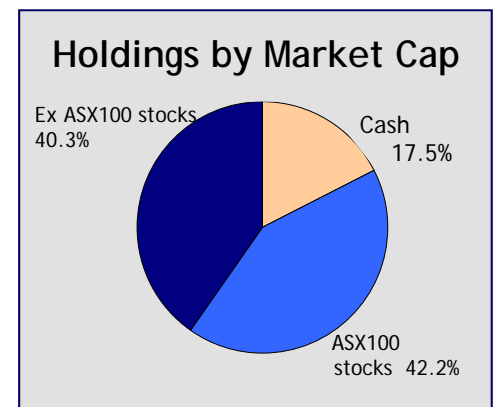
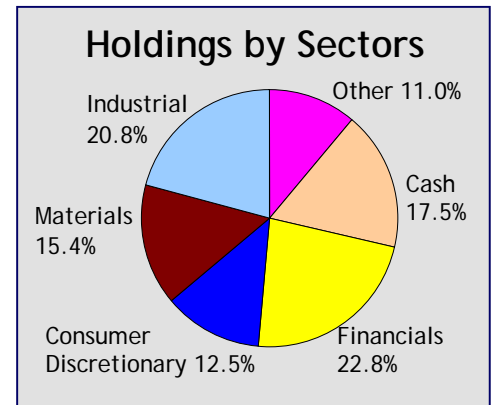
Performance

Graph 4: Annual Return of PVIF and S&P/ASX 300 Accumulation Index by Financial Year. This shows the performance of the PVIF for each discrete financial year, demonstrating consistently superior, positive returns.



Portfolio Holdings

Charts 3 & 4 provide a breakdown of the stocks in the Imputation Fund. The portfolio has a lower weighting in energy and resources stocks, and is overweight in industrial stocks. Holdings of consumer sensitive stocks have fallen and the proportion of larger companies (ASX 100 stocks) has increased to 42.2%.



Distributions (Class A Units)

Distributions	2003/04	2004/05		
		Dec	June	Total
Distribution (per unit)	\$0.1911	\$0.0445	\$0.0793	\$0.1238
Distribution (% of Unit Price)	9.9%	1.9%	3.2%	5.1%
Imputation Credit (per unit)	\$0.0303	\$0.0094	\$0.0153	\$0.0247
Franking Level (%)	37.5%	49.3%	45.0%	46.6%

* The "level of franking" is a measure of the grossed-up imputation credit relative to the total distribution made. Unlike the franking level of a company's dividend however, the "denominator" includes not just dividends, but realised capital gains as well. In times where capital growth is strong, distributions are like to be higher, and the "level of franking" will be proportionately lower. This does not necessarily mean that dividends received were low or that they were not highly franked.

TOP FIVE HOLDINGS	
Name	Sector
ANZ Bank	Financials
Commonwealth Bank	Financials
Jubilee Mines	Materials
Monadelphous Group	Industrials
Westpac Bank	Financials

Note: The portfolio is generally comprised of 20 - 60 stocks

Dear Investor

Celebrating 7 years of success for the Prime Value Funds

We are very pleased to report yet another financial year of solid performance for the Prime Value Growth Fund (PVGf) and Prime Value Imputation Fund (PVIF). The PVGF achieved a return of 43.0% after performance fees, compared to the S&P/ASX 300 Accumulation Index return of 26.0%. The PVGF has now achieved approximately 20% pa, on average, since its inception over 7 years ago (benchmark 10.0% pa).

The PVIF returned 31.3% after performance fees for the financial year and has now achieved an average return of 35.0% pa since inception in December 2001 (benchmark 11.5% pa).

As with last financial year, both Funds performed better in the first half of the year (July to December 04) than in the second half. We are conscious that more recent investors have not experienced performance in excess of benchmark and remind investors of the long-term nature of equity investments such as the Prime Value Funds.

Our business continues to grow and become a success because of the support and referrals of our investors. We thank you for this support.

Money Management Fund Manager of the Year 2005 Awards

In recognition of the success of our Funds, Prime Value was a Finalist in the Money Management Fund Manager of the Year Awards 2005 in both the Australian Equity and Rising Star categories. We were honoured to be one of three finalists for this prestigious award.

Strengthening our Investment Team

We are pleased to welcome Kelly Beeson, who joined our team as Office Manager in March. Kelly is a graduate of The University of Georgia and recently came to Australia from the US. She will generally be the first point of call for telephone enquiries and meetings.



We have been strengthening our investment team over the last 12 months. The investment team has been stable and working well together, and is committed to Prime Value's investment philosophy.

New PDS—Indirect Investments

We recently released a revised Product Disclosure Statement (PDS) dated 31 May 2005. The key change involves the introduction of a new class of investment to cater for the specific requirements of indirect investors, who invest through an IDPS or IDPS-like scheme such as a platform, master trust or wrap account. Indirect investors will be allocated Class B units.

Existing direct investors will experience no change as a result of the new class of units being introduced; however these units have been reclassified as Class A units.

There has also been a slight change in total fees charged for the Funds, with the total indirect cost ratio (ICR) reduced to 1.435% (from 1.49%) for direct investors.

Platform Inclusions

The Prime Value Funds are now available for investment through a number of IDPS schemes including AUSMAQ, Premium Choice, BT Wrap, BT SuperWrap, Portfolio Advantage (Goldman Sachs JB Were) and NetWealth Wrap Services.

Investment Review 2004/2005

While expectations were that 2004/05 equity market returns would be more modest than the 21.7% increase over 2003/04, the S&P/ASX 300 Accumulation Index rose by 26.0% during the financial year. This was despite a slowdown in growth (GDP growth for 2004/2005 is forecast to be 2.0% compared with 4.1% in 2003/04), 153 profit warnings, slowing consumer sentiment, an uncertain housing market, rising oil prices and rising interest rates.

On the positive side, strong increases in commodity prices were supportive of the energy and resources stocks and the banking sector managed to deliver solid results. Market valuations (by measures such as PE) remain modest, takeover activity left large amounts of money to be reinvested and a lack of alternative investments were supportive for equity returns.

As with 2003/2004, there were distinct differences in the two halves. In the six months to December, smaller companies performed very well, with IT, consumer staples and industrials the best sectors. Following the RBA's increase in interest rates in March there were concerns about the domestic economy in light of higher interest rates and earnings downgrades. The market began falling and larger companies and more defensive sectors, including utilities and healthcare, were the better performers.

In terms of historical averages, the performance of the Australian equity market over the last two years has been very strong. This is in contrast to the previous two years of negative performance. While domestic and global economic conditions remain attractive, such "easy money" in recent years is unlikely to remain a feature of longer term investment returns and investors should be prepared for more moderate equity performance over the next 12 months.

Investment Outlook

There are differing views on the 2005/06 financial year outlook for the Australian economy. The more optimistic view is that the current economic slowdown is only relatively temporary and will be contained to the June half of calendar 2005. We prefer to adopt a more cautious stance, and make allowances for the probability that oil prices will rise again during the Northern Hemisphere winter. Furthermore, if the Federal Reserve keeps raising rates the world economy is more likely to slow in 2006. We could then expect margin pressure in Australia and rising unemployment rates.

In terms of investment strategy, this environment presents some challenges for investment managers. There are some sectors that, because they are leveraged to the global growth outlook, are experiencing strong demand and are, in fact, constrained by infrastructure capacity. Other sectors which are subject to domestic cyclicalities may see a decline in the rate of growth. This dichotomy may lead to significant differences in likely earnings growth and share prices by sectors and stocks.

Whilst the energy related sectors, including resource suppliers, should do well, we would be inclined to remain with our current cautious two pronged strategy of investing in stocks with an exposure to global growth as well as the more defensive domestics.

We are confident that we can continue to add value to your investment portfolio through our core competency—stock selection and portfolio strategy.

Han K. Lee
Managing Director

Y. Yong Quek
Executive Director