



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGER'S REPORT: JUNE 1999

INVESTMENT OBJECTIVE

The WAM Australian Equity Fund Limited is an investment company which seeks to provide investors with access to an Australian equities portfolio with above average returns over the medium to longer term (3–5 years).

Performance to 30 June 1999

(NAV is before the dividend distribution)

Quarter to	Jun 99	Mar 99
Total Net Assets	\$7,362,226	\$7,707,929
NAV (Before CGT provision)	107.4c per share	111.7c per share
Change in NAV over the Quarter	-3.8%	+9.3%
Change in All Ords over Quarter	+0.3%	+5.5%
Change in Bank Bill Index	+1.2%	+1.2%

Asset Allocation at 30 June 1999

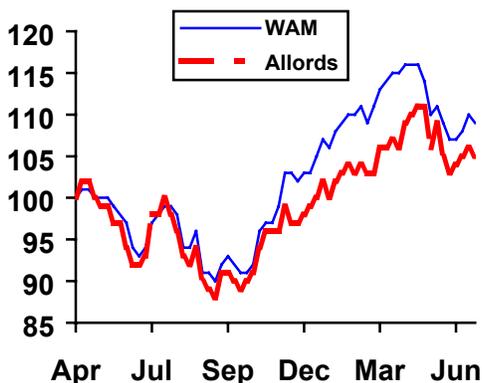
Australian Equities	97.9%
Cash	2.1%

Five major investments

	Jun-99	Mar-99
Telstra	10.5%	10.1%
Sun-Met EIN II	9.7%	10.1%
Rio Tinto	9.3%	7.6%
MacquarieBank	6.9%	6.4%
NAB	6.1%	6.6%
Total	42.5%	40.8%

Performance History

(From the public placing in April 98)



Investment Highlights

- Since the unfolding of the Asian crisis, the decline in the Brazilian market and the hedge fund debacle, there has been an underlying fear of a global recession. Central bank rate cuts and astute economic management allayed market fears, preventing substantial declines in the equity markets. The change in bias by the US Federal Reserve to one of tightening, followed by the recent rate increase to 5% is an indication that this fear has subsided.
- The global economy, especially the Asian region is expected to move into the phase where growth and economic data exceeds previous forecasts.
- The Australian market under-performed when compared with the international markets, increasing by 0.3% over the quarter from a level of 2967.2 to 2976.9 whereas the MSCI World Index increased in value during the quarter to June 1999, by 4.5%
- The resource sector finally showed life and out-performed most other sectors over the quarter. Within the resource sector, Gold was the only under-performing sector declining in sympathy with the gold price.
- Within the industrial sector, the previously hard hit Building Materials sector regained much of the decline experienced during the past year.

Fund performance during the quarter

- During the quarter under review, the Net Asset Value of the WAM Australian Equity Fund declined by 3.8% compared to the All Ordinaries Index, which increased by 0.3%. This under-performance was due to our large exposure to the banking sector. However, WAM increased by 14% over the 12 months to June as compared to the All Ordinaries Index, which only increased by 11% over the same period.
- The major purchases made by WAM during the quarter were Perpetual Trustees, Western Metals and CSL. The investments in Cable & Wireless Optus and Ten Network were sold.