



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGER'S REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 1998

PORTFOLIO COMMENT

The enormous selling pressure evident in the Australian sharemarket during the June quarter, abated in July with the All Share Index improving to 2825.2. This was short lived and the market came under renewed selling pressure with the index declining by 11% to a low of 2506.9 as at September 22, 1998.

The Australian market fared better than the US market. The US market, as represented by the Dow Jones Index, declined by 21% from the peak of 9367.8 in July 1998 to 7400.3 as at the end of September. Investor sentiment was decidedly negative, as the knock on effects of the Asian crisis came to the fore. Russia teetering on the brink of financial collapse, combined with substantial declines in the South American financial markets exacerbated the situation causing heightened volatility in the markets. The appearance of Dr Alan Greenspan, the US Federal reserve Chairman, before the Senate to discuss potential rate cuts rallied the Dow by 200 points while the news of problems with the hedge fund, Long-term Capital, caused a decline of 150 points.

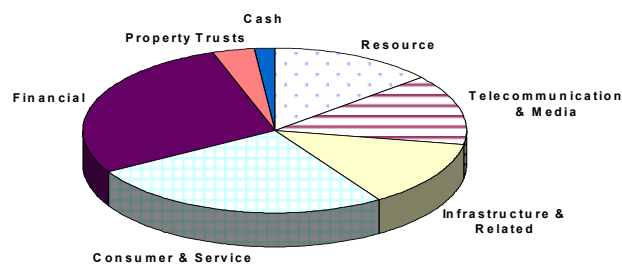
During the quarter under review, the WAM Australian Equity Fund declined by 1.3% from 93.1 cents as at June 1998, to 91.9 cents as at the end of September 1998. The All Ordinaries Index, by comparison, declined by 3.1% over the same period.

We continued to make investments during this period in line with our stated intention of maintaining a fully invested position, which has now been achieved. The major investments are Rio Tinto, Telstra and TAB.

PORTFOLIO DATA (Unaudited)

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| Total Net Assets | \$6,342,057 |
| Net Asset Value (Before CGT provision) | 91.9 cents per share |
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| Change in NAV this Quarter | -1.4% |
| Change in the Bank Bill Index this quarter | +1.3 % |

DISTRIBUTION OF ASSETS



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