



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGING DIRECTOR'S QUARTERLY REPORT: DECEMBER 1999

Performance to 31 Dec 1999

Quarter to	Dec 99	Dec 98
Total Net Assets	\$8,756,731	\$7,048,386
NAV (Before CGT provision)	126.9c per share	102.2c per share
Change in NAV over the Quarter	+19.0%	+11.2%
Change in All Ords over Quarter	+9.4%	+8.8%
Change in Bank Bill Index	+1.3%	+1.2%

Asset Allocation at 31 Dec 1999

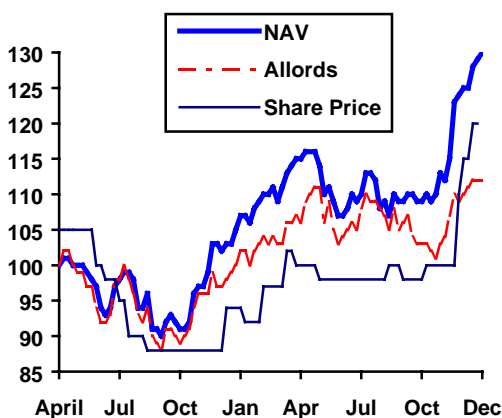
Australian Equities	99.4%
Cash	0.6%

Five major investments

	Dec 99	Dec 98
Rio Tinto	10.2%	7.3%
Telstra	8.9%	10.2%
Flight Centre	7.3%	3.7%
Macquarie Bank	7.3%	4.4%
Cellnet	6.9%	0.0%
Total	40.6%	25.6%

Performance History

(From April 98)



Investment Highlights

- World economic conditions improved during 1999. The US economy led the way with growth of 4%, followed by the Asian economies, which rebounded strongly. In Europe the major economies are showing some signs of growth led by the UK at 2%.
- World sharemarkets shook off the Y2K hysteria with the MSCI World Index increasing by 8.0% during December 1999. The Dow increased by 5.7% over the same period continuing to underperform the broader market and the high tech indices.
- The Australian market performed well increasing by 9.4% over the quarter from a level of 2881.1 to 3152.5.
- The Industrial sector out-performed the financials as well as the mining sector. The Media sector was the best relative performer during the quarter, increasing by 17% as compared to the All Ordinaries Index.
- The US Federal Reserve is expected to increase interest rates in the first half of 2000 and economic activity is expected to moderate as a result. Interest rates are likely to be on hold in Europe and East Asia with economic growth continuing to improve.
- World corporate earnings are estimated by I/B/E/S to increase by 29% over the next twelve months. The share price of those companies showing good earnings growth should be able to withstand lower market valuations which may be caused by an increase in interest rates.

Fund performance during the quarter

- During the quarter under review, the WAM Australian Equity Fund NAV increased by 19.0% from 106.6 cents as at September 1999, to 126.9 cents as at the end of December 1999. The NAV has increased by 18.8% over the six months to December 1999 as compared to the All Ordinaries Index, which increased by 6.2%.
- The major purchases made by WAM during the quarter were Cellnet Telecommunications, Techniche and Technology one.