



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGER'S REPORT FOR THE QUARTER ENDED 31 MARCH 1998

PORTFOLIO COMMENT

The funds raised during the recent equity offering were placed on call with a Bank awaiting investment opportunities. Some investments have been made in the long-term core holdings of the portfolio. These core holdings are primarily in the Banking, Telecommunication and Infrastructure sectors of the market as shown in the pie chart below. The exposure to the Resource sector of the market has been established in a shorter period of time as compared to the other sectors because we believe these companies to be offering value after the substantial decline in recent months.

The investments in the portfolio, calculated on a time-weighted basis, have increased in value by over 4% during the quarter. In accordance with the terms of the prospectus, once-off commissions have been paid to Financial Advisors. As a result of this expense, the Net Asset Value as at the end of March, is 97.41 cents per share. There are no further expenses of this nature.

During the quarter under review, the sectors that outperformed the All Ordinaries Index by in excess of 10 per cent, were Gold (14%), Developers & Contractors (12%), Telecommunications (10%) and Alcohol & Tobacco (10%). Of these outperforming sectors, Telecommunications is a core holding.

The bedding down process will continue over the next month. Provided there is no unforeseen change to the current investment climate, it is intended that the portfolio should be fully invested by the end of May 1998.

PORTFOLIO DATA

Total Net Assets	\$6,716,555
Net Asset Value (Before CGT provision)	97.41 cents per share
Net Asset Value (After CGT provision)	97.36 cents per share
Change in NAV this Quarter	n.a.
Change in the Bank Bill Index this quarter	1.23 %

DISTRIBUTION OF ASSETS

