



## WAM Australian Equity Fund Limited

A.C.N. 080 135 913

### MANAGER'S REPORT: DECEMBER 1998

#### 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 31 Dec 1998

Quarter to	Sep 98	Dec 98
Total Net Assets	\$6,342,057	\$7,048,386
NAV (Before CGT provision)	91.9c per share	102.2c per share
Change in NAV over the Quarter	-1.4%	+11.2%
Change in All Ords over Quarter	-3.1%	+8.8%
Change in Bank Bill Index	+1.3%	+1.2%

#### Asset Allocation at 31 Dec 1998

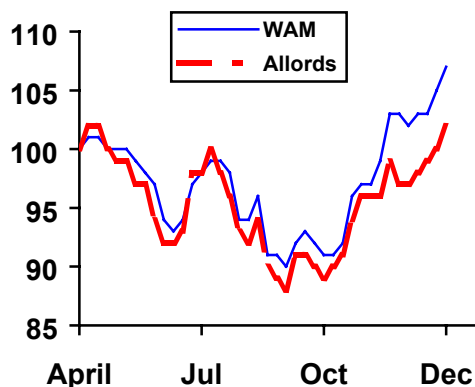
Australian Equities	91.1%
Cash	9.9%

#### Five major investments

	Sep 98	Dec 98
Telstra	7.2%	10.2%
Sun-Met EIN II	0.0%	9.9%
Rio Tinto	8.7%	7.3%
TAB	6.7%	6.9%
NAB	6.4%	6.2%
Total	29.0%	40.5%

#### Performance History

(From April 98)



#### Investment Highlights

- Both the US and European economies continued to show positive growth in the last quarter of 1998 of around 4%. The Japanese economy remained the major area of concern with GDP reflecting a decline of around 4%.
- All the major economies eased monetary policy during the quarter to calm financial markets after the Russian bond default and to pre-empt an expected slowing of economic growth in 1998.
- World sharemarkets responded positively to this easing in monetary policy with the MSCI World Index increasing by 20.8% over the December 1998 quarter. The Dow increased by only 17% over the same period, increasing from 7842.62 to 9181.43.
- The Australian market did not fare as well as the international markets, increasing by only 8.8% over the quarter from a level of 2587.0 to 2813.4. This under-performance was due primarily to the continued decline in the resource sector of the market.
- The Telecommunications sector was again the best performer, increasing by 14% over the period. The Engineering sector showed a 12% improvement after declining by 25% in the previous quarter.

#### Fund performance during the quarter

- During the quarter under review, the WAM Australian Equity Fund increased by 11.2% from 91.9 cents as at September 1998, to 102.2 cents as at the end of December 1998. This performance resulted in WAM outperforming not only the cash rate but also the All Ordinaries Index, which by comparison, increased by 8.8% as mentioned previously. WAM has also outperformed the All Ordinaries since inception as shown on the adjacent chart.
- The major purchases made by WAM during the quarter were Cable & Wireless Optus and the Suncorp-Metway Series II Exchangeable Notes.