



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGER'S REPORT FOR THE QUARTER ENDED 30 JUNE 1998

PORTFOLIO COMMENT

Australia has certainly been caught up in the negative sentiment that prevailed amongst international investors in Asia during the quarter to the end of June 1998. This is clearly evident in both the Australian currency and share markets which both had been subjected to enormous selling pressure. In particular, the Australian share market as represented by the All Ordinaries Index declined by 2.8% since the end of March 1998 and 7.8% since its recent peak of 2893.7 on 16 April 1998. The All Resource Index declined over the same period by 12.3%, confirming the gloomy outlook for commodities and the mining sector in general.

We continued to make investments during this period in line with our stated intention of maintaining a fully invested position. The core holdings in the Banking, Telecommunication and the Media sectors of the market were increased as shown in the pie chart below. The exposure to the Resource sector of the market was maintained at 13.5% as a result of the extremely negative outlook mentioned previously but will be increased at an opportune time.

As a result of the cash exposure and the below index weighting of the Resource sector, the portfolio was able to weather the severe Asian storm, declining in value by 4.2% during the quarter, as compared to a time weighted increase of 4.4% over the previous quarter. The Bank Bill Index increased by 1.2% over the period. No performance fee was therefore paid to the Manager.

Media, at 7.3% of total assets, was the top-performing sector during the quarter, outperforming the All Ordinaries Index by 24 per cent.

PORTFOLIO DATA (Unaudited)

Total Net Assets	\$6,408,869
Net Asset Value (Before CGT provision)	93.09 cents per share
Net Asset Value (After CGT provision)	94.48 cents per share
Change in NAV this Quarter	-4.4%
Change in the Bank Bill Index this quarter	+1.2 %

DISTRIBUTION OF ASSETS

