

# Wilson Investments Taurine Fund Limited



## Managing Director's Quarterly Report

DECEMBER 2002

### Total Net Market Value of Assets

\$14,127,161 or 107.1c per share

### Investment Performance

(These figures are unaudited)

To Dec	Quarter	One Year
Total return to Shareholders over the period*	-2.3%	-16.5%
Change in All Ords over Period	+1.6%	-11.4%
Change in Bank Bill Index over the Period	+1.6%	+4.8%

\* This is a realised after-tax return while the return on the All Ordinaries Index is pre-tax.

### Asset Allocation

Financials	39.8%
Consumer Staples	12.7%
Consumer discretionary	11.3%
Materials	11.2%
Cash	2.6%
Other	22.4%

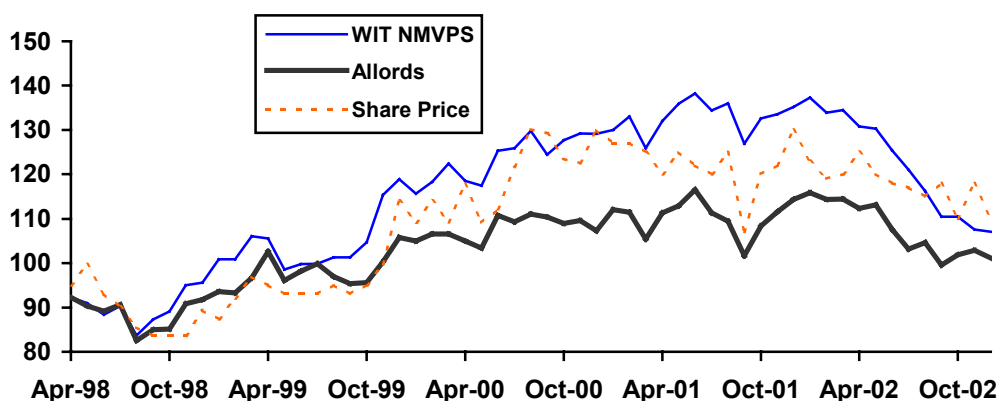
### Five major investments

(As a % of the portfolio)

	Sep-02	Dec-02
Rio Tinto	9.6%	11.2%
NAB	9.7%	9.6%
Macquarie Bank	7.3%	8.0%
Perpetual	7.5%	6.7%
Woolworths	6.7%	6.0%
Total	40.8%	41.5%

### Relative Performance History

(After adjusting for the rights issue)



### Investment Activity

- The Foster's holding was lightened during the quarter and the entire holdings in Baycorp Advantage, ION and CSL were sold.
- The best performing investment over the quarter was Rio Tinto while the market price for Cochlear and Westfield Holdings showed some improvement. Brambles and Southcorp continued to decline in value to be the worst performing investments in the portfolio.
- There was some improvement in December, with the growth stocks characterising our investment portfolio out-performing the market by 1.5%. However, we do believe that the general lack of investment performance is likely to persist until the Iraq issue is resolved.

### Market facts

- The Australian market as measured by the All Ordinaries Index increased by 1.6% over the quarter from a level of 2928.3 at the end of September 2002 to a level of 2975.5 at the end of December 2002. The Index is down 11.4% over the twelve months to the end of December and has produced an overall return of 9.7% since April 1998.
- The industrial sector of the market is currently offering a 6.2 per cent earnings yield. The current yield gap for industrials is therefore **negative** 157 basis points. The average yield gap for industrials since 1990 has been **positive** 50 basis points.
- Based on an estimated sustainable bond yield of 6.0 percent, earnings per share growth of 6 percent over the next 12 months and a positive yield gap of 50 basis points, **fair value for the S&P/ASX 300 Industrials Index is 20 percent higher than its current level.**