



WAM Australian Equity Fund Limited

A.C.N. 080 135 913

MANAGER'S REPORT: MARCH 1999

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 Mar 1999

Quarter to	Mar 99	Dec 98
Total Net Assets	\$7,707,929	\$7,048,386
NAV (Before CGT provision)	111.7c per share	102.2c per share
Change in NAV over the Quarter	+9.3%	+11.2%
Change in All Ords over Quarter	+5.5%	+8.8%
Change in Bank Bill Index	+1.2%	+1.2%

Asset Allocation at 31 Mar 1999

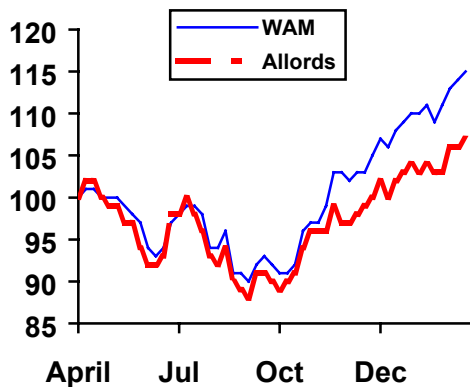
Australian Equities	99.0%
Cash	1.0%

Five major investments

	Mar-99	Dec 98
Telstra	10.1%	10.2%
Sun-Met EIN II	10.1%	9.9%
Rio Tinto	7.6%	7.3%
NAB	6.6%	6.2%
TAB	6.4%	6.9%
Total	40.8%	40.5%

Performance History

(From the public placing in April 98)



Investment Highlights

- The US economy has continued to surprise on the upside with GDP growing by an annualised 6% in the last quarter of 1998. Growth in Europe is slowing with annualised data showing that the GDP increased in the last quarter of 1998 by only 2.4%. China should fall short of its official forecast growth rate of 7% as a result of reduced fixed investment. The Japanese economy remains in recession with consumer confidence low and unemployment rising.
- The flight into the bond market, which occurred in October 1998 during the Russian financial crisis, has reversed. The yield on domestic 10-year bonds for example increasing from 4.7% to 5.5% at the end of March 1999.
- This increase in bond yields did not have a material impact on the world sharemarkets which increased in value during the March quarter by 3.3%. The Dow outperformed, increasing by 6.6% during the March quarter.
- The Australian market performed well when compared with the international markets, increasing by 5.5% over the quarter from a level of 2813.4 to 2967.2.
- The Tourism & Leisure, Media and Banking sectors of the market were the main contributors to the overall good performance.

Fund performance during the quarter

- During the quarter under review, the Net Asset Value of the WAM Australian Equity Fund increased by 9.3% from 102.2 cents as at December 1998, to 111.7 cents as at the end of March 1999. This improvement during the quarter resulted in WAM outperforming not only the cash rate, but also the All Ordinaries Index, which by comparison, increased by 5.5% as shown in the above Performance Table. WAM has also outperformed the All Ordinaries Index since inception as shown on the adjacent chart.
- The major purchases made by WAM during the quarter were Cinema Plus and Village Roadshow.