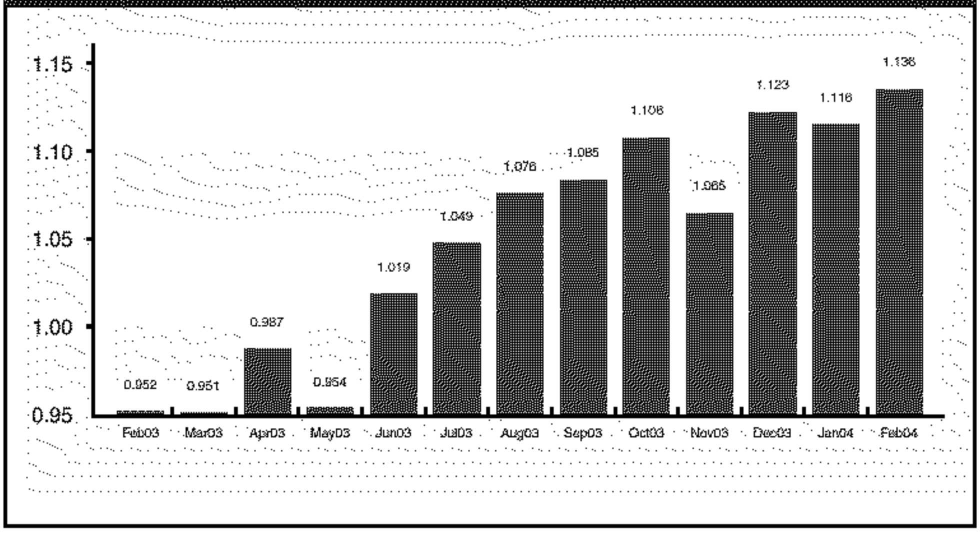
Wallace Absolute Return Limited

February 2004

Trading Highlights

	BEFORE TAX	AFTER TAX
February 2004	2.73%	1.81%
Last Three Months	6.69%	6.14%
Last Six Months	5.54%	4.50%
Last 12 Months	19.32%	18.14%
Return Since Inception	13.59%	12.47%
Date of Inception	28 January 2003	
Asset Value per share	$1.089	$1.0823
End of Month Share Price	$0.99	$0.99
WAB share price premium / (discount)	(9.1%)	(8.5%)
WAB Stock Turnover in January	575,502	

Before Tax Cumulative Return



Fund Characteristics

Number of stocks held:	63
% in the ASX 200:	90.25%
% of the top five positions:	34.11%
% in convertibles:	6.50%
% in dual listed trades:	6.99%

Largest 10 Positions: RIO, BIL, TLS, NCP, NCPDP, MIG, HHG, FGL, BHP, AMP

How to invest in the Company

- Investors wishing to invest in Wallace Absolute Return Ltd can apply through the prospectus or by purchasing shares directly on the Australian Stock Exchange (ASX). The ASX code is WAB and shares can be purchased on the ASX by your professional adviser or through wrap accounts. The prospectus can either be downloaded off the website or mailed out upon request.

Contact Details

- To contact Wallace Absolute Return Limited, please call the office on (02) 9230 0422 or email us at wallace@wallacefunds.com.au.

Website Information

- More information can be found on the website, www.wallacefunds.com.au including the weekly returns of WAB, information about the Manager and tutorials on some of the trading strategies used.

Market Commentary

Wallace Absolute Return Limited (WAB) performed strongly in February 2004. WAB's after tax Net Asset Value (NAV) increased from $1.0524 to $1.0823 over the month.

Once again WAB benefited from currency volatility which allowed it to realise opportunities in dual listed stocks. Profits were realised in FCL, WFA, SDG, BIL and NAB during the month. The profit reporting season highlighted the success or failure of management to turn around the operational performance of businesses over calendar 2003 as the last quarter of 2002 represented the cyclical low in corporate profitability. CTX, BEN, CEY and PMN all were rewarded for strong results whilst shareholders in ALL, SRP and CSL were relieved that the worst seems to be behind them. Amongst the worst performers for the month were NRT, TEM and ERG.

Looking forward, the second half of 2004 looks like being very interesting with elections due both in Australia and the USA. Markets typically do not like uncertainty and the record low levels of implied volatility seem unlikely to persist to years end. Record household debt levels and high oil prices may provide the speed bumps the market needs to continue its "wall of worry" climb.

Shareholders are reminded that WAB will trade ex its 4.5 cent fully franked dividend on 25 March 2004. The dividend reinvestment plan (DRP) will operate for this dividend. Shares issued under the (DRP) will be issued at the March month end NAV (after deducting the 4.50 cent dividend) less 5%. Please contact the WAB share registry, ASX Perpetual on (02) 8280 7365 to confirm your participation. You can also access ASX Perpetual and information on WAB from the website www.wallacefunds.com.au