Wallace Absolute Return Limited

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Australian Stock Exchange Limited
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000
Attention: Company Announcements

By E-lodgement

## Wallace Absolute Return Limited (WAB)

## Dividend Reinvestment Plan (DRP) underwriting agreements

Wallace Absolute Return Limited (ASX: WAB) today announced that it has entered into agreements with Baker Young Stockbrokers Limited, Grange Securities Limited and Catholic Church Insurances Limited to underwrite up to $943,000 of the DRP shortfall for the 4.5 cents per share interim dividend which was payable on 7 April 2004. Shares issued under the underwriting agreements will be issued at the DRP price of $0.991325 per share. Underwriters will be paid an underwriting fee of up to 2% for each share underwritten. This fee will be paid by the investment manager Wallace Funds Management Pty Ltd. Wallace Absolute Return Limited is not liable for any fees relating to the underwriting.

All shares issued pursuant to the underwriting agreements will rank equally with existing ordinary shares on issue.

### About Wallace Absolute Return Limited

Wallace Absolute Return Limited ("Company") has been in operation since January 2003 and is a listed investment company on the Australian Stock Exchange ("ASX"). The Company is a market neutral fund offering investors the opportunity to participate in an absolute return product which is regulated by both the Australian Securities and Investments Commission (ASIC) and the ASX. As part of the regulations under ASIC and the ASX, the Company publishes its NAV weekly through the ASX and on its website (www.wallacefunds.com.au) providing investors with timely performance updates.

The Company's investment strategy involves the use of the Managers fundamental and quantitative research to identify assets that are mispriced relative to each other. The Company then allocates its capital according to the risk adjusted return expectations of each security in order to optimise the Company's total return for a given level of risk. Broadly, the level of risk is measured by the expected range of outcomes for each security. A greater expected range of outcomes indicates higher risk and results in less capital being allocated to that investment.

**Features of the Company include:**

**Returns not correlated with equity market returns.** The Company aims to offer investors the opportunity to achieve positive returns through capital growth and franked dividends in rising and falling markets. These returns may be attractive to investors who wish to diversify the return profile of their investment portfolio.

**Franked Dividends:** As a listed company, the Company generates franking credits which may be distributed to shareholders through fully franked dividends.

**Dividend Re-investment Plan ("DRP"):** Shareholders can elect to participate in the dividend re-investment plan. Shares allotted under the DRP are issued at the latest published NAV per share less a discount set by the Board. The Board has determined a discount of 5% should be applied for the time being.

**Incentivised Fee Payment Structure:** The Manager is paid a base management fee, and a performance fee only if fund returns are above a pre-determined positive hurdle rate. The hurdle rate is the RBA cash rate (5.25% on 12 December 2003). If the Manager does not attain a positive return, no performance fee is payable - this aligns the goals of shareholders and the Manager. Underperformance relative to the positive hurdle rate must be fully recouped before the Manager is entitled to a performance fee. (Also Note: All employees of the Manager are shareholders in the Company).

**Flexibility in applying for shares:** New investors can buy shares either on the ASX or through the Company's current prospectus dated 4 December 2003. This allows investors to determine the most economical entry price. As new shares issued through the prospectus are issued at Net Asset Value, existing shareholders are not diluted.

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