

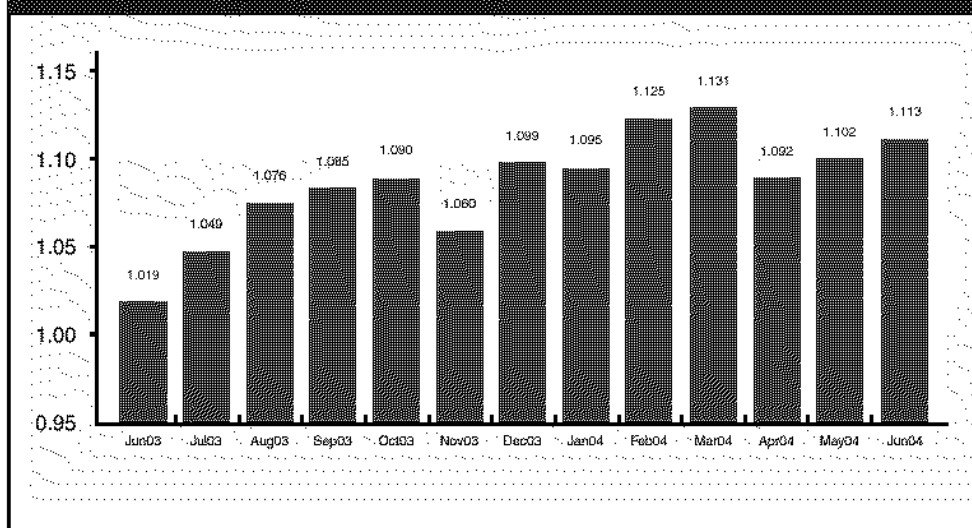
Wallace Absolute Return Limited

Trading Highlights

	BEFORE TAX	AFTER TAX
□ Month ended 30 June 2004	1.15%	0.99%
□ Last Three Months	-2.58%	-1.78%
□ Last Six Months	4.27%	1.70%
□ Last 12 Months	9.91%	9.69%
□ Return Since Inception (28/01/2003)	11.99%	11.77%

□ Asset Value per share	\$1.0252	\$1.0235
□ End of Month Share Price	\$0.96	\$0.96
□ WAB share price premium / (discount)	(6.36%)	(6.20%)
□ WAB Stock Turnover in June 2004	707,677	

After Tax Cumulative Return



Market Commentary

During June 2004 WAB's Net Asset Value (NAV) rose 1.15% before tax. The 30 June 2004 NAV after tax was \$1.0235.

The NAV increase in June 2004 resulted from the portfolio being overweight resource stocks such as BHP, MRE, RIO and ZFX and underweight banks and property trusts. In particular, the portfolio's largest short position is in NAB. We believe Australian banks are currently expensive relative to their international peers at a time in the economic cycle when their earnings are likely to come under pressure.

As the market begins to digest Q2 earnings reports in the US we believe it is likely to be disappointed. The easy year on year earnings increases have passed and with elections looming both here and in the US we believe a more cautionary stance may be appropriate.

On a housekeeping note WAB and Wallace Funds Management Pty Ltd (WFM) have 2 new staff members. Douglas Wong has been appointed WAB's Finance Manager and is responsible for accounting, regulatory and corporate governance matters. Tino Widarma has joined WFM as a quantitative analyst. Tino will be managing WFM's extensive database and testing new trading models. Both Douglas and Tino were previously employed by Deutsche Asset Management.

Once again investors are welcomed to the website www.wallacefunds.com.au and to our office at Level 19, 68 Pitt St, Sydney NSW 2000.

Fund Characteristics

Number of stocks held:	70
% in the ASX 200:	81.08%
% in the top five positions:	31.97%
% in convertibles:	7.75%
% in dual listed trades	5.20%

Largest 10 Positions: ANZ, BHP, BIL UK, HHG, MIA, MBL, NAB, NCPDP, QAN, TLS

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.

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