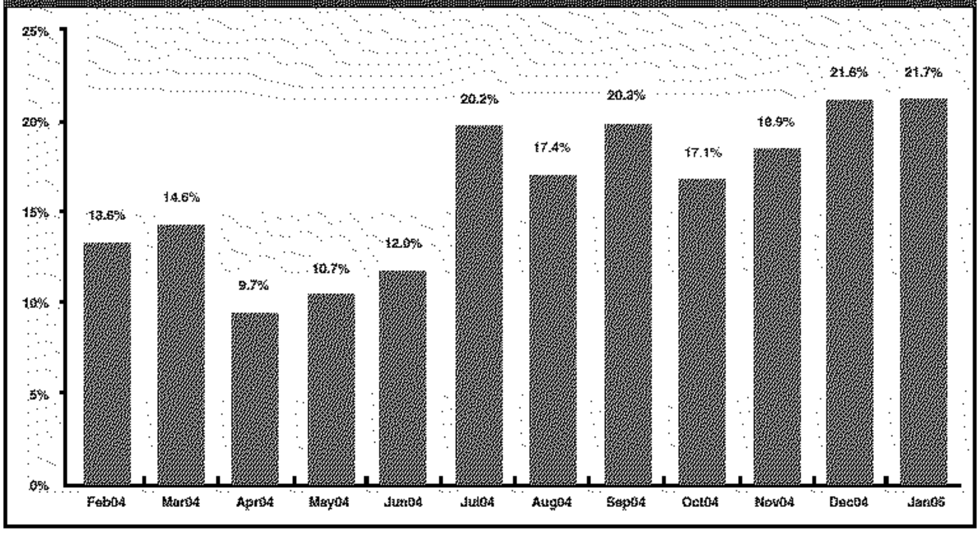
Wallace Absolute Return Limited

■ January 2005

Trading Highlights

	BEFORE TAX	AFTER TAX
□ Month ended 31 January 2005	0.02%	-0.91%
□ Last Three Months	3.94%	2.20%
□ Last Six Months	1.21%	1.21%
□ Last Twelve Months	9.07%	8.83%
□ Return Since Inception	21.69%	19.15%
□ Date of Inception	28 January 2003	
□ End of Month Asset Value per share	$1.0693	$1.0489
□ End of Month Share Price	$1.01	$1.01
□ WAB share price premium / (discount)	(5.9%)	(3.9%)
□ WAB Stock Turnover in January 2005	824,160	

Before Tax Cumulative Return



Fund Characteristics

Number of stocks held:	40
% in the ASX 300:	85.92%
% in the top five positions:	50.10%
% in convertibles:	0%

Largest 10 Positions: AXA, BHP, BIL LN, CBA, HHG, NAB, PGN, RIO LN, WES, ZFX

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

In January 2005, WAB's portfolio generated a gain of 0.02% before tax and a loss of 0.91% after tax. A large number of profitable positions were realised during the month as the market reached record high levels. WAB's future income tax benefit (FITB) reduced as a result. The income tax liability payable is reflected by the difference between WAB's before and after tax net asset value (NAV). WAB aims to fully frank the dividends it pays to shareholders by passing on the franking credits it receives on the shares it owns and the income tax it pays. Amongst the positions realised were RIO, OKN, PWT, CGF, ZFX and MIG.

Towards the end of January WAB's weightings in the bank, insurance and media sectors were increased from low levels. Consequently the portfolios overweighting in the resource sector was reduced. This reflected some caution heading into the profit reporting season. Whilst we are still confident in the growth outlook for the global economy, and China in particular, at some stage higher input prices will result in price appreciation or margin pressure. Neither of these outcomes is likely to support higher equity prices.

Shareholders are advised that WAB will release its half year accounts and dividend declaration in the week beginning 21 February 2005. These announcements will be emailed to shareholders who have supplied their email information to the company shortly after being released to the ASX.

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.