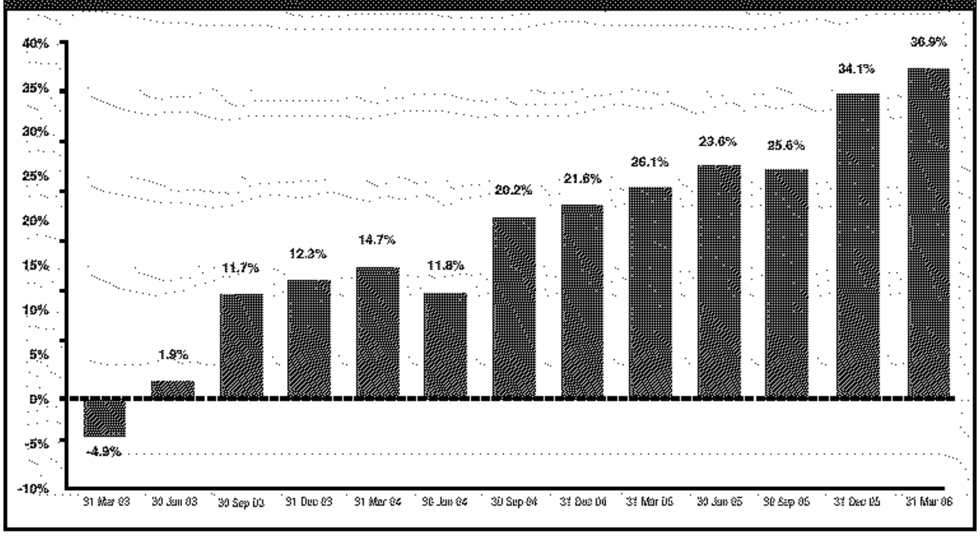
Wallace Absolute Return Limited

■ March 2006

Trading Highlights

	BEFORE TAX	AFTER TAX
□ Month ended 31 March 2006	2.34%	1.53%
□ Last Three Months	2.13%	1.74%
□ Last Six Months	9.07%	6.73%
□ Last Twelve Months	8.61%	6.90%
□ Annualised Return Since Inception	10.16%	8.43%
□ Date of Inception	28 January 2003	
□ End of Month Asset Value per share	$1.1126	$1.0530
□ End of Month Share Price	$1.05	$1.05
□ WAB share price premium / (discount)	(5.63)%	(0.29)%
□ WAB Stock Turnover in March 2006	745,787	

Before Tax Cumulative Quarterly Return



Fund Characteristics

Number of stocks held:	51
% in the ASX 300:	89.11%
% in the top five positions:	36.09%
% in convertibles:	0%

Largest 10 Positions: ANZ, BHP, MBL, NWSLV, PGN, SDS, SGB, TLS, VGL, WBC

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

The WAB Net Asset Value increased by 2.34% before tax and 1.53% after tax in March 2006.

The ASX200 was up 4.24% in March, after falling 0.2% in February. WAB's portfolio benefited from the rebound in resource stocks such as OXR (+40.7% for the month), ZFX (+23.3%), BHP (+15.5%) and HDR (+14.9%). Other stocks that contributed positively included TPI (+50.0%), SEV (+18.9%) and RCD (+8.3%). Negative contributors included ILU (+9.8%), BSL (+8.8%), LLC (+3.8%) and CGF (-10.0%).

The investment manager, Wallace Funds Management Limited (WFM), reduced resource exposure towards the end of March 2006 due to the strong appreciation in stock prices. Whilst WFM believes the medium term outlook appears very positive for basic materials current equity prices do not seem to fully factor in the negative potential of production disruptions, skill shortages, escalating cost pressures and political risk associated with resource development.

WFM also notes that volatility, both actual and implied, has increased and this may indicate a lessening in the supply of risk capital available to the market. In the opinion of WFM it is highly likely that volatility levels will stay at high levels over the next few months.

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.