

# WALLACE AUSTRALIA OPPORTUNITIES FUND

## Performance Report December 2005

### Fund Information

<b>Strategy</b>	Australian Equity Market Neutral	<b>Domicile</b>	Cayman Islands
<b>Style</b>	Multiple trading strategies.	<b>Denomination</b>	USD, AUD
<b>Inception</b>	October 2005	<b>Management fee</b>	1.50% per annum
<b>Strategy Assets</b>	AUD \$10m	<b>Performance fee</b>	20% with high water mark
<b>Liquidity</b>	Monthly	<b>Lock Up</b>	Nil

### Fund Performance - AUD Class (net of fees and expenses)

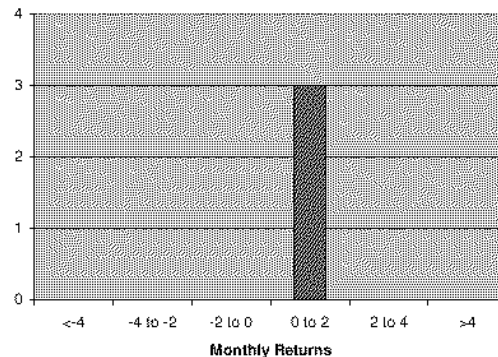
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
<b>2005</b>										1.18%	1.15%	1.28%	3.65%
<b>2006</b>													

### Performance and Market Commentary

The Wallace Australian Opportunities Fund increased 1.28% after all fees and expenses during December 2005. At the end of December the fund had positions in 41 stocks. 30 stocks had long positions and 11 stocks had short positions. The funds net stock exposure was hedged with short index futures. Strong positive contributions were recorded in Zinifex (+27.88% for the month), Tutt Bryant (+26%), Cochlear (+14.32%) and Woodside Petroleum (+12.97%).

The event driven portfolio increased weightings to Volante following an unsolicited bid from Commander Communications at \$1.01 per share. We see the transaction as earnings per share positive at up to \$1.25 per share. Our Baycorp position was also increased as Alico Equity Partners received a cash injection from their partly paid issue which we believe will be used to increase their stake. For those interested in hearing more about WAOF, Richard Wallace will be in Europe and the US in February 2006. Please contact us should you wish to make contact.

### Distribution of Monthly Returns



### Portfolio Analysis

	Gross	Net	Long	Short	Attribution (Net)
<b>Portfolio</b>	238%	8%	123%	(118%)	
<b>Strategy Allocation</b>					
Long / Short	113%	3%	58%	-55%	0.26%
Event Driven	46%	6%	26%	-20%	0.74%
Convertibles/Fixed Interest	79%	-1%	39%	-40%	0.28%
Strategic	0%	0%	0%	0%	0.00%

### Fund Parameters

Maximum Gross	500%
Net Range	-10% to 10%

### Return / Risk Statistics

<b>Annualised Since Inception</b>	
Return p.a.	14.61%
% Positive Months	100%

### Service Providers

<b>Administrator:</b>	<b>Auditor:</b>
HSBC	Ernst & Young
<b>Legal Counsel</b>	<b>Prime Broker:</b>
Walkers	UBS AG

### Contact Details

<b>Fund Managers:</b>
Richard Wallace and Michael Birch
+61 (0) 2 9230 0420
<a href="mailto:richard.wallace@wallacefunds.com.au">richard.wallace@wallacefunds.com.au</a>
<a href="mailto:michael.birch@wallacefunds.com.au">michael.birch@wallacefunds.com.au</a>

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