

# WALLACE AUSTRALIA OPPORTUNITIES FUND

## Performance Report April 2006

### 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 \$11m                        | <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)

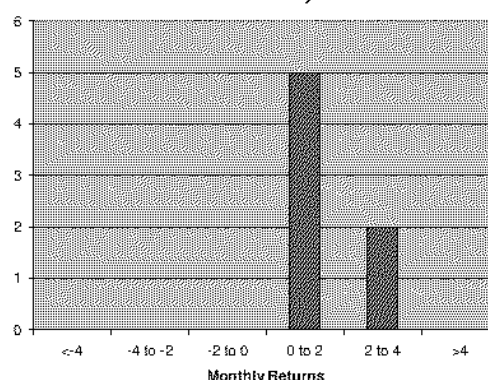
|             | JAN   | FEB   | MAR   | APR   | MAY | JUN | JUL | AUG | SEP | OCT   | NOV   | DEC   | YTD   |
|-------------|-------|-------|-------|-------|-----|-----|-----|-----|-----|-------|-------|-------|-------|
| <b>2005</b> |       |       |       |       |     |     |     |     |     | 1.18% | 1.15% | 1.28% | 3.65% |
| <b>2006</b> | 1.48% | 0.15% | 2.50% | 2.70% |     |     |     |     |     |       |       |       | 6.99% |

### Performance and Market Commentary

The Wallace Australia Opportunities Fund had an estimated return of +2.70% after all fees and expenses during April 2006. At the end of April the fund had positions in 42 stocks, 27 long positions and 15 short positions. The funds net stock exposure was hedged with put options over individual stocks and index futures. Profitability style factors were the dominant screen in April. Stocks that ranked well on profitability style factors such as ROE growth and EV/EBIT growth performed well during the month. Conversely, stocks that ranked well on value factors such as dividend yield and Price/Book underperformed the market.

In the month of April both Long Short and Event Driven portfolios performed well. Out of 17 trading days, the Long Short portfolio had 12 positive days and contributed 1.08% to the net performance. The factor model successfully identified likely over and under performing stocks. Among the biggest contributors to the Long Short performance were OXR (+27% for the month), KZL (+22%) and MBL (+10%). However the fund gave back some performance primarily on long PPX (-11%) and short BSL (-7%). The Event Driven portfolio contributed 1.62% largely due to SDS (+17%) and a narrowing of spread trades.

Distribution of Monthly Returns



### Portfolio Analysis

|                             | Gross | Net | Long | Short  | Attribution (Net) |
|-----------------------------|-------|-----|------|--------|-------------------|
| <b>Portfolio</b>            | 295%  | 1%  | 148% | (147%) | 2.70%             |
| <b>Strategy Allocation</b>  |       |     |      |        |                   |
| Long / Short                | 108%  | 1%  | 55%  | -54%   | 1.08%             |
| Event Driven                | 187%  | 0%  | 93%  | -93%   | 1.62%             |
| Convertibles/Fixed Interest | 0%    | 0%  | 0%   | 0%     | 0.00%             |
| 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.                       | 19.40% |
| Std Deviation p.a                 | 3.01%  |
| Sharpe Ratio (5.5%)               | 4.6    |
| % 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

|                                                                                              |
|----------------------------------------------------------------------------------------------|
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### Disclaimers

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