



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – JANUARY 2010

WAM Active Limited (WAA) listed on the Australian Stock Exchange in January 2008.

WAA offers investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. Since inception WAA has outperformed the overall sharemarket. WAA's portfolio (before all fees, costs, taxes and dividends) has increased by 39.8% compared to a 21.7% decrease in the S&P/ASX All Ordinaries Accumulation Index. The investment objectives of WAA are to derive an absolute return, to deliver investors an income stream in the form of fully franked dividends and to preserve capital.

Set out below is the performance of WAA:

	Since inception	12 month	6 month	3 month
WAM Active	+39.8%	+57.5%	+13.9%	-2.3%
S&P/ASX All Ords Accum	-21.7%	+38.3%	+10.3%	-0.5%
Outperformance	+61.5%	+19.2%	+3.6%	-1.8%

In January WAA's gross portfolio (before all fees, costs and taxes) decreased by 3.6%, while the S&P/ASX All Ordinaries Accumulation Index fell by 5.8%.

NTA before tax	123.71c
NTA after tax and before tax on unrealised gains	120.95c
NTA after tax	116.89c

The above numbers are before the payment of a fully franked dividend of 3.0 cents per share payable 26 February 2010.

MARKET OUTLOOK

Investors received a sharp reminder that share markets do not go up in a straight line in January when the benchmark S&P/ASX All Ordinaries Accumulation Index slumped 5.85 per cent. The major contributor to the sudden sell off was the volatile mining sector with the All Resources Index diving more than 9 per cent for the period. The reason behind the rapid decline in commodity stocks was primarily news that the Chinese government had taken the first steps to temper economic growth after an

above average period. China has a major impact on commodity prices and the prospects of a slower rate of growth in the world's most populace nation triggered a selloff in resources stocks. We would expect the change in direction from the Chinese government could play out over six months.

In the broader market, the S&P/ASX All Ordinaries index has effectively not moved higher since last August. This seems strange given the strong rebound in the economy and the positive earnings growth companies are currently experiencing. However, markets are predictive and attempt to forecast how the climate will be in 12 to 24 months. This was the case in 2009 when share prices rocketed higher in anticipation of an earnings rebound in 2011. What has become apparent in more recent times is that the economic recovery is stronger and sooner than almost anyone expected. This has resulted in the Reserve Bank of Australia raising official interest rates ahead of most forecasts. Investors do not like rising interest rates because they have the impact of slowing company earnings into the future. Therefore, we believe the market has entered a period of sideways to downwards movement that is likely to be in place deep into calendar year 2010 and possibly early 2011.

DIVIDENDS

A fully franked dividend of 2.0 cents per share has been paid in the period to 31 December 2009 and an interim fully franked dividend of 3.0 cents per share has been declared by the Board and will be paid on 26 February 2010.

The board is committed to paying an increasing stream of fully franked dividends to shareholders over time. Dividends can only be paid if the Company has sufficient profits and franking credits.

PORTFOLIO STRUCTURE & STRATEGY

	As at 31 December 2009		As at 31 January 2010	
Investment Type	\$m	%	\$m	%
Listed Equities	12.15	56.7%	14.02	68.6%
Fixed Interest and Cash	9.28	43.3%	6.42	31.4%
Total Long Portfolio	21.43	100.0%	20.44	100.0%
Total Short Portfolio	(0.58)		(0.35)	
	No.		No.	
Total no. of ord shares on issue	15,489,219		15,489,219	
Total no. of options on issue	-		-	

During the month of January we increased our cash level to an average of 37.4%.

We established positions in ConnectEast Group (CEU), Intoll Group (ITO), APN News & Media Limited (APN), Resource Generation Limited (RES), Monadelphous Group Limited (MND), Macquarie Office Trust (MOF), Contango Capital Partners Limited (CQ), Blackmores Limited (BKL), Macquarie Group Limited (MQG) and Paperlinx SPS Trust (PXUPA).

We took advantage of the following capital raisings: Hillgrove Resources Limited (HGO) and NSL Consolidated Limited (NSL).

We traded positions in Automotive Holdings Group Limited (AHE), Harvey Norman Holdings Limited (HVN), Metcash Limited (MTS) and Asciano Group (AIO).

We reduced our holdings in DWS Advanced Business Solutions Limited (DWS), Newsat Limited (NWT), Flight Centre Limited (FLT), Challenger Diversified Property Group (CDI), Navitas Limited (NVT), Elk Petroleum Limited (ELK), Ardent Leisure Group (AAD) and Bauxite Resources Limited (BAU).

We exited positions in PanAust Limited (PNA), Silver Chef Limited (SIV), Nkwe Platinum Limited (NKP), Heritage Building Society Limited (HBSHA), Maryborough Sugar Factory Limited (MSF), Challenger Kenedix Japan Trust (CKT), ANZ Limited (ANZ), Telstra Corporation Limited (TLS), CSG Limited (CSV), Equinox Minerals Limited (EQN) and a short position in WorleyParsons Limited (WOR).

At 31 January 2010 the major securities held in the portfolio were:

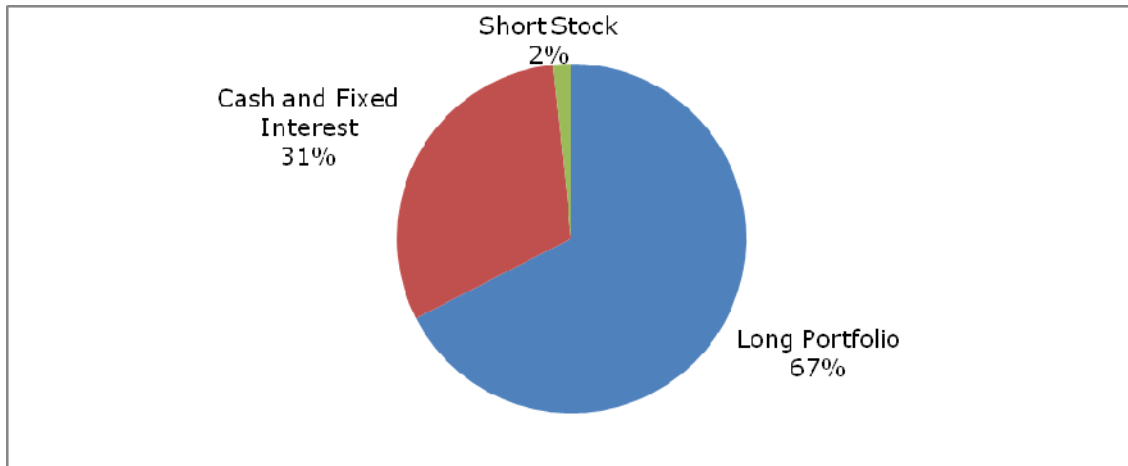
CODE	COMPANY	MARKET VALUE \$	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
MCP	McPherson's Limited	788,875	5.6%	3.9%
FBU	Fletcher Building Limited	549,848	3.9%	2.7%
QAN	Qantas Airways Limited	521,424	3.7%	2.6%
VBA	Virgin Blue Holdings Limited	514,187	3.7%	2.6%
TOL	Toll Holdings Limited	511,700	3.6%	2.5%
TEN	Ten Network Holdings Limited	495,805	3.5%	2.5%
WES	Wesfarmers Limited	481,700	3.4%	2.4%
BLY	Boart Longyear Limited	455,600	3.2%	2.3%
FXL	Flexigroup Limited	444,414	3.2%	2.2%
WDC	Westfield Group	429,760	3.1%	2.1%
RHG	RHG Limited	421,332	3.0%	2.1%
MTS	Metcash Limited	411,825	2.9%	2.0%
MOF	Macquarie Office Trust	376,125	2.7%	1.9%
FXJ	Fairfax Media Limited	352,920	2.5%	1.8%

PERFORMANCE TABLE

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
Gross Portfolio **	+0.3%	+1.2%	+0.5%	+1.6%	+2.4%	-3.7%	-1.1%
All Ords Accum.	-11.2%	+0.3%	-4.1%	+4.6%	+2.5%	-7.3%	-5.2%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
Gross Portfolio **	+0.1%	-3.8%	-5.3%	-5.2%	+3.4%	-1.9%	+0.6%
All Ords Accum.	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%	-4.9%	-4.3%
	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sep 09
Gross Portfolio **	+4.5%	+7.6%	+5.0%	+6.2%	+9.6%	+7.5%	+6.2%
All Ords Accum.	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%	+6.5%	+6.0%
	Oct 09	Nov 09	Dec 09	Jan 10			Since Inception
Gross Portfolio **	+2.7%	+0.3%	+1.0%	-3.6%			+39.8%
All Ords Accum.	-1.9%	+1.9%	+3.7%	-5.8%			-21.7%

**The change in the portfolio before all expenses, fees and taxes.

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

