



**WAM ACTIVE LIMITED (WAA)**  
**ABN 49 126 420 719**  
**INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT**  
**SEPTEMBER 2012**

**Company overview**

WAM Active Limited (WAA) is a listed investment company that provides investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets.

**Investment objective**

The investment objectives are to deliver investors a growing income stream in the form of fully franked dividends and to preserve capital in both the short term and long term.

**Outperformance against sharemarket**

Since inception, the WAA investment portfolio has outperformed the overall sharemarket – its performance against the S&P/ASX All Ordinaries Accumulation Index is set out in the table below. The investment performance is before expenses, fees and taxes.

<b>Performance as at 30 September 2012</b>	<b>1 Mth %</b>	<b>6 Mths %</b>	<b>Fin YTD %</b>	<b>1 Year %</b>	<b>2 Yrs %pa</b>	<b>3 Yrs %pa</b>	<b>Since Inception (Jan-08) %pa</b>
WAA Investment Portfolio	+1.4%	+4.2%	+4.7%	+11.0%	+8.6%	+6.5%	+11.7%
S&P/ASX All Ordinaries Accumulation Index	+2.1%	+2.1%	+8.2%	+13.4%	+1.9%	+1.8%	-3.4%
<b>Outperformance</b>	<b>-0.7%</b>	<b>+2.1%</b>	<b>-3.5%</b>	<b>-2.4%</b>	<b>+6.7%</b>	<b>+4.7%</b>	<b>+15.1%</b>

**NTA figures**

The following Net Tangible Asset (NTA) figures are before the payment of a fully franked final dividend of 4.5 cents per share payable on the 19 October 2012. The shares traded ex dividend on 8 October 2012. The figures below have not been adjusted for the 14,963,616 remaining options on issue with an exercise price of \$1.08 per share.

<b>NTA before tax</b>	<b>109.73c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>111.42c*</b>
<b>NTA after tax</b>	<b>109.37c**</b>

\* Includes tax assets of 1.69 cents per share.

\*\*Includes the net effect of 1.69 cents of tax assets and 2.05 cents of deferred tax liabilities.

## Market outlook

### *Index up for the month*

The ASX S&P All Ordinaries Accumulation Index finished the month up 2.1% and up 8.2% for the first quarter of the new financial year. The September quarter was the best for the Australian market in three years. The market was boosted by the US and European central banks announcing further monetary stimulus. Expectations of interest rate cuts domestically also improved market sentiment. A cut of 0.25% was delivered in early October with further rate cuts expected over the next 12 months.

### *Iron ore still rusting*

While iron ore prices recovered somewhat during September there was no respite for companies in the mining services sector. Macmahon Holdings downgraded its FY13 profit forecast by 40% - 70%. This was one month after their full year result when a 20% rise in FY13 profits was forecast. Fortescue Metals Group cut staff numbers, announced asset sales, cut capital expenditure and refinanced debt to relieve pressure on its balance sheet. The reduction in capital expenditure by the major mining companies is slowly filtering through the mining services sector. We expect further downgrades in the coming months.

### *Waiting for guidance*

We still believe analysts' expectations for FY13 earnings are too high and that further earnings downgrades will be announced. Annual General Meeting (AGM) season is only a few weeks away and the profit guidance provided will be watched closely. Many companies provided little or no guidance with their results in August, where they would have normally done so. Thus there will be added emphasis on the updates provided at this year's AGMs.

## **Dividends – 4.5 cents per share fully franked final**

On 10 August 2012, the Board announced a fully franked FY2012 final dividend of 4.5 cents per share. This was a 12.5% increase on the previous year's dividend.

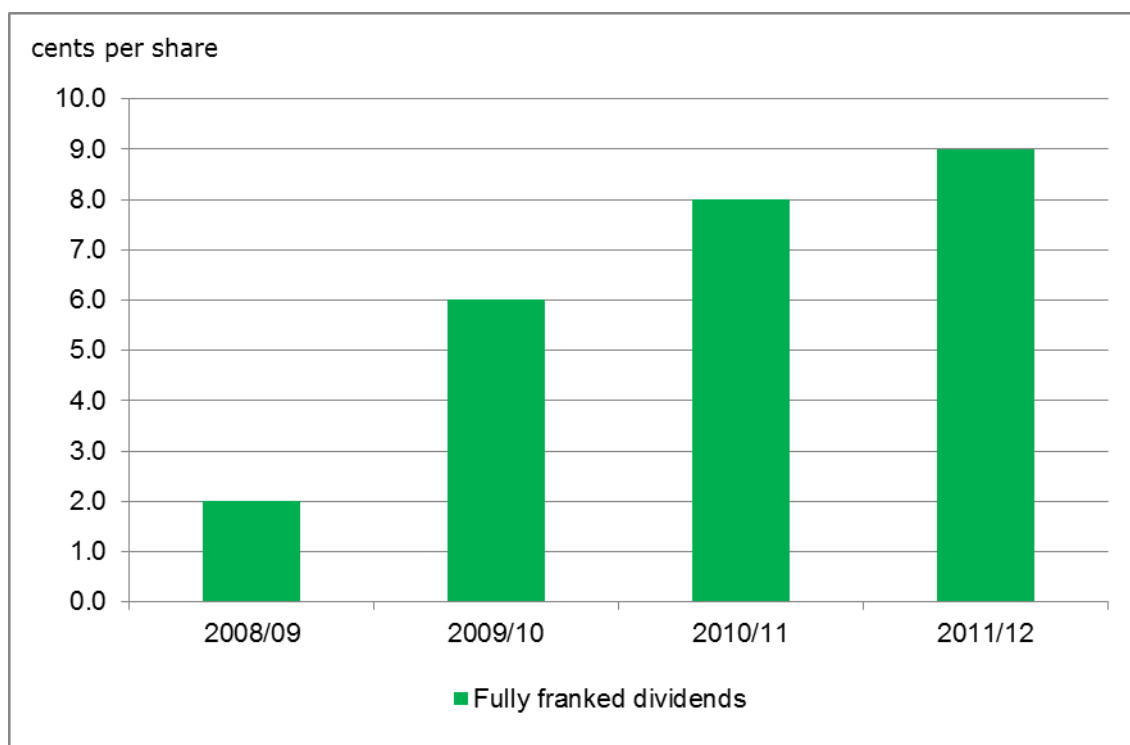
➤ Dividend ex date	8 October 2012
➤ Dividend record date	12 October 2012
➤ DRP election date	12 October 2012
➤ Dividend payment date	19 October 2012
➤ Last day for Option holders to exercise options in order to be eligible for the dividend	5 October 2012

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the Company has sufficient franking credits and it is within prudent business practices. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

The dividend re-investment plan will operate at a 2.5% discount to the weighted average market price of shares sold on the ASX on the books closing date (12 October 2012) and the three trading days preceding that date.

## Dividends (continued)

To participate in the dividend re-investment plan, please send your election form to our share registrar no later than 12 October 2012.



## Option issue – 1 for 1 bonus issue

On 4 May 2012, the Board announced a 1 for 1 bonus issue of options to acquire ordinary shares in the capital of the Company. The options were allotted to shareholders on 25 June 2012. The options have an exercise price of \$1.08 per share and can be exercised at any time on or before 12 December 2013. The options are currently trading on the ASX under the code WAAO.

As at 30 September 2012, 1,346,329 options have been exercised for a total consideration of \$1,454,035 with a remaining balance of outstanding options being 14,963,616.

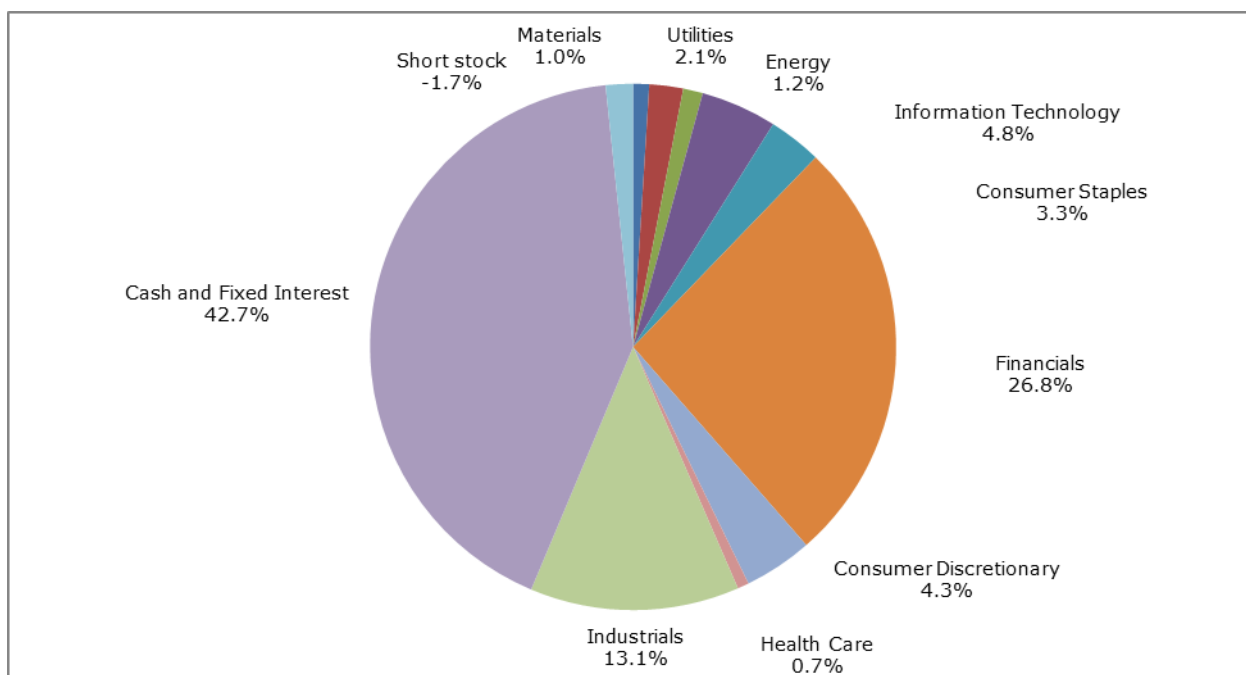
## Portfolio structure

Investment Type	As at 31 Aug 2012		As at 30 Sep 2012	
	\$m	%	\$m	%
Listed Equities	9.7	52.1%	11.6	57.3%
Fixed Interest and Cash	9.0	47.9%	8.6	42.7%
<b>Total Long Portfolio</b>	<b>18.7</b>	<b>100.0%</b>	<b>20.2</b>	<b>100.0%</b>
<b>Total Short Portfolio</b>	<b>(0.5)</b>	<b>(2.8%)</b>	<b>(0.3)</b>	<b>(1.7%)</b>
<b>Total Fund Size</b>	<b>\$18.2m</b>		<b>\$19.9m</b>	
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	16,480,909		17,656,274	
<b>Total options on issue</b>	16,138,981		14,963,616	

At 30 September 2012 the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % Gross Assets
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	710,301	3.5%
ALS	Alesco Corporation Limited	657,237	3.2%
INA	Ingenia Communities Group	629,602	3.1%
CCQ	Contango Capital Partners Limited	580,254	2.9%
RHG	RHG Limited	553,341	2.7%
SDG	Sunland Group Limited	540,060	2.7%
CYG	Coventry Group Limited	529,533	2.6%
CIF	Challenger Infrastructure Fund	427,639	2.1%
PRV	Premium Investors Limited	410,950	2.0%
RIC	Ridley Corporation Limited	402,857	2.0%
CRZ	Carsales.Com Limited	401,450	2.0%
GLG	Gerard Lighting Group Limited	383,097	1.9%
DJS	David Jones Limited	367,213	1.8%
BOQ	Bank Of Queensland Limited	332,686	1.6%
CLO	Clough Limited	322,194	1.6%
AGF	AMP Capital China Growth Fund	321,865	1.6%
FRI	Finbar Group Limited	296,633	1.5%
SHV	Select Harvests Limited	270,193	1.3%
CDA	Codan Limited	237,253	1.2%
CND	Clarius Group Limited	222,608	1.1%

## Portfolio structure – sector allocation



## Performance – yearly comparison to S&P/ASX All Ordinaries Accumulation Index

Set out below is the performance of WAA's investment portfolio since listing to 30 September 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAA Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2007/2008	+2.2%	-15.2%	<b>+17.4%</b>
2008/2009	+9.6%	-22.2%	<b>+31.8%</b>
2009/2010	+22.7%	+13.8%	<b>+8.9%</b>
2010/2011	+11.5%	+12.2%	<b>-0.7%</b>
2011/2012	+5.5%	-7.0%	<b>+12.5%</b>
2012/2013 YTD	+4.7%	+8.2%	<b>-3.5%</b>

## Performance - monthly comparison

The table below shows the month by month investment performance of WAA against the S&P/ASX All Ordinaries Accumulation Index.

	<b>Jan 08</b>	<b>Feb 08</b>	<b>Mar 08</b>	<b>Apr 08</b>	<b>May 08</b>	<b>Jun 08</b>	<b>Jul 08</b>
Investment 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%
	<b>Aug 08</b>	<b>Sep 08</b>	<b>Oct 08</b>	<b>Nov 08</b>	<b>Dec 08</b>	<b>Jan 09</b>	<b>Feb 09</b>
Investment 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%
	<b>Mar 09</b>	<b>Apr 09</b>	<b>May 09</b>	<b>Jun 09</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>
Investment 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%
	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>	<b>Jan 10</b>	<b>Feb 10</b>	<b>Mar 10</b>	<b>Apr 10</b>
Investment Portfolio*	+2.1%	+0.3%	+1.0%	-3.6%	+0.0%	+2.9%	+0.4%
All Ords Accum.	-1.9%	+1.9%	+3.7%	-5.8%	+1.8%	+5.8%	-1.2%
	<b>May 10</b>	<b>Jun 10</b>	<b>Jul 10</b>	<b>Aug 10</b>	<b>Sep 10</b>	<b>Oct 10</b>	<b>Nov 10</b>
Investment Portfolio*	-4.0%	-0.9%	+1.6%	+0.1%	+2.7%	+1.3%	+2.3%
All Ords Accum.	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%	-0.7%
	<b>Dec 10</b>	<b>Jan 11</b>	<b>Feb 11</b>	<b>Mar 11</b>	<b>Apr 11</b>	<b>May 11</b>	<b>Jun 11</b>
Investment Portfolio*	+3.6%	+0.7%	-0.3%	+0.4%	+2.5%	-1.6%	-2.3%
All Ords Accum.	+3.8%	+0.1%	+2.2%	+0.6%	-0.6%	-1.9%	-2.4%
	<b>Jul 11</b>	<b>Aug 11</b>	<b>Sep 11</b>	<b>Oct 11</b>	<b>Nov 11</b>	<b>Dec 11</b>	<b>Jan 12</b>
Investment Portfolio*	+0.0%	-1.2%	+0.7%	+2.1%	-0.4%	-1.0%	+1.0%
All Ords Accum.	-3.4%	-2.0%	-6.3%	+7.2%	-3.4%	-1.6%	+5.2%
	<b>Feb 12</b>	<b>Mar 12</b>	<b>Apr 12</b>	<b>May 12</b>	<b>Jun 12</b>	<b>Jul 12</b>	<b>Aug 12</b>
Investment Portfolio*	+3.5%	+1.1%	+0.0%	-1.6%	+1.1%	+1.2%	+2.0%
All Ords Accum.	+2.4%	+1.2%	+1.1%	-6.9%	+0.3%	+3.7%	+2.1%
	<b>Sep 12</b>						<b>Since Inception</b>
Investment Portfolio*	+1.4%						+69.3%
All Ords Accum.	+2.1%						-15.3%

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

## For more information

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