

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395



## **WAM CAPITAL LTD (WAM) - DECEMBER 2007** **INVESTMENT UPDATE & NTA**

WAM is an investment company whose mission is to provide superior returns to its investors over the medium to long term. WAM is managed by Wilson Asset Management (International) Pty Limited.

Since inception in August 1999 WAM Capital Ltd (WAM) has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 543.2% compared to a 202.0% increase in the All Ordinaries Accumulation Index.

In December WAM's gross portfolio (before all fees, costs and taxes) fell by 1.06%, while the All Ordinaries Accumulation Index fell by 2.36%.

NTA before tax	179.94c*
NTA after tax and before tax on unrealised gains	178.00c*
NTA after tax	172.20c*

\*The above figures are after the payment of a final dividend of 8.0 cents a share fully franked, paid on the 26 October 2007 and after the exercise of 431,994 options at \$1.80.

### **MARKET OUTLOOK**

The All Ordinaries Index hit a fresh high on 1 November 2007. Since then, the index has fallen approximately 11%. The catalyst for the fall has been the significant slow down in the US economy and subsequent revisions for world growth. While the Australian economy remains robust, with strong housing and retail numbers in the lead up to Christmas, we are concerned about the prospects for Australian company earnings as the global slowdown bites. As a result, we have raised our cash positions. We expect the Australian market will find it difficult to reach new highs in the near term and expect ongoing volatility. These types of shakeouts normally present selective stock buying opportunities and we expect this time will be no different.

### **DIVIDEND**

The final dividend for the 2007 year was 8.0 cents a share fully franked, paid on 26 October 2007.

### **OPTIONS ISSUE**

On 24<sup>th</sup> October 2006, the Directors of WAM Capital Limited announced a 1 for 1 bonus issue of options to its shareholders. The options were allotted to shareholders on 1<sup>st</sup> December 2006 and were issued at no cost to shareholders. The options had an exercise price of \$1.80 per option and were exercisable any time up until the expiry date of 17 December 2007.

On 17th December 2007, a total of 35,144,307 options had been exercised for a total consideration of \$63,259,753. The remaining balance of 33,066,464 options lapsed.

## **PERFORMANCE**

- The gross portfolio has decreased 5.09% for the 6 months to 31 December 2007.
- The gross portfolio has increased 11.84% for the 12 months to 31 December 2007.

Set out below is the performance of WAM Capital Limited since listing to 30 June 2007:

	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1999/2000	+33.3%	+11.3%	+22.0%
2000/2001	+30.2%	+8.9%	+21.3%
2001/2002	+32.7%	-4.5%	+37.2%
2002/2003	+12.3%	-1.1%	+13.4%
2003/2004	+27.3%	+22.4%	+4.9%
2004/2005	+13.9%	+24.8%	-10.9%
2005/2006	+27.4%	+24.2%	+3.2%
2006/2007	+44.1%	+30.3%	+13.8%

Annualised performance	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1 year	+44.1%	+30.3%	+13.8%
3 years	+27.9%	+26.1%	+1.7%
5 years	+24.5%	+20.6%	+4.0%
7 years	+26.2%	+14.5%	+11.7%
Since inception	+27.3%	+14.5%	+12.9%

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

## **PORTFOLIO STRUCTURE & STRATEGY**

As at 31 December 2007, listed securities made up approximately 66.4% of the portfolio, while fixed interest and cash made up the remaining 33.6%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research heavily to find companies that meet this profile.

Investment Type	As at 30 November 2007		As at 31 December 2007	
	\$m	%	\$m	%
Listed Equities	133.12	69.5%	126.28	66.4%
Fixed Interest and Cash	58.45	30.5%	63.94	33.6%
<b>Total Assets</b>	<b>191.58</b>	<b>100.0%</b>	<b>190.22</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total no. of ord shares on issue</b>	104,620,508		105,052,502	

## **PORTFOLIO STRUCTURE & STRATEGY (CONTINUED)**

At 31 December 2007 the major securities held in the portfolio were:

<b>COMPANY</b>	<b>MARKET VALUE \$</b>
Adtrans Group Ltd (ADG)	2,171,259
Aevum Ltd (AVE)	1,993,078
Bank of Queensland Reset Prefs (BOQPB)	1,613,378
Clime Investment Ltd (CIW)	2,590,175
Coates Hire Ltd (COA)	5,395,600
Coffey International Ltd (COF)	1,767,776
Coote Industrial Ltd (CXG)	2,021,250
Devine Ltd (DVN)	1,617,000
DWS Advanced Business Solutions Ltd (DWS)	2,000,177
Eservglobal Ltd (ESV)	1,738,964
Herald Resources Ltd (HER)	2,228,796
HFA Holdings Ltd (HFA)	3,395,756
Industrial Minerals Ltd (IDM)	1,570,000
ITX Group Limited (ITX)	1,775,575
Keybridge Capital Ltd (KBC)	1,801,003
Ludowici Ltd (LDW)	1,661,564
McMillan Shakespeare Ltd (MMS)	3,196,480
Melbourne IT Ltd (MLB)	4,373,934
Mitchell Communications Group Ltd (MCU)	3,258,618
NewSat Ltd (NWT)	1,508,858
Nomad Building Solutions Ltd (NOD)	3,423,244
Photon Group Ltd (PGA)	4,463,072
Premier Investments Ltd (PMV)	2,776,820
Rattoon Holdings Ltd (RTN)	3,087,924
Reckon Ltd (RKN)	7,451,816
Reverse Corp Ltd (REF)	2,580,947
RR Australia Ltd (RRA)	1,907,816
Service Stream Ltd (SSM)	2,954,297
Symbion Health Limited (SYB)	2,301,857
Watpac Ltd (WTP)	3,204,288
West Australian Newspapers Holdings Ltd (WAN)	1,948,916

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## PERFORMANCE TABLE

	<b>Aug 99</b>	<b>Sep 99</b>	<b>Oct 99</b>	<b>Nov 99</b>	<b>Dec 99</b>	<b>Jan 00</b>
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%
All Ordinaries Accum.	-1.9%	-1.7%	+0.5%	+5.9%	+3.7%	-1.8%
	<b>Feb 00</b>	<b>Mar 00</b>	<b>Apr 00</b>	<b>May 00</b>	<b>Jun 00</b>	<b>Jul 00</b>
Gross Portfolio *	+5.4%	+5.3%	-5.7%	-2.9%	+3.6%	+2.9%
All Ordinaries Accum.	+1.6%	+0.5%	-1.5%	-1.3%	+7.7%	-1.3%
	<b>Aug 00</b>	<b>Sep 00</b>	<b>Oct 00</b>	<b>Nov 00</b>	<b>Dec 00</b>	<b>Jan 01</b>
Gross Portfolio *	+5.2%	-0.7%	+2.5%	+1.9%	+0.1%	+1.7%
All Ordinaries Accum.	+1.7%	+0.2%	-1.1%	+1.1%	-2.0%	+4.4%
	<b>Feb 01</b>	<b>Mar 01</b>	<b>Apr 01</b>	<b>May 01</b>	<b>Jun 01</b>	<b>July 01</b>
Gross Portfolio *	-0.2%	- 3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-0.2%	- 4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	<b>Aug 01</b>	<b>Sep 01</b>	<b>Oct 01</b>	<b>Nov 01</b>	<b>Dec 01</b>	<b>Jan 02</b>
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%
	<b>Feb 02</b>	<b>Mar 02</b>	<b>Apr 02</b>	<b>May 02</b>	<b>Jun 02</b>	<b>Jul 02</b>
Gross Portfolio *	+3.1%	+4.9%	-0.4%	+0.7%	-2.2%	-3.0%
All Ordinaries Accum.	-1.1%	+0.8%	-1.8%	+0.9%	-4.4%	-4.1%
	<b>Aug 02</b>	<b>Sep 02</b>	<b>Oct 02</b>	<b>Nov 02</b>	<b>Dec 02</b>	<b>Jan 03</b>
Gross Portfolio *	+3.9%	-1.1%	+1.1%	+1.6%	+1.5%	+1.3%
All Ordinaries Accum.	+1.8%	-4.1%	+2.6%	+1.5%	-1.5%	-1.3%
	<b>Feb 03</b>	<b>Mar 03</b>	<b>Apr 03</b>	<b>May 03</b>	<b>Jun 03</b>	<b>Jul 03</b>
Gross Portfolio *	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	<b>Aug 03</b>	<b>Sept 03</b>	<b>Oct 03</b>	<b>Nov 03</b>	<b>Dec 03</b>	<b>Jan 04</b>
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%
	<b>Feb 04</b>	<b>Mar 04</b>	<b>Apr 04</b>	<b>May 04</b>	<b>Jun 04</b>	<b>Jul 04</b>
Gross Portfolio *	+2.7%	+0.1%	-1.3%	-0.8%	+1.0%	+2.4%
All Ordinaries Accum.	+3.1%	+2.0%	-0.1%	+1.6%	+2.7%	+0.6%
	<b>Aug 04</b>	<b>Sep 04</b>	<b>Oct 04</b>	<b>Nov 04</b>	<b>Dec 04</b>	<b>Jan 05</b>
Gross Portfolio *	+1.2%	+2.5%	+2.9%	+3.3%	+0.7%	+2.7%
All Ordinaries Accum.	+1.1%	+3.8%	+3.1%	+4.6%	+3.0%	+1.3%
	<b>Feb 05</b>	<b>Mar 05</b>	<b>Apr 05</b>	<b>May 05</b>	<b>Jun 05</b>	<b>Jul 05</b>
Gross Portfolio *	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	<b>Aug 05</b>	<b>Sep 05</b>	<b>Oct 05</b>	<b>Nov 05</b>	<b>Dec 05</b>	<b>Jan 06</b>
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%
	<b>Feb 06</b>	<b>Mar 06</b>	<b>Apr 06</b>	<b>May 06</b>	<b>Jun 06</b>	<b>Jul 06</b>
Gross Portfolio *	+4.9%	+5.3%	+2.1%	-2.3%	+0.5%	+0.4%
All Ordinaries Accum.	+0.7%	+4.8%	+2.4%	-4.3%	+1.9%	-1.5%
	<b>Aug 06</b>	<b>Sep 06</b>	<b>Oct 06</b>	<b>Nov 06</b>	<b>Dec 06</b>	<b>Jan 07</b>
Gross Portfolio *	+3.4%	+2.4%	+4.7%	+3.6%	+6.1%	+3.8%
All Ordinaries Accum.	+3.2%	+1.3%	+4.8%	+2.5%	+3.6%	+2.0%
	<b>Feb 07</b>	<b>Mar 07</b>	<b>Apr 07</b>	<b>May 07</b>	<b>Jun 07</b>	<b>Jul 07</b>
Gross Portfolio *	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%
All Ordinaries Accum.	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%
	<b>Aug 07</b>	<b>Sep 07</b>	<b>Oct 07</b>	<b>Nov 07</b>	<b>Dec 07</b>	<b>Since Inception</b>
Gross Portfolio *	-4.2%	+1.7%	+3.1%	-4.8%	-1.1%	+543.2%
All Ordinaries Accum.	+1.7%	+5.8%	+3.1%	-2.4%	-2.4%	+202.0%

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