

WAM CAPITAL LIMITED

(ACN 086 587 395)



WAM CAPITAL MAY 2006 **INVESTMENT UPDATE & NTA**

Since inception in August 1999 WAM Capital Ltd (WAM) has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividend) has increased by 366.9% compared to a 119.5% increase in the All Ordinaries Accumulation Index.

- In May WAM's portfolio (before all fees, costs and taxes) decreased by 2.3%, while the All Ordinaries Accumulation Index fell by 4.3%.
- The gross portfolio has increased 26.4% for the 11 months to 31 May 2006.
- The NTA before tax was 168.54 cents a share, as at 31 May 2006.
- The NTA after tax was 156.51 cents a share, as at 31 May 2006.

The above figures are after the payment of an interim dividend of 7.0 cents a share fully franked, paid on the 28 April 2006.

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.

MARKET OUTLOOK

The Australian sharemarket fell more than 4% during May, inspired by a sell off in resource stocks and economic worries in the U.S. Since May 10, the All Ordinaries Index has fallen 10.1%, as resource and banking stocks fall. Traditionally a 10% fall is a market correction, while a 20% fall is an official bear market. So are we simply in a correction or is this the beginning of a bear market after a fabulous 3 years which has seen the All Ordinaries Accumulation Index rise more than 100%? We are not calling a bear market but remain cautious.

DIVIDEND

The interim dividend of 7.0 cents a share fully franked was paid on 28 April 2006.

PORTFOLIO STRUCTURE & STRATEGY

As at 31 May 2006, listed securities made up approximately 86% of the portfolio, while fixed interest and cash made up the remaining 14%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, and are well positioned in growth industries and have proven management. We continue to research heavily to find companies that meet this profile.

At 31 May 2006 the major securities held in the portfolio were:

COMPANY	MARKET VALUE \$
ABC Learning Centres Ltd (ABS)	1,790,254
Austar United Communications Ltd (AUN)	1,126,930
Bank of Queensland Reset Prefs (BOQPB)	1,671,443
Bendigo Bank Ltd (BEN)	3,011,488
Contango Microcap Ltd (CTN)	2,322,804
Credit Corp Group Ltd (CCP)	5,917,482
Customers Ltd (CUS)	1,343,893
Drillsearch Energy Ltd (DLS)	1,137,430
Futuris Corporation Ltd 7.85% Perp Notes (FCLPA)	1,791,057
Gropep Limited (GRO)	1,191,324
Incitec Pivot Ltd (IPL)	2,068,000
Incremental Petroleum Ltd (IPM)	2,362,500
Jumbuck Entertainment Ltd (JMB)	1,203,677
Linq Resources Fund (LRF)	1,848,546
Loftus Capital Partners Ltd (LCP)	1,789,292
Ludowici Ltd (LDW)	1,057,000
Mariner Financial Ltd (MFI)	1,260,000
McMillan Shakespeare Ltd (MMS)	2,193,419
Melbourne IT Ltd (MLB)	1,967,992
Multimedia Ltd (MUL)	1,576,409
Oakton Ltd (OKN)	1,426,747
Oamps Ltd (OMP)	3,342,514
OFM Investment Group Ltd (OFM)	1,176,619
Petsec Energy Ltd (PSA)	2,167,900
Photon Group Ltd (PGA)	2,098,846
Pro Medicus Ltd (PME)	1,156,085
Rebel Sport Ltd (REB)	1,811,647
Reckon Ltd (RKN)	3,271,930
Reef Casino Trust (RCT)	1,134,301
Select Harvests Ltd (SHV)	3,543,420
Sigma Pharmaceuticals Ltd (SIP)	3,070,340
SWT Communications Group Ltd (SGN)	1,849,985
Tassal Group Ltd (TGR)	2,885,214
The Reject Shop Ltd (TRS)	1,566,600
Tower Ltd (TWR)	4,564,492
Webjet Ltd (WEB)	1,519,000
Wentworth Mutual Ltd (WWM)	1,457,990

NTA before tax	168.54c
NTA after tax and before tax on unrealised gains	166.21c
NTA after tax	156.51c

The above figures are after the payment of an interim dividend of 7.0 cents a share fully franked.

PERFORMANCE TABLE

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00
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%
	Feb 00	Mar 00	Apr 00	May 00	Jun 00	Jul 00
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%
	Aug 00	Sep 00	Oct 00	Nov 00	Dec 00	Jan 01
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%
	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01
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%
	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01	Jan 02
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%
	Feb 02	Mar 02	Apr 02	May 02	Jun 02	Jul 02
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%
	Aug 02	Sep 02	Oct 02	Nov 02	Dec 02	Jan 03
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%
	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03
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%
	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04
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%
	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04
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%
	Aug 04	Sep 04	Oct 04	Nov 04	Dec 04	Jan 05
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%
	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
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%
	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06
Gross Portfolio *	+3.9%	+2.6%	+0.1%	+3.0%	+0.8%	+1.5%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%
	Feb 06	Mar 06	Apr 06	May 06		Since Inception
Gross Portfolio *	+4.8%	+5.2%	+2.1%	-2.3%		+366.9%
All Ordinaries Accum.	+0.7%	+4.8%	+2.4%	-4.3%		+119.5%

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

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