

# WAM CAPITAL LIMITED

(ACN 086 587 395)



## **WAM CAPITAL SEPTEMBER 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 400.3% compared to a 130.0% increase in the All Ordinaries Accumulation Index.

- In September WAM's gross portfolio (before all fees, costs and taxes) increased by 2.39%, while the All Ordinaries Accumulation Index rose by 1.25%.
- The gross portfolio has increased 6.36% for the 3 months to 30 September 2006.
- The NTA before tax was 176.37 cents a share, as at 30 September 2006.
- The NTA after tax was 164.03 cents a share, as at 30 September 2006.

The above figures are before the payment of a final dividend of 7.0 cents a share fully franked, payable on the 27 October 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 share market ended the month slightly ahead after a strong August. Volatility was high, with a large increase in M&A activity and a move away from resource stocks. There is concern regarding the US economy, in particular the housing market and the impact a slow down would have on global growth figures. Domestically, the RBA has left interest rates unchanged this month. However, there is the possibility of an interest rate rise in November. Meanwhile, the M&A activity continues (led by Private Equity funds) which is providing opportunities.

### **DIVIDEND**

The final dividend of 7.0 cents a share fully franked, will bring the full year dividend to 14.0 cents a share. The shares will trade ex dividend on 16 October 2006 with payment on 27 October 2006.

### **PORTFOLIO STRUCTURE & STRATEGY**

As at 30 September 2006, listed securities made up approximately 79% of the portfolio, while fixed interest and cash made up the remaining 21%. 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 30 September 2006 the major securities held in the portfolio were:

| COMPANY                                  | MARKET VALUE \$ |
|--|-----------------|
| Alesc Corporation Ltd (ALS)              | 1,251,845       |
| B Digital Ltd (BBB)                      | 1,087,465       |
| Babcock and Brown Ltd (BNB)              | 1,585,884       |
| Bank of Queensland Reset Prefs (BOQPB)   | 1,721,213       |
| Bendigo Bank Ltd (BEN)                   | 1,214,479       |
| Coffey International Ltd (COF)           | 1,241,453       |
| Colorado Group Ltd (CDO)                 | 1,698,370       |
| Contango Microcap Ltd (CTN)              | 2,144,406       |
| Credit Corp Group Ltd (CCP)              | 6,316,591       |
| DWS Adanced Business Solutions Ltd (DWS) | 1,634,759       |
| Gropep Ltd (GRO)                         | 1,017,856       |
| Harvey Norman Holdings Ltd (HVN)         | 2,004,199       |
| Incremental Petroleum Ltd (IPM)          | 2,559,375       |
| IWL Ltd (IWL)                            | 1,798,697       |
| Jumbuck Entertainment Ltd (JMB)          | 1,020,505       |
| Linq Resources Fund (LRF)                | 2,363,237       |
| Loftus Capital Partners Ltd (LCP)        | 2,016,504       |
| Ludowici Ltd (LDW)                       | 1,237,851       |
| Mariner Financial Ltd (MFI)              | 1,234,800       |
| McMillan Shakespeare Ltd (MMS)           | 2,632,123       |
| Melbourne IT Ltd (MLB)                   | 2,503,536       |
| Mortgage Choice Ltd (MOC)                | 1,212,900       |
| NewSat Ltd (NWT)                         | 1,299,240       |
| Oakton Ltd (OKN)                         | 1,780,510       |
| Oamps Ltd (OMP)                          | 2,384,474       |
| OFM Investment Group Ltd (OFM)           | 1,222,462       |
| Photon Group Ltd (PGA)                   | 3,572,076       |
| Rebel Sport Ltd (REB)                    | 1,596,437       |
| Reckon Ltd (RKN)                         | 3,734,913       |
| Reef Casino Trust (RCT)                  | 1,233,632       |
| Reverse Corp Ltd (REF)                   | 1,039,110       |
| Select Harvests Ltd (SHV)                | 3,031,761       |
| Service Stream Ltd (STR)                 | 1,052,770       |
| Suncorp-Metway Ltd (SUN)                 | 1,013,628       |
| Tassal Group Ltd (TGR)                   | 2,382,899       |
| The Reject Shop Ltd (TRS)                | 1,233,182       |
| Tower Ltd (TWR)                          | 3,728,934       |
| Webjet Ltd (WEB)                         | 1,175,555       |
| Wentworth Mutual Ltd (WWM)               | 1,930,546       |

|  |         |
|--|---------|
| NTA before tax                                   | 176.37c |
| NTA after tax and before tax on unrealised gains | 175.14c |
| NTA after tax                                    | 164.03c |

The above figures are before the payment of a final dividend of 7.0 cents a share fully franked, payable on the 27 October 2006.

## 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>Since Inception</b> |
| Gross Portfolio *     | +3.4%         | +2.4%          |               |               |               | +400.3%                |
| All Ordinaries Accum. | +3.2%         | +1.3%          |               |               |               | +130.0%                |

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