



WAM CAPITAL LTD (WAM)
ABN 34 086 587 395
INVESTMENT UPDATE & NTA – DECEMBER 2010

WAM Capital Limited (WAM) is an investor in listed Australian equities. Its objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital. WAM concentrates mostly on small to medium industrial companies and delivers strong risk adjusted returns to the investor.

Since inception in August 1999 WAM has outperformed the overall share market. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 666.0% compared to a 159.6% increase in the S&P/ASX All Ordinaries Accumulation Index.

In December WAM's gross portfolio (before all fees, costs and taxes) rose by 3.7%, while the S&P/ASX All Ordinaries Accumulation Index rose by 3.8%.

Annualised Performance as at 31 December 2010	1 month	6 months	1 Year	3 Years	5 Years	10 Years	Since Inception (Aug-99)
WAM Capital Limited*	+3.7%	+16.8%	+16.5%	+6.0%	+12.8%	+17.7%	+19.5%
S&P/ASX All Ordinaries Accumulation Index	+3.8%	+14.5%	+3.3%	-4.9%	+4.8%	+8.7%	+8.7%
Outperformance	-0.1%	+2.3%	+13.2%	+10.9%	+8.0%	+9.1%	+10.8%

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

NTA before tax	174.63c
NTA after tax and before tax on unrealised gains	174.17c
NTA after tax	166.28c

MARKET OUTLOOK AND QUEENSLAND FLOODS

Our thoughts go out to all the people affected by the recent devastating floods in Queensland. We send all of them our best wishes for the recovery effort.

Global share markets recorded stellar returns in December after investors were buoyed by positive news out of the US, the world's largest economy. The Australian market participated in the rally, with the S&P ASX All Ordinaries Accumulation Index spiking 3.8 per cent higher. Leading the charge was the highly favoured mining index with the S&P/ASX All Resources Accumulation Index up 6.1 per cent, compared to a rise of 2.5per cent by the S&P/ASX All Industrials Accumulation index. Investors are keen to best take advantage of improving world economy.

MARKET OUTLOOK (CONTINUED)

Heading into the new calendar year we remain cautious despite the rally in equities since July 2010. We remain concerned about a bubble forming in the mining sector, especially among smaller resource stocks, with many leaping by more than 100 per cent in just six months. The emergence of inflation in China could result in authorities being forced to slow growth and, as a result, reduce demand for Australian commodities.

We are more encouraged by the industrial sector, which is experiencing difficult economic conditions in Australia. The Reserve Bank's decision to lift official interest rates through 2009 and 2010 has slowed domestic activity, putting pressure on earnings growth. If the Reserve Bank is able to keep rates steady through the course of 2011 industrial stocks should at some stage receive investor support. In the short term however, the sector will need have to work its way through a poor earnings reporting season, to be announced in February.

We believe our portfolio is well placed to take advantage of this changing landscape. In addition, we are nimble enough to change strategy if the economic outlook changes.

DIVIDENDS

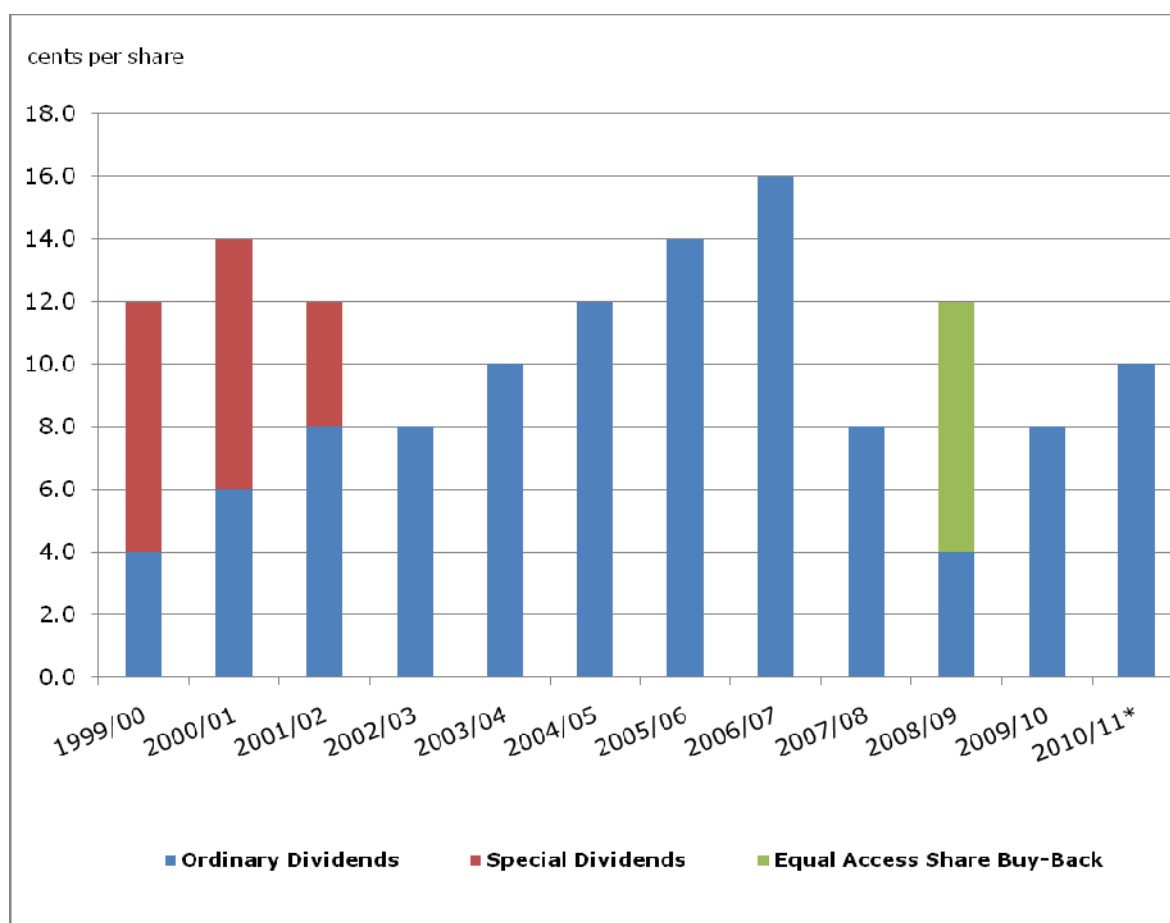
On 10 January 2011 the company announced a fully franked interim dividend of 5.0 cents per share. This is a 25% increase on the final dividend and is to be paid as follows.

Ex Date:	28 February 2011
Record Date:	4 March 2011
Payment Date:	11 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$1.54 being closing price 13 January 2011) is an 11.8% discount to the 31 December 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 4 March 2011.

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. Dividends are paid on a six-monthly basis. Government legislation introduced in June now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather it will be with consideration to cash flow, cash holdings and available franking credits. Essentially, WAM Capital will always be in a position to pay dividends providing it is solvent.

DIVIDENDS (CONTINUED)



*Annualised interim dividend

PORTFOLIO STRUCTURE

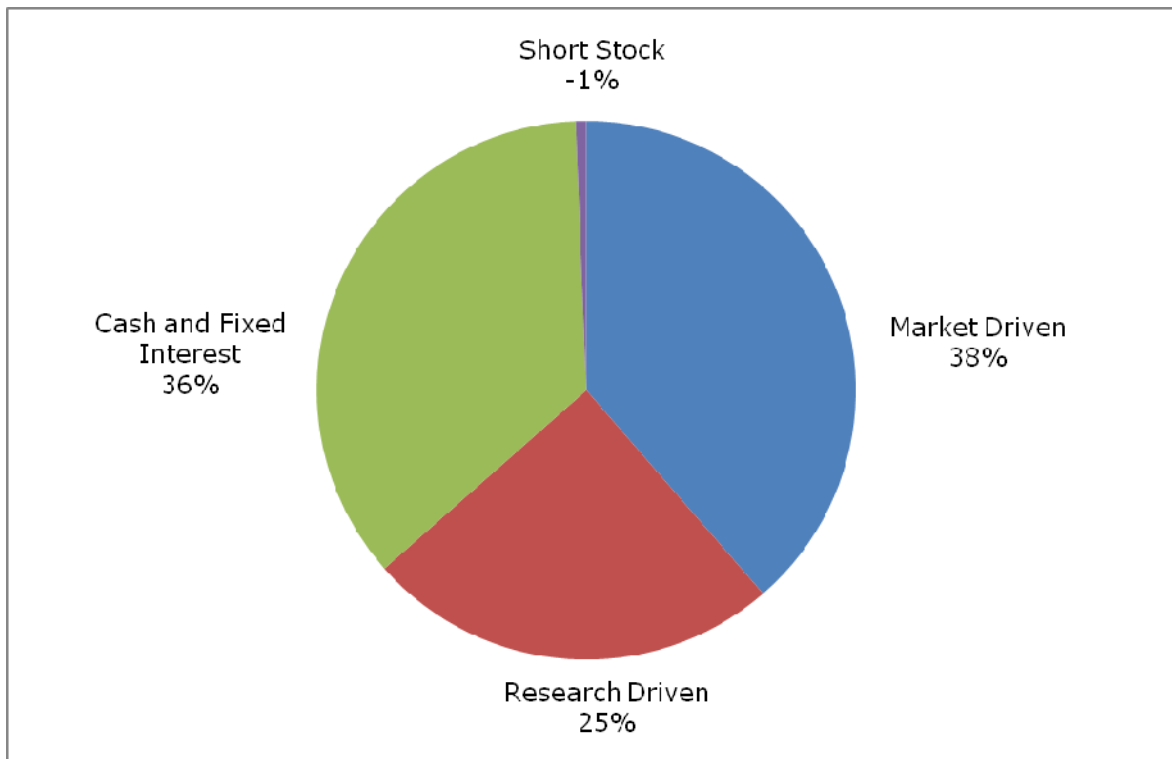
As at 31 December 2010, listed securities made up 63.9% of the portfolio, while fixed interest and cash made up the remaining 36.1%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to heavily research companies that meet this profile, with over 700 company visits a year.

Investment Type	As at 30 Nov 2010		As at 31 Dec 2010	
	\$m	%	\$m	%
Listed Equities	95.40	52.7%	118.07	63.9%
Fixed Interest and Cash	85.67	47.3%	66.71	36.1%
Long Portfolio	181.07	100.0%	184.78	100.0%
Short Portfolio	(3.73)		(1.19)	
	No.		No.	
Total ordinary shares on issue	104,482,025		104,482,025	

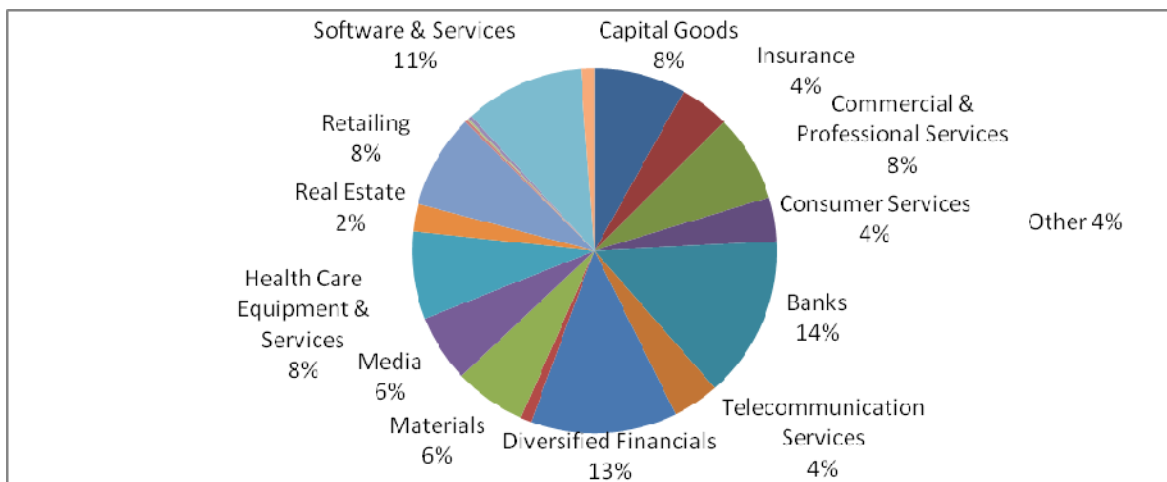
At 31 December 2010 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
RKN	Reckon Limited	8,852,995	4.8%
RHG	RHG Limited	5,394,632	2.9%
MMS	McMillan Shakespeare Limited	5,334,115	2.9%
TAL	Tower Australia Group Limited	5,193,544	2.8%
PRY	Primary Health Care Limited	3,932,095	2.1%
CSR	CSR Limited	3,464,160	1.9%
JHX	James Hardie Industries Se	3,429,670	1.9%
MYS	Mystate Limited	3,157,666	1.7%
SGN	STW Communications Group Limited	3,005,340	1.6%
FLT	Flight Centre Limited	2,713,410	1.5%
SGI	Signature Capital Investments Limited	2,464,857	1.3%
TGA	Thorn Group Limited	2,450,558	1.3%
PRV	Premium Investors Limited	2,363,822	1.3%
SAI	SAI Global Limited	2,135,795	1.2%
MAQ	Macquarie Telecom Group Limited	2,020,220	1.1%
BRG	Breville Group Limited	1,955,044	1.1%
BKL	Blackmores Limited	1,939,868	1.1%
IRE	IRESS Market Technology Limited	1,920,609	1.0%
CBA	Commonwealth Bank of Australia	1,827,720	1.0%
ELI	Emerging Leaders Investments Limited	1,781,027	1.0%

PORTFOLIO STRUCTURE – GROSS ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



PERFORMANCE

Set out below is the performance of WAM since listing to 31 December 2010 on a financial year basis 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX All Ordinaries Accumulation Index which is before tax and expenses.

Financial Year	Gross Portfolio*	S&P/ASX All Ordinaries 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%
2007/2008	-23.0%	-12.1%	-10.9%
2008/2009	-3.0%	-22.2%	+19.2%
2009/2010	+29.8%	+13.8%	+16.0%
YTD 2010/2011	+16.8%	+14.5%	+2.3%

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

PERFORMANCE TABLE

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%
All Ordinaries Accum.	-2.5%	-1.2%	+0.5%	+5.4%	+5.6%	-0.7%	+1.9%	+0.5%
	Apr 00	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00
Gross Portfolio *	-5.7%	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%
All Ordinaries Accum.	-1.5%	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%
	Dec 00	Jan 01	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01
Gross Portfolio *	+0.1%	+1.7%	-0.2%	- 3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-2.0%	+4.4%	-0.2%	- 4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%
	Apr 02	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02	Nov 02
Gross Portfolio *	-0.4%	+0.7%	-2.2%	-3.0%	+3.9%	-1.1%	+1.1%	+1.6%
All Ordinaries Accum.	-1.8%	+0.9%	-4.4%	-4.1%	+1.8%	-4.1%	+2.6%	+1.5%
	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03
Gross Portfolio *	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%	+2.7%	+0.1%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%	+3.1%	+2.0%
	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04
Gross Portfolio *	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%	+3.3%
All Ordinaries Accum.	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%	+4.6%
	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Gross Portfolio *	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+3.0%	+1.3%	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%
	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06
Gross Portfolio *	+2.1%	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%
All Ordinaries Accum.	+2.4%	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%
	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07
Gross Portfolio *	+6.1%	+3.8%	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%
All Ordinaries Accum.	+3.6%	+2.0%	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%
	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
Gross Portfolio *	-4.2%	+1.7%	+3.1%	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%
All Ordinaries Accum.	+1.7%	+5.8%	+3.1%	-2.4%	-2.4%	-11.2%	+0.3%	-4.1%
	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08
Gross Portfolio *	+1.7%	+2.3%	-7.9%	-1.6%	+1.7%	-5.3%	-9.2%	-5.6%
All Ordinaries Accum.	+4.6%	+2.4%	-7.3%	-5.2%	+4.0%	-10.6%	-13.9%	-7.2%
	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09
Gross Portfolio *	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%	+3.6%	+4.1%	+8.2%
All Ordinaries Accum.	-0.1%	-4.9%	-4.3%	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%
	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10
Gross Portfolio *	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%	-0.5%	+3.7%
All Ordinaries Accum.	+6.5%	+6.1%	-1.9%	+1.9%	+3.7%	-5.9%	+1.8%	+5.8%
	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10
Gross Portfolio *	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4	+2.3%
All Ordinaries Accum.	-1.2%	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2	-0.7%
	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Since inception
Gross Portfolio *	+3.7%							+666.0%
All Ordinaries Accum.	+3.8%							+159.6%

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

For further information please contact Geoff Wilson, Matthew Kidman, Chris Stott or Martin Hickson on (02) 9247 6755

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