



WAM CAPITAL LTD (WAM)
ABN 34 086 587 395
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
JANUARY 2013

Company overview

WAM is a listed investment company that provides investors exposure to an actively managed diversified portfolio that concentrates on identifying undervalued growth companies. These are generally found in the small to medium industrial sector. WAM also provides exposure to relative value arbitrage and market mispricing opportunities.

Investment objective

The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital.

Outperformance against sharemarket

Since inception, the WAM investment portfolio has outperformed the overall sharemarket. WAM's performance against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

| Performance as at 31 January 2013 | 1 Mth % | 6 Mths % | Fin YTD % | 1 Year % | 3 Yrs %pa | 5 Yrs %pa | 10 Yrs %pa | Since Inception %pa (Aug-99) |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------------------|
| WAM Investment Portfolio | +5.1% | +18.0% | +20.0% | +25.9% | +14.6% | +10.7% | +15.0% | +18.3% |
| S&P/ASX All Ordinaries Accumulation Index | +5.1% | +17.0% | +21.4% | +18.7% | +6.7% | +1.4% | +9.8% | +8.1% |
| Outperformance | +0.0% | +1.0% | -1.4% | +7.2% | +7.9% | +9.3% | +5.2% | +10.2% |

Consolidated Net Tangible Asset (NTA) figures

The following NTA figures are consolidated to include assets of Premium Investors, a 100% owned subsidiary of WAM. The figures below have not been adjusted for the 149,414,267 remaining options on issue with an exercise price of \$1.60 per share.

| | |
|---|-----------------|
| NTA before tax | 180.13c |
| NTA after tax and before tax on unrealised gains | 185.52c* |
| NTA after tax | 179.01c* |

* Includes 7.4 cents of tax assets resulting from the merger with Premium Investors.

2013 Interim Dividend Guidance - 6.0 cents per share fully franked

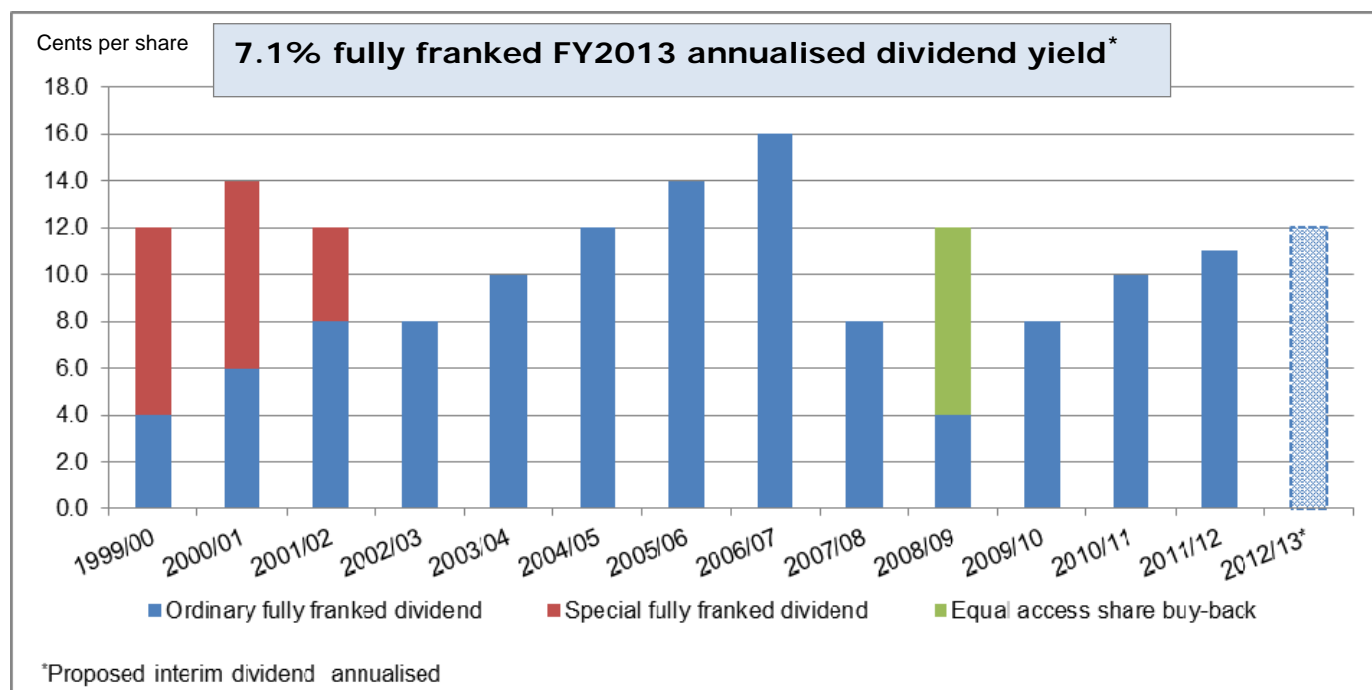
On 5 November 2012, the Board announced the intention to pay a fully franked interim dividend of 6.0 cents per share for the half year ending 31 December 2012. This will be a 9.1% increase on the previous years' interim dividend and represents an annualised fully franked dividend yield of 7.1% based on the last sale price. The dividend payment will be reliant on profitability and the availability of franking credits.

WAM will be announcing the half year results on 18 February 2013 together with the dividend payment details. We will also be announcing the relevant date to exercise the WAM options in time to be eligible for the interim dividend. The timetable is outlined below:

| | |
|--|---------------------------|
| WAM announces half year results to 31 Dec 2012 and interim dividend payment date | 18 February 2013 |
| Letter sent to WAM option holders with details of when to exercise your options to be entitled to the interim dividend | 18 February 2013 |
| WAM pays 6.0 cents per share fully franked interim dividend | Expected to be April 2013 |

The Board's dividend policy is to pay 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 and cash holdings.

WAM Capital Dividends



*Based on the 14 February 2013 closing price.

Option issue

On 2 April 2012, the Board announced a 1 for 1 bonus issue of options to acquire ordinary shares in the capital of the Company. Further options were issued as part of the placement in August 2012 and the merger with Premium Investors.

The options have an exercise price of \$1.60 per share and can be exercised at any time on or before 31 July 2013. The options give shareholders the right but not the obligation to

subscribe for shares in WAM at \$1.60 per share. The options can be exercised in full or in part. The options are currently trading on the ASX under the code WAMO.

As at 31 January 2013, 12,497,611 options have been exercised for a total consideration of \$19,996,178. The remaining balance of outstanding options is 149,414,267.

Market outlook

Birth of a bull?

The ASX/S&P All Ordinaries Accumulation Index finished up 5.1% for January, continuing its strong run that started in June last year. Evidence is emerging that retail investors are beginning to move back into the equity market. As term deposits are rolled over at lower rates, this may provide further impetus for investors to reallocate money back into equities. Improving global macroeconomic data from the US, China and Europe also helped to underpin investor confidence for the year ahead.

Half way there

In February the majority of Australian listed companies will report earnings results to the market. Given the market expects earnings to be subdued during this reporting season, the main focus will be on the outlook statements. The recent rally has been primarily price to earnings (P/E) expansion which is usual in the early stages of a bull market. The stock market is a leading indicator and the strong rise in the stock market infers a pickup in economic activity later in 2013.

Portfolio structure

Successful redemption of all Premium investments*

As at 31 January 2013, equities made up 74.4% of the portfolio and fixed interest and cash making up the remaining 25.6%. All the Premium investments in unlisted unit trusts were successfully redeemed during the month with the proceeds invested in equities or cash. Our focus is on companies with strong earnings per share growth that trade on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research thoroughly to identify undervalued growth companies that meet this profile, and carry out over 1,000 company visits a year.

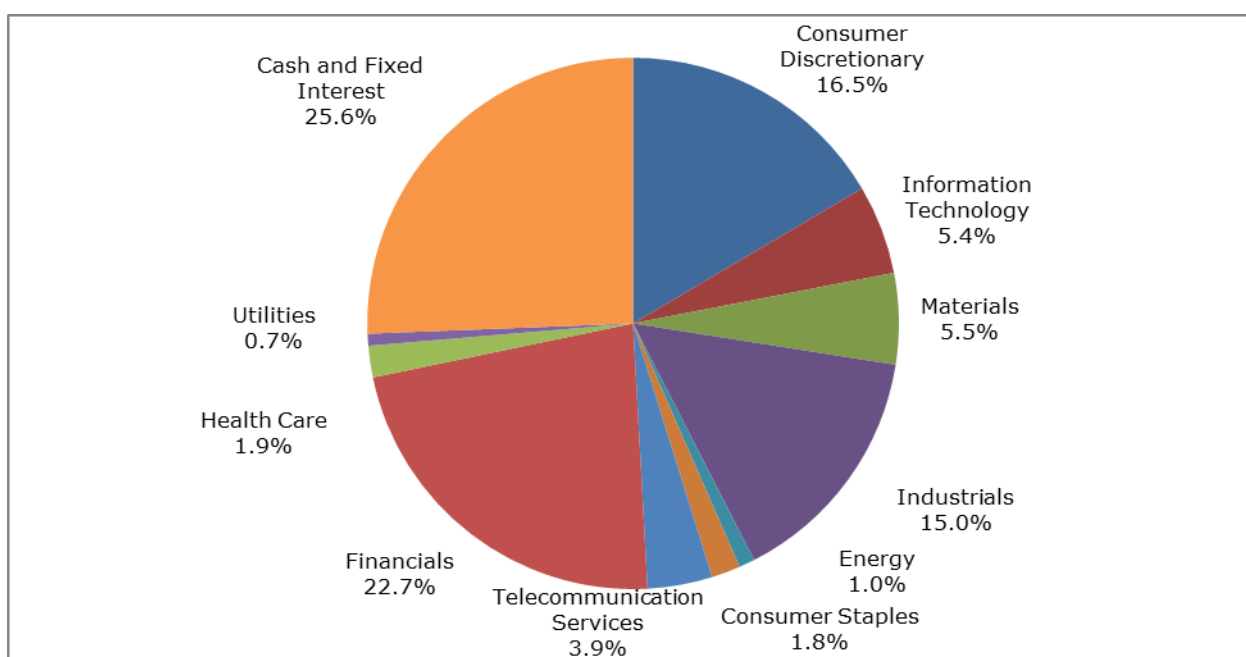
| Investment Type | As at 31 December 2012 | | As at 31 January 2013 | |
|---------------------------------------|------------------------|---------------|-----------------------|---------------|
| | \$m | % | \$m | % |
| Listed Equities | 189.0 | 63.8% | 236.1 | 74.4% |
| Unlisted Unit Trusts* | 83.6 | 28.2% | - | - |
| Fixed Interest and Cash | 23.5 | 8.0% | 81.3 | 25.6% |
| Long Portfolio | 296.1 | 100.0% | 317.4 | 100.0% |
| Short Portfolio | (0.0) | (0.0%) | (0.0) | (0.0%) |
| Total Fund Size | \$296.1m | | \$317.4m | |
| | No. | | No. | |
| Total ordinary shares on issue | 171,529,076 | | 175,470,879 | |
| Total options on issue | 153,356,070 | | 149,414,267 | |

Portfolio structure (continued)

As at 31 January 2013 the major securities held in the WAM portfolio were as follows.

| Code | Company | Market Value \$ | Market Value as % Gross Assets |
|------|---------------------------------------|-----------------|--------------------------------|
| MFG | Magellan Financial Group Limited | 7,658,526 | 2.4% |
| IBC | Ironbark Capital Limited | 6,287,477 | 2.0% |
| AHE | Automotive Holdings Group Limited | 6,077,156 | 1.9% |
| CYA | Century Australia Investments Limited | 6,037,801 | 1.9% |
| BKW | Brickworks Limited | 5,185,924 | 1.6% |
| ELI | Emerging Leaders Investments Limited | 5,022,023 | 1.6% |
| INA | Ingenia Communities Group | 4,902,621 | 1.5% |
| AMM | Amcom Telecommunications Limited | 4,870,892 | 1.5% |
| HIL | Hills Holdings Limited | 4,712,480 | 1.5% |
| TEN | Ten Network Holdings Limited | 4,673,312 | 1.5% |
| SVW | Seven Group Holdings Limited | 4,290,905 | 1.4% |
| CYG | Coventry Group Limited | 4,236,114 | 1.3% |
| CCV | Cash Converters International | 4,213,919 | 1.3% |
| RHG | RHG Limited | 4,084,376 | 1.3% |
| BRG | Breville Group Limited | 4,010,636 | 1.3% |
| BLD | Boral Limited | 3,644,438 | 1.1% |
| SDG | Sunland Group Limited | 3,590,183 | 1.1% |
| FBU | Fletcher Building Limited | 3,530,112 | 1.1% |
| FXJ | Fairfax Media Limited | 3,496,608 | 1.1% |
| CTD | Corporate Travel Management Limited | 3,459,192 | 1.1% |

Portfolio structure – sector allocation



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

Since inception, the WAM investment portfolio has outperformed the overall sharemarket. Set out below is the performance of WAM's investment portfolio since listing to 31 January 2013 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

| Financial Year | WAM Investment 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 | -3.2% | -22.2% | +19.0% |
| 2009/2010 | +29.8% | +13.8% | +16.0% |
| 2010/2011 | +17.9% | +12.2% | +5.7% |
| 2011/2012 | +4.2% | -7.0% | +11.2% |
| YTD 2012/2013 | +20.0% | +21.4% | -1.4% |

Performance - monthly comparison

The table below shows the month by month performance of WAM against the S&P/ASX All Ordinaries Accumulation index.

| | | | | | | | | | |
|------------------------|---------------|----------------|---------------|---------------|----------------|----------------|---------------|----------------|------------------------|
| | Aug 99 | Sep 99 | Oct 99 | Nov 99 | Dec 99 | Jan 00 | Feb 00 | Mar 00 | Apr 00 |
| Investment Portfolio * | +1.4% | +5.1% | +4.1% | +11.0% | +4.9% | -2.0% | +5.4% | +5.3% | -5.7% |
| S&P/ASX All Ord Accum | -2.5% | -1.2% | +0.5% | +5.4% | +5.6% | -0.7% | +1.9% | +0.5% | -1.5% |
| | May 00 | Jun 00 | Jul 00 | Aug 00 | Sep 00 | Oct 00 | Nov 00 | Dec 00 | Jan 01 |
| Investment Portfolio * | -2.9% | +3.6% | +2.9% | +5.2% | -0.7% | +2.5% | +1.9% | +0.1% | +1.7% |
| S&P/ASX All Ord Accum | -1.3% | +7.7% | -1.3% | +1.7% | +0.2% | -1.1% | +1.1% | -2.0% | +4.4% |
| | Feb 01 | Mar 01 | Apr 01 | May 01 | Jun 01 | July 01 | Aug 01 | Sep 01 | Oct 01 |
| Investment Portfolio * | -0.2% | -3.7% | +3.9% | +6.7% | +6.9% | -1.0% | +4.6% | -2.9% | +8.6% |
| S&P/ASX All Ord Accum | -0.2% | -4.8% | +5.7% | +1.6% | +3.8% | -4.5% | -1.3% | -6.7% | +6.8% |
| | Nov 01 | Dec 01 | Jan 02 | Feb 02 | Mar 02 | Apr 02 | May 02 | Jun 02 | Jul 02 |
| Investment Portfolio * | +3.8% | +3.3% | +7.0% | +3.1% | +4.9% | -0.4% | +0.7% | -2.2% | -3.0% |
| S&P/ASX All Ord Accum | +3.4% | +2.7% | +1.3% | -1.1% | +0.8% | -1.8% | +0.9% | -4.4% | -4.1% |
| | Aug 02 | Sep 02 | Oct 02 | Nov 02 | Dec 02 | Jan 03 | Feb 03 | Mar 03 | Apr 03 |
| Investment Portfolio * | +3.9% | -1.1% | +1.1% | +1.6% | +1.5% | +1.3% | -1.7% | -0.4% | +3.8% |
| S&P/ASX All Ord Accum | +1.8% | -4.1% | +2.6% | +1.5% | -1.5% | -1.3% | -5.1% | +3.4% | +4.4% |
| | May 03 | Jun 03 | Jul 03 | Aug 03 | Sept 03 | Oct 03 | Nov 03 | Dec 03 | Jan 04 |
| Investment Portfolio * | +1.5% | +3.5% | +3.6% | +5.2% | +3.7% | +5.4% | -0.7% | +3.6% | +2.5% |
| S&P/ASX All Ord Accum | +0.5% | +1.3% | +3.6% | +3.5% | -0.1% | +3.5% | -2.1% | +3.7% | -0.7% |
| | Feb 04 | Mar 04 | Apr 04 | May 04 | Jun 04 | Jul 04 | Aug 04 | Sep 04 | Oct 04 |
| Investment Portfolio * | +2.7% | +0.1% | -1.3% | -0.8% | +1.0% | +2.4% | +1.2% | +2.5% | +2.9% |
| S&P/ASX All Ord Accum | +3.1% | +2.0% | -0.1% | +1.6% | +2.7% | +0.6% | +1.1% | +3.8% | +3.1% |
| | Nov 04 | Dec 04 | Jan 05 | Feb 05 | Mar 05 | Apr 05 | May 05 | Jun 05 | Jul 05 |
| Investment Portfolio * | +3.3% | +0.7% | +2.7% | -0.2% | -0.8% | -4.2% | +0.0% | +2.8% | +2.2% |
| S&P/ASX All Ord Accum | +4.6% | +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 | Apr 06 |
| Investment Portfolio * | +4.0% | +2.7% | +0.1% | +3.1% | +0.8% | +1.6% | +4.9% | +5.3% | +2.1% |
| S&P/ASX All Ord Accum | +2.2% | +4.8% | -3.8% | +4.4% | +3.0% | +3.7% | +0.7% | +4.8% | +2.4% |
| | May 06 | Jun 06 | Jul 06 | Aug 06 | Sep 06 | Oct 06 | Nov 06 | Dec 06 | Jan 07 |
| Investment Portfolio * | -2.3% | +0.5% | +0.4% | +3.4% | +2.4% | +4.7% | +3.6% | +6.1% | +3.8% |
| S&P/ASX All Ord Accum | -4.3% | +1.9% | -1.5% | +3.2% | +1.3% | +4.8% | +2.5% | +3.6% | +2.0% |
| | Feb 07 | Mar 07 | Apr 07 | May 07 | Jun 07 | Jul 07 | Aug 07 | Sep 07 | Oct 07 |
| Investment Portfolio * | +0.4% | +1.9% | +2.6% | +4.7% | +3.3% | +0.3% | -4.2% | +1.7% | +3.1% |
| S&P/ASX All Ord Accum | +1.6% | +3.3% | +3.0% | +3.2% | -0.1% | -1.9% | +1.7% | +5.8% | +3.1% |
| | Nov 07 | Dec 07 | Jan 08 | Feb 08 | Mar 08 | Apr 08 | May 08 | Jun 08 | Jul 08 |
| Investment Portfolio * | -4.8% | -1.1% | -9.5% | -1.3% | -5.3% | +1.7% | +2.3% | -7.9% | -1.6% |
| S&P/ASX All Ord Accum | -2.4% | -2.4% | -11.2% | +0.3% | -4.1% | +4.6% | +2.4% | -7.3% | -5.2% |
| | Aug 08 | Sep 08 | Oct 08 | Nov 08 | Dec 08 | Jan 09 | Feb 09 | Mar 09 | Apr 09 |
| Investment Portfolio * | +1.7% | -5.3% | -9.2% | -5.6% | +3.1% | -1.5% | +1.1% | +2.6% | +5.2% |
| S&P/ASX All Ord Accum | +4.0% | -10.6% | -13.9% | -7.2% | -0.1% | -4.9% | -4.3% | +8.1% | +6.1% |
| | May 09 | Jun 09 | Jul 09 | Aug 09 | Sep 09 | Oct 09 | Nov 09 | Dec 09 | Jan 10 |
| Investment Portfolio * | +3.6% | +3.9% | +8.2% | +7.6% | +6.9% | +2.3% | +0.6% | +1.6% | -2.4% |
| S&P/ASX All Ord Accum | +2.2% | +3.9% | +7.7% | +6.5% | +6.1% | -1.9% | +1.9% | +3.7% | -5.9% |
| | Feb 10 | Mar 10 | Apr 10 | May 10 | Jun 10 | Jul 10 | Aug 10 | Sept 10 | Oct 10 |
| Investment Portfolio * | -0.5% | +3.7% | +0.8% | -2.4% | +0.7% | +2.5% | +1.5% | +4.4% | +1.4% |
| S&P/ASX All Ord Accum | +1.8% | +5.8% | -1.2% | -7.6% | -2.6% | +4.2% | -0.7% | +5.0% | +2.2% |
| | Nov 10 | Dec 10 | Jan 11 | Feb 11 | Mar 11 | Apr 11 | May 11 | Jun 11 | Jul 11 |
| Investment Portfolio * | +2.3% | +3.7% | +1.4% | +2.1% | +0.1% | +1.2% | -1.4% | -2.4% | +0.2% |
| S&P/ASX All Ord Accum | -0.7% | +3.8% | +0.1% | +2.2% | +0.6% | -0.6% | -1.9% | -2.4% | -3.4% |
| | Aug 11 | Sept 11 | Oct 11 | Nov 11 | Dec 11 | Jan 12 | Feb 12 | Mar 12 | Apr 12 |
| Investment Portfolio * | -1.8% | -0.8% | +2.6% | -1.3% | -1.2% | +1.6% | +4.4% | +2.3% | +0.0% |
| S&P/ASX All Ord Accum | -2.0% | -6.3% | +7.2% | -3.4% | -1.6% | +5.2% | +2.4% | +1.2% | +1.1% |
| | May 12 | Jun 12 | Jul 12 | Aug 12 | Sep 12 | Oct 12 | Nov 12 | Dec 12 | Jan 13 |
| Investment Portfolio * | -2.2% | +0.5% | +1.7% | +2.7% | +1.7% | +2.6% | +0.9% | +3.9% | +5.1% |
| S&P/ASX All Ord Accum | -6.9% | +0.3% | +3.7% | +2.1% | +2.1% | +3.0% | +0.3% | +3.4% | +5.1% |
| | | | | | | | | | Since inception |
| Investment Portfolio * | | | | | | | | | +866.7% |
| S&P/ASX All Ord Accum | | | | | | | | | +187.1% |

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

For more information

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