

# Investment Update & Net Tangible Assets Report

AS AT 31 JANUARY 2014



## Performance

Performance at 31 January 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Investment Portfolio <sup>1</sup>	0.0%	10.1%	14.2%	16.8%	13.3%	21.3%	13.5%	18.2%
S&P/ASX All Ordinaries Accumulation Index	-2.8%	5.6%	11.4%	10.7%	7.0%	13.2%	9.2%	8.3%
<b>Outperformance</b>	<b>+2.8%</b>	<b>+4.5%</b>	<b>+2.8%</b>	<b>+6.1%</b>	<b>+6.3%</b>	<b>+8.1%</b>	<b>+4.3%</b>	<b>+9.9%</b>

<sup>1</sup>Investment performance and Index returns are before expenses, fees and taxes.

## Net Tangible Assets (NTA) figures

NTA before tax	<b>178.48c</b>
NTA after tax and before tax on unrealised gains	<b>180.80c<sup>1</sup></b>
NTA after tax	<b>175.44c<sup>1</sup></b>

<sup>1</sup>Includes 3.3 cents of tax assets resulting from the merger with Premium Investors.

## Market overview

Australia's equity market had a negative start to the new calendar year with the S&P/ASX All Ordinaries Accumulation Index ('Index') falling 2.9% dragged lower by a range of factors including a series of company downgrades, the wind-down of the United States' Quantitative Easing ('QE') program, slower than expected growth in China and the spread of the so-called emerging markets crisis.

To date, volatility has characterised equity markets in February with the Index up 2.3% after dropping almost 2.0% in the first two sessions of the month. The interim reporting season is now underway with company results so far mixed. Our expectation over the coming weeks is for generally reasonable profit announcements with many companies reporting a second half skew to their earnings. Over coming weeks, we will be closely monitoring companies' ability to achieve earnings growth which, in our view, will be key to the Australian market edging higher.

In the medium to longer term, we have a bullish view of the equity market contingent on an increase in economic activity driven by record low interest rates. In the immediate term, we continue to have a cautious view of equities and our outlook for global and local sharemarkets remains subdued. We anticipate flat performances this calendar year with the majority of the economic recovery already priced in to current stock values. Despite this, we are confident that prevailing market conditions will continue to give rise to a range of opportunities and, with a strong cash weighting, the investment portfolio is well positioned to seize on these opportunities.

### WAM Capital Limited

ASX Code	<b>WAM</b>
Listed	<b>Aug 1999</b>
Gross assets	<b>\$603.9m</b>
Market cap	<b>\$659.9m</b>
Share price	<b>\$1.965</b>
NTA before tax	<b>\$1.78</b>
Shares on issue	<b>335,818,987</b>
Fully franked annualised interim dividend (FY2014)	<b>13.0c</b>
Dividend yield	<b>6.6%</b>

### Investment objectives

- Deliver investors a rising stream of fully franked dividends
- Provide capital growth
- Preserve capital

### Company overview

WAM Capital Limited (ASX: WAM), one of Australia's leading Listed Investment Companies, is managed by Wilson Asset Management. Listed in August 1999, WAM provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange. WAM also provides exposure to relative value arbitrages and market mispricing opportunities.

### Investment & Management Team

**Geoff Wilson**  
Chairman/Portfolio Manager

**Kate Thorley**  
Chief Executive Officer/  
Company Secretary

**Chris Stott**  
Chief Investment Officer/  
Portfolio Manager

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Matthew Haupt**  
Equity Analyst

**Mark Tobin**  
Equity Analyst

**Meredith Hemsley**  
Corporate Affairs

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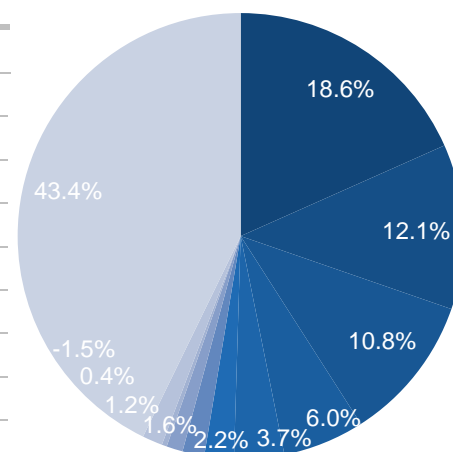
## Diversified portfolio

Investment Type	December 2013		January 2014	
	\$m	%	\$m	%
Listed Equities	363.8	59.8	347.1	56.6
Fixed Interest & Cash	244.4	40.2	265.8	43.4
Long Portfolio	608.2	100.0%	612.9	100.0%
Short Portfolio	(3.4)	(0.6)	(9.0)	(1.5)
Gross Assets	\$604.8m		\$603.9m	
Total shares on issue	335,818,987		335,818,987	

## Top holdings

Code	Company	Market Value as % Gross Assets
AOG	Aveo Group Limited (formerly FKP Property Group)	3.5%
CYA	Century Australia Investments Limited	2.1%
SGH	Slater & Gordon Limited	1.7%
AHE	Automotive Holdings Group Limited	1.6%
WIC	Westoz Investment Company Limited	1.5%
NEA	Nearmap Limited	1.5%
HIL	Hills Holdings Limited	1.4%
IPE	ING Private Equity Access Limited	1.4%
ELI	Emerging Leaders Investments Limited	1.3%
CSR	CSR Limited	1.3%
BKW	Brickworks Limited	1.3%
SGN	STW Communications Group Limited	1.3%
NXT	NEXTDC Limited	1.2%
CYG	Coventry Group Limited	1.1%
MQA	Macquarie Atlas Roads Group	1.1%
GWA	GWA Group Limited	1.1%
IPP	iProperty Group Limited	1.1%
DJS	David Jones Limited	1.1%
CSV	CSG Limited	1.1%
FXJ	Fairfax Media Limited	1.1%

## Sector allocation



- Financials: 18.6%
- Consumer Discretionary: 12.1%
- Industrials: 10.8%
- Information Technology: 6.0%
- Materials: 3.7%
- Telecommunication Services: 2.2%
- Consumer Staples: 1.6%
- Health Care: 1.2%
- Energy: 0.4%
- Short stock: -1.5%
- Cash and Fixed Interest: 43.4%

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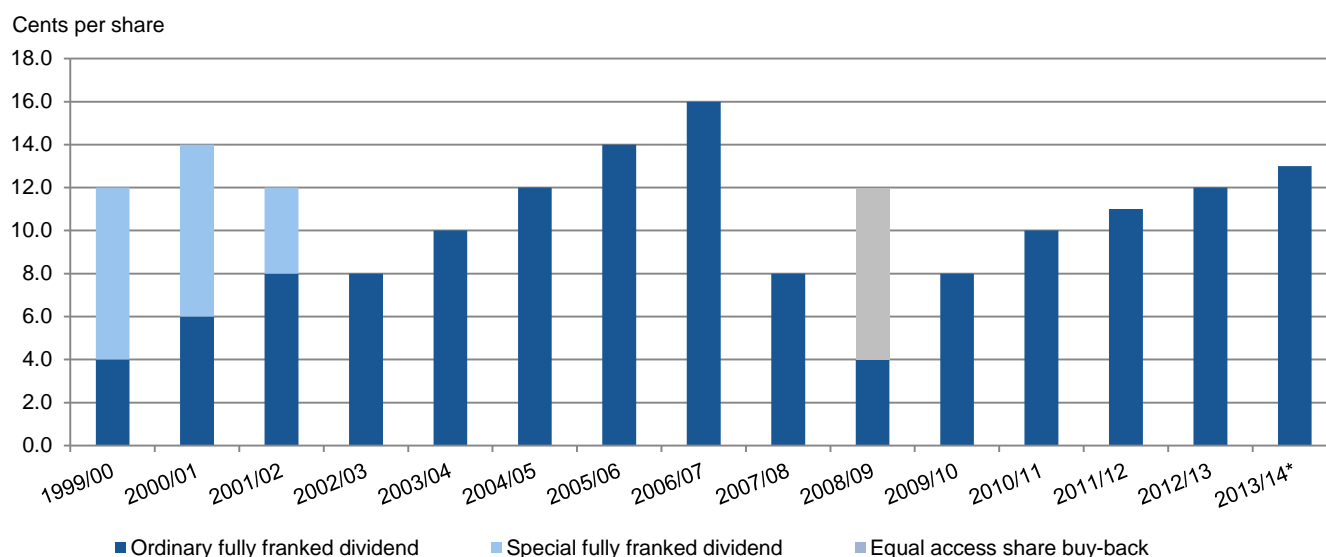
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## Dividend growth

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

### WAM Capital dividends since inception



\*Annualised interim dividend

On 28 January 2014, the Company announced a fully franked interim dividend of 6.5 cents per share. This is an increase of 8.3% on the previous corresponding period and represents an annualised fully franked dividend yield of 6.3%, based on the last closing price. The interim dividend will be paid on 31 March 2014 and will trade ex on 18 March 2014.

The Dividend Reinvestment Plan ("DRP") will operate at a 2.5% discount. To participate in the DRP, shareholders should send their election to the Company's share registrar (Boardroom) no later than 24 March 2014.

## Key dividend dates

Ex date:	18 March 2014
Record date:	24 March 2014
Last election date for the DRP:	24 March 2014
Payment date:	31 March 2014