



WAM CAPITAL LTD (WAM)
ABN 34 086 587 395
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
SEPTEMBER 2012

Company overview

WAM Capital Limited (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 30 September 2012	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	+1.7%	+4.3%	+6.2%	+13.4%	+10.8%	+5.3%	+14.3%	+17.7%
S&P/ASX All Ordinaries Accumulation Index	+2.1%	+2.1%	+8.2%	+13.4%	+1.8%	-3.6%	+8.6%	+7.4%
Outperformance	-0.4%	+2.2%	-2.0%	+0.0%	+9.0%	+8.9%	+5.7%	+10.3%

NTA figures

The following Net Tangible Asset (NTA) figures are after the payment of a fully franked final dividend of 5.5 cents per share paid on the 28 September 2012. The figures below have not been adjusted for the 121,781,287 remaining options on issue with an exercise price of \$1.60 per share.

NTA before tax	161.31c
NTA after tax and before tax on unrealised gains	160.73c
NTA after tax	157.35c

Dividends – 5.5 cents per share fully franked final

On 28 September 2012, the Company paid a fully franked final dividend of 5.5 cents per share. This is a 10% increase on the previous year's final dividend.

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. 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, cash holdings and available franking credits.



Merger to acquire 100% of Premium Investors

On 14 September 2012, WAM announced a proposed merger between WAM Capital and Premium Investors Limited (Premium) through a scheme of arrangement. The offer involves WAM Capital acquiring 100% of Premium shares on a net tangible assets (NTA) for NTA basis. Subsequent to our offer, the Independent Directors of Premium have recommended the offer to their shareholders.

The WAM Capital Board believes the merger will be beneficial to WAM Capital shareholders as it will provide a greater market presence, increased liquidity of WAM Capital shares and a reduction in the fixed administration expense ratio. There are also potential benefits from the deferred tax assets and franking credit balances in the Premium accounts.

WAM Capital owns 2,710,746 Premium shares, or 2.7% of the issued capital. The shares have a cost price of \$0.64 per share, representing a 21.5% discount to the August NTA. With the announcement of the merger the Premium share price is now trading close to NTA.

For further details please refer to the WAM Capital merger page on our website www.wamfunds.com.au.

Option issue – 1 for 1 bonus 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. 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 are currently trading on the ASX under the code WAMO.

As at 28 September 2012, 7,923,876 options have been exercised for a total consideration of \$12,678,202. The remaining balance of outstanding options is 121,781,287.

Market outlook

Index up for the month

The ASX S&P All Ordinaries Accumulation Index finished the month up 2.1% and up 8.2% for the first quarter of the new financial year. The September quarter was the best for the Australian market in three years. The market was boosted by the US and European central banks announcing further monetary stimulus. Expectations of interest rate cuts domestically also improved market sentiment. A cut of 0.25% was delivered in early October with further rate cuts expected over the next 12 months.

Iron ore still rusting

While iron ore prices recovered somewhat during September there was no respite for companies in the mining services sector. Macmahon Holdings downgraded its FY13 profit forecast by 40% - 70%. This was one month after their full year result when a 20% rise in FY13 profits was forecast. Fortescue Metals Group cut staff numbers, announced asset sales, cut capital expenditure and refinanced debt to relieve pressure on its balance sheet. The reduction in capital expenditure by the major mining companies is slowly filtering through the mining services sector. We expect further downgrades in the coming months.

Waiting for guidance

We still believe analysts' expectations for FY13 earnings are too high and that further earnings downgrades will be announced. Annual General Meeting (AGM) season is only a few weeks away and the profit guidance provided will be watched closely. Many companies provided little or no guidance with their results in August, where they would have normally done so. Thus there will be added emphasis on the updates provided at this year's AGMs.

Portfolio structure

As at 30 September 2012, listed securities made up 58.6% of the portfolio with fixed interest and cash making up the remaining 41.4%. 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 companies that meet this profile, and carry out over 1,000 company visits a year.

Investment Type	As at 31 August 2012		As at 30 September 2012	
	\$m	%	\$m	%
Listed Equities	111.7	50.6%	133.0	58.6%
Fixed Interest and Cash	108.9	49.4%	93.9	41.4%
Long Portfolio	220.6	100.0%	226.9	100.0%
Short Portfolio	(3.0)	(1.4%)	(2.1)	(0.9%)
Total Fund Size	\$217.6		\$224.8*	
	No.		No.	
Total ordinary shares on issue	131,388,535		138,690,429	
Total options on issue	128,021,791		121,781,287	

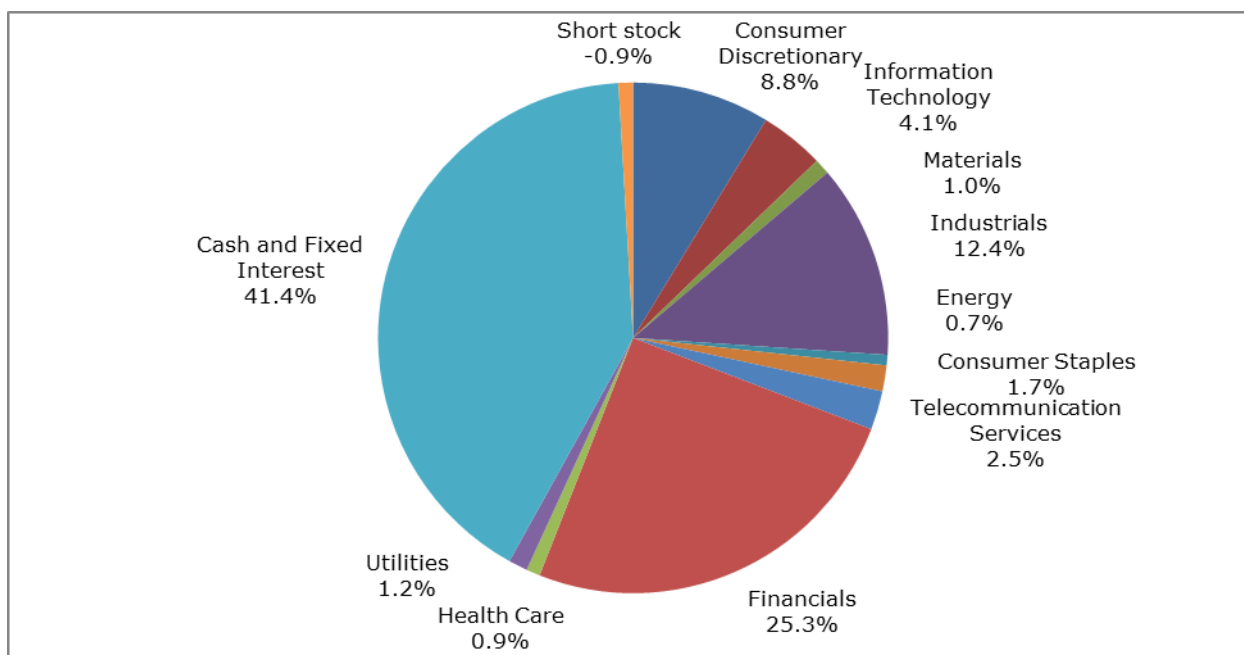
* This is after the receipt of option monies totalling \$9,984,807 and the payment of the \$5,934,322 fully franked final dividend during the month.

Portfolio structure (continued)

As at 30 September 2012 the major securities held in the portfolio were as follows.

Code	Company	Market Value \$	Market Value as % Gross Assets
ALS	Alesco Corporation Limited	7,093,542	3.2%
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	6,450,043	2.9%
CYA	Century Australia Investments Limited	4,815,756	2.1%
IBC	Ironbark Capital Limited	4,659,432	2.1%
ELI	Emerging Leaders Investments Limited	4,498,254	2.0%
BRG	Breville Group Limited	3,970,526	1.8%
INA	Ingenia Communities Group	3,762,070	1.7%
RHG	RHG Limited	3,343,260	1.5%
AHE	Automotive Holdings Group Limited	3,286,032	1.5%
NXT	NEXTDC Limited	3,239,040	1.4%
CYG	Coventry Group Limited	3,064,832	1.4%
CCQ	Contango Capital Partners Limited	2,971,898	1.3%
SDG	Sunland Group Limited	2,956,455	1.3%
FAN	Fantastic Holdings Limited	2,526,538	1.1%
RIC	Ridley Corporation Limited	2,435,316	1.1%
AMM	Amcom Telecommunications Limited	2,382,891	1.1%
GLG	Gerard Lighting Group Limited	2,354,333	1.0%
SKE	Skilled Group Limited	2,300,818	1.0%
DJS	David Jones Limited	2,219,844	1.0%
WEB	Webjet Limited	2,193,013	1.0%

Portfolio structure – sector allocation



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

Set out below is the performance of WAM's investment portfolio since listing to 30 September 2012 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	+6.2%	+8.2%	-2.0%

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			Since inception	
Investment Portfolio *	-2.2%	+0.5%	+1.7%	+2.7%	+1.7%				+755.4%
S&P/ASX All Ord Accum	-6.9%	+0.3%	+3.7%	+2.1%	+2.1%				+155.9%

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

For more information

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