

WAM Capital Limited (WAM)

Listed Managed Investments

June 2012 Quarterly Review

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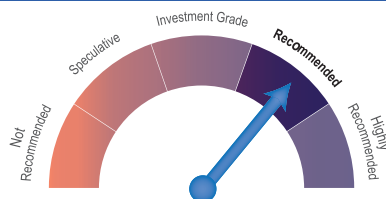
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Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price as at 18 August 2012	\$1.63
Market cap (\$M)	174.4
Shares on issue (M)	107.0
Shares traded (\$M p.a)	21.4
12-month L/H (\$)	1.34/1.65
Listing date	August 1999

Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	11.29	8.30
TE (%)	10.34	7.93

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield

	%
FY10	6.87ff
FY11	5.79ff
FY12	6.64ff

Substantial Shareholders

	%
Victor John Plummer	4.5
Interests associated with Geoff Wilson	3.3

As at 30 June 2012

COMPANY OVERVIEW

WAM was listed in August 1999 and is managed by Wilson Asset Management. WAM provides an actively managed fund that focuses on investing in a diversified portfolio of growth companies, primarily small-to-mid cap securities.

INVESTMENT OBJECTIVE

The investment objectives of the fund are to provide a growing stream of fully franked dividends, provide capital growth and preserve capital.

STYLE AND PROCESS

WAM predominantly invests in a diversified portfolio of growth companies. The manager uses a combination of two approaches to select investments:

- (1) The Research Driven approach, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 800 meetings with management each year; and
- (2) The Market Driven approach, which involves participating in IPO's, placements and takeover arbitrages aiming to take advantage of short-term relative arbitrage opportunities and mispricing in the market.

PORTFOLIO CHARACTERISTICS

WAM has a well-diversified portfolio, with the largest position being 2.9% (CPAPB). The portfolio focuses on small-to-mid cap stocks with the majority of investments being in companies outside the S&P/ASX 100. Given the company focuses on industrial stocks, the portfolio has very little exposure to the resource sector. The manager defaults to cash if acceptable investments cannot be identified. As such, prospective investors need to be aware that the portfolio may have large cash allocations. At June-end, 46% of the portfolio was allocated to cash.

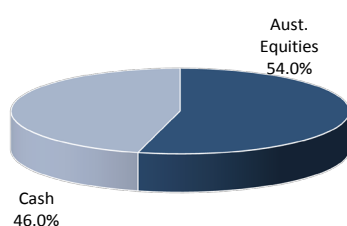
INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAM predominantly invests in small-to-mid cap stocks. The manager primarily maintains small positions in securities to minimise risk, however, there are no size restrictions on investments. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. The manager has the ability to short sell stocks. We note, this has never been more than 10% of the portfolio. WAM outperformed the benchmark index by 6.7% over the June quarter, with the portfolio (pre-tax NTA plus dividends) increasing 1.0% compared to the benchmark index decline of 5.6%. The outperformance is result of a combination of the portfolios allocation to cash and the stock picking ability of the manager. The portfolio has significantly outperformed the benchmark index over the short-and-medium term. As at June-end 2012, WAM was trading at discount to pre-tax NTA of 3.7%, well below the average discount of 8.0%. The company has issued bonus options on a 1 for 1 basis. 106,819,954 were issued with the right to acquire fully paid ordinary shares at \$1.60 per share on or before 31 July 2013. The options are listed on the ASX and began normal trading on 4 May 2012. In July 2012, the company announced a placement of issued capital to raise up to \$25.56M. The capital will be issued at the pre-tax NTA as at 31 July 2012. Investors in the placement will receive one ordinary share and one listed option. The new shares issued are expected to commence trading on 1 September 2012.

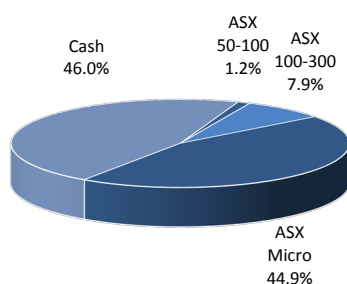
SECTOR BREAKDOWN

Sector	%
Energy	0.0
Materials	3.8
Industrials	21.3
Consumer Discretionary	11.3
Consumer Staples	3.1
Healthcare	2.8
Financials (ex Property)	43.4
Information Technology	4.0
Telecommunication Services	5.1
Utilities	5.2

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ Sunland Group Limited
- ◆ Ethane Pipeline Income Fund
- ◆ Challenger Infrastructure Fund

KEY NEGATIVE CONTRIBUTORS

- ◆ Coffey International Limited
- ◆ Iproperty Group Limited
- ◆ Flinders Mines Limited

BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
James Chirnside	Director (Non-Executive)
Paul Jensen	Director (Non-Executive)
Kate Thorley	Company Secretary

OTHER DATA

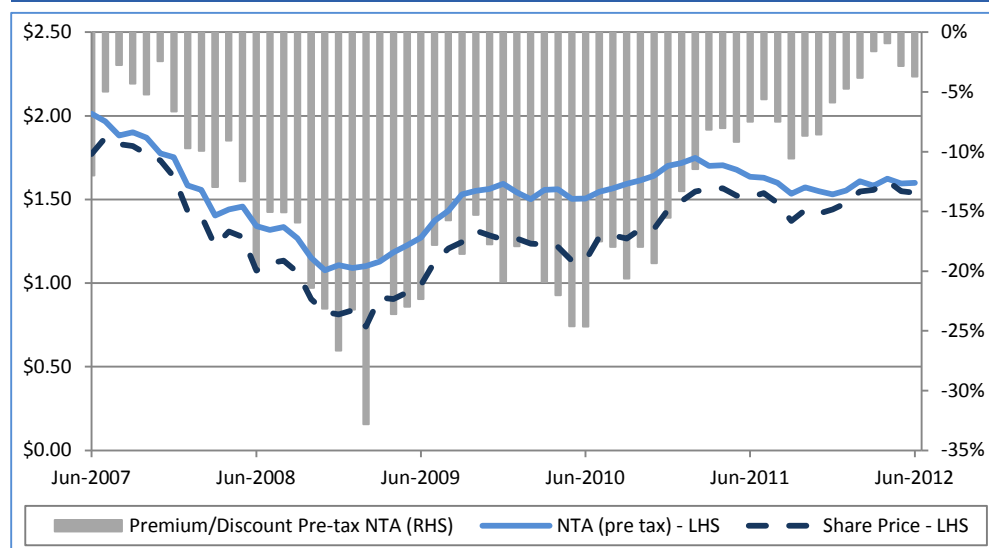
- ◆ **Options** – 1 for 1 bonus issue of approximately 106,819,954 options to acquire fully paid ordinary shares exercisable at \$1.60 per option on or before 31 July 2013.
- ◆ **Dividend policy** – The Board seeks to pay an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid on a semi-annual basis.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

WAM'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords (%)
CBAPB	2.9	na
ELI	2.6	na
IBC	2.3	na
CCQ	1.7	na
BRG	1.7	0.0
MMS	1.6	0.1
TWO	1.5	0.0
SDG	1.5	0.0
CYA	1.4	na
CYG	1.3	na
	18.5	0.2

Source all figures: WAM/Independent Investment Research/IRESS.
All data as at 30 June 2012 unless otherwise specified

NTA & Share Price Performance



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AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

WAM Research Limited (WAX)

Listed Managed Investments

June 2012 Quarterly Review

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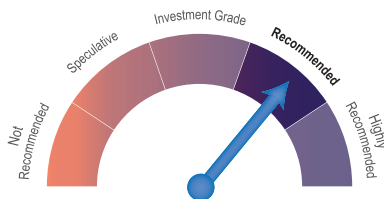
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Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Asset

Listed companies and other

Investment Sectors

Diversified

Investment Profile

Share price as at 18 August 2012	\$0.82
Market cap (\$M)	98.5
Shares on issue (M)	120.9
Shares traded (\$M p.a.)	17.5
12-month L/H (\$)	0.65/0.82
Listing date	August 2003

Fees

Management Fee (%)	1.0
Performance incentives (%)	20.0*

*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

Pre-tax NTA Performance Analytics
(including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	9.27	3.39
TE (%)	8.95	7.42

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY10	7.44ff
FY11	9.86ff
FY12	8.68ff

Substantial Shareholders

	%
Interests associated with Geoff Wilson	4.6
Victor John Plummer	2.6

As at 30 June 2012

COMPANY OVERVIEW

WAX was listed in August 2003 under the name Wilson Investment Fund Limited (WIL). The portfolio is managed by Wilson Asset Management. The company invests predominantly in small to medium sized ASX-listed industrial companies.

INVESTMENT OBJECTIVE

The company aims to provide shareholders a steady stream of fully franked dividends and a high real rate of return, comprising both capital and income.

STYLE AND PROCESS

WAX's investment philosophy is to invest predominantly in industrial companies with an emphasis on companies that are under researched and mispriced. As such the company focuses on small-to-mid cap companies. The manager uses two investment approaches to identify opportunities: (1) The Research Driven approach, where the manager undertakes extensive research to identify attractive opportunities. The manager views contact with company management as critical to this process, with over 800 management meetings with management each year.; and (2) The Investment Driven approach, which seeks to identify companies that have a sustainable business model, track record of dividends, history of profits and positive free cash flow, acceptable financial strength and attractive return on equity.

PORTFOLIO CHARACTERISTICS

WAX aims to maintain a portfolio of between 30 and 50 securities. The manager focuses on small-to-mid cap stocks with 50% of investments being in companies outside the S&P/ASX 100. Given the company focuses on industrial stocks, the portfolio has very little, if any, exposure to the resource sector. The manager will hold cash if attractive investment opportunities cannot be identified. As at June-end, the manager had cash holdings of 49.7%.

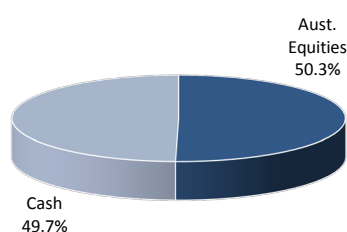
INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAX predominantly invests in small-to-mid cap industrial stocks. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. The manager primarily maintains small positions in securities to minimise risk, however, there are no size restrictions on investments and as such the manager has the ability to take high conviction positions if they so desire. WAX's portfolio (pre-tax NTA plus dividends) outperformed the benchmark index by 4.2% over the June quarter, taking the outperformance of the benchmark index over the 12-months to 30 June 2012 to 9.3%. We expect the portfolio to outperform during times of market weakness, such as current market conditions, given the large cash allocation. As at 30 June 2012, WAX was trading at a 13.9% discount to pre-tax NTA. WAX has had a steady dividend yield of between 7%-10%. The company has declared a full year dividend (fully franked) of \$0.065 per share, up from \$0.06 in FY'11.

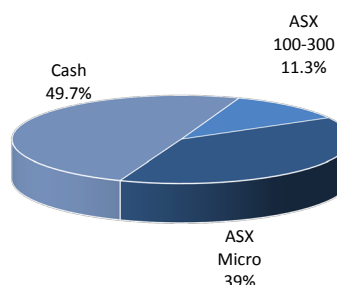
SECTOR BREAKDOWN

Sector	%
Materials	0.9
Industrials	23.2
Consumer Discretionary	33.0
Healthcare	2.7
Financials (ex Property)	22.2
Consumer Staples	1.0
Information Technology	7.9
Telecommunication Services	7.4
Utilities	1.5

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ AP Eagers Limited
- ◆ Flexigroup Limited
- ◆ Amcom Telecommunications Limited

KEY NEGATIVE CONTRIBUTORS

- ◆ Coffey International Limited
- ◆ Iproperty Group Limited
- ◆ Centrepont Alliance Limited

BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
John Abernethy	Director (Non-Executive)
Julian Gosse	Director (Non-Executive)
Kate Thorley	Company Secretary

OTHER DATA

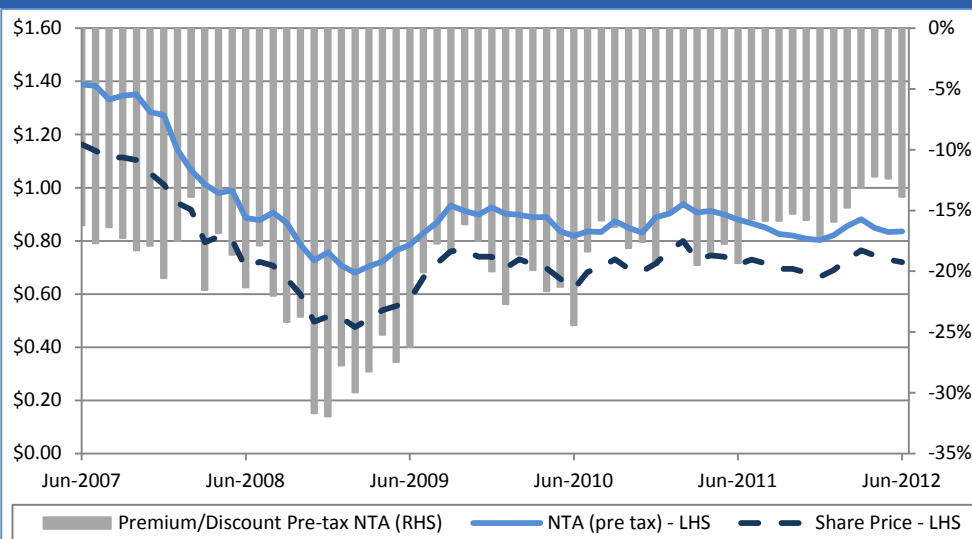
- ◆ **Options** – None currently on offer.
- ◆ **Dividend policy** – The Board seeks to pay an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid on a semi-annual basis.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – Has the potential to pay LIC capital gains to investors.
- ◆ **DRP available** – Yes

WAX'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords (%)
APE	5.9	0.0
BRG	3.3	0.0
MMS	3.0	0.1
CBAPB	2.8	na
ARP	2.6	0.1
RKN	2.2	0.0
SKE	2.2	0.0
AMM	2.2	0.0
FXL	2.1	0.0
WEB	2.0	0.0
	28.3	7.8

Source all figures: WAX/Independent Investment Research/IRESS. All data as at 30 June 2012 unless otherwise specified.

NTA & Share Price Performance



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WAM Active Limited (WAA)

Listed Managed Investments

June 2012 Quarterly Review

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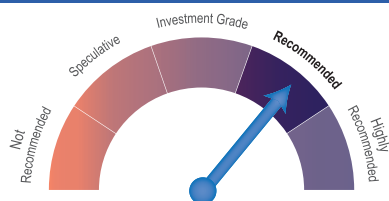
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Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price as at 18 August 2012	\$1.11
Market cap (\$M)	18.0
Shares on issue (M)	16.3
Shares traded (\$M p.a)	3.7
12-month L/H (\$)	0.97/1.16
Listing date	January 2008

Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

*Outperformance over the high watermark. Paid annually.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	8.86	1.77
TE (%)	12.35	9.79

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield

	%
FY10	5.02ff
FY11	6.83ff
FY12	8.21ff

Substantial Shareholders

	%
Interests Associated with Geoff Wilson	13.0
Huntingfield Investments	10.1

As at 30 June 2012

COMPANY OVERVIEW

WAA is an actively managed absolute return fund that was listed in January 2008. The portfolio is managed by Wilson Asset Management. WAA aims to achieve a sound return with a low correlation to traditional markets.

INVESTMENT OBJECTIVE

The company has an absolute return focus and therefore aims to generate positive returns in both rising and falling markets. The manager seeks to deliver shareholders with a steady stream of fully franked dividends, and preserve the company's capital in both the short-and long-term.

STYLE AND PROCESS

WAA invests predominantly in ASX-listed securities. Given the objective of the company, the manager has the ability to short sell securities. The manager uses a 'Market Driven' approach to investing, in which it aims to take advantage of short-term relative arbitrage and mispricing in the market. The manager participates in IPO's, rights issues, placements, schemes of arrangement and looks for arbitrage opportunities and discount to asset plays, along with other market events viewed as favourably priced. The manager utilises stop-losses on all trading positions of 10%. The portfolio is actively managed and therefore portfolio turnover is high.

PORTFOLIO CHARACTERISTICS

The portfolio may hold between 10 and 100 investments and therefore the level of concentration will vary. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the manager may take large positions in an individual security. The manager may hold up to 100% cash if attractive investment opportunities cannot be identified. At June quarter end, almost half the portfolio (48.6%) was allocated to cash.

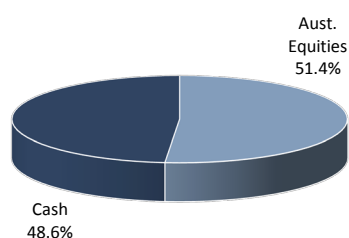
INDEPENDENT INVESTMENT RESEARCH COMMENTS

The absolute return nature of WAA means that the company does not intend to mimic the returns of the market but generate positive returns despite the direction of the market, as is illustrated by the high tracking error. The company's strategy incorporates the use of short selling to generate returns. No more than 10% of the portfolio has been 'short' since inception. The portfolio holds high levels of cash, which will contribute to the outperformance of the portfolio when the market generates negative returns, such as over the last 12-months. WAA's portfolio (pre-tax NTA plus dividends) outperformed the benchmark index by 4.5% over the June quarter extending the 12-month outperformance of the benchmark index 8.9%. As at 30 June 2012, WAA was trading at a tight discount to pre-tax NTA of 2.6%. The discount to pre-tax NTA has narrowed significantly from levels in excess of 20% in 2009 to the current level of 2.6%. We attribute this largely to the increasing dividend yield offered by the company. On 4 May 2012, the company announced a 1 for 1 bonus option issue. The options will have an exercise price of \$1.08 per share and an expiration date of 12 December 2013.

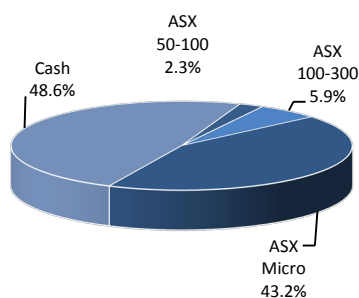
SECTOR BREAKDOWN

Sector	%
Energy	0.0
Materials	7.4
Industrials	23.5
Consumer Discretionary	4.8
Consumer Staples	5.7
Healthcare	3.2
Financials (ex Property)	41.6
Information Technology	0.6
Telecommunication Services	3.5
Utilities	9.7

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ Sunland Group Limited
- ◆ Ethane Pipeline Income Fund
- ◆ Challenger Infrastructure Fund

KEY NEGATIVE CONTRIBUTORS

- ◆ Flinders Mines Limited
- ◆ Miclyn Express Offshore Limited
- ◆ Ingenia Communities Group

BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
John Abernethy	Director (Non-Executive)
Ronald J. Walker	Director (Non-Executive)
Kate Thorley	Company Secretary

OTHER DATA

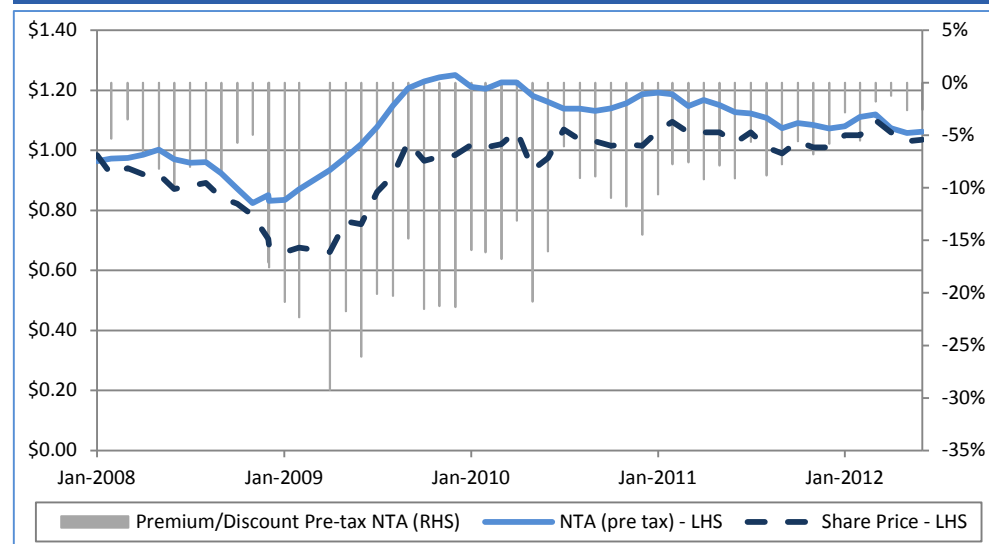
- ◆ **Options** – 16.3M exercisable at \$1.08 on or before 12 December 2013.
- ◆ **Dividend policy** – The Board seeks to pay an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid semi-annually.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

WAA'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords (%)
CCQ	3.2	na
SDG	2.9	0.0
CBAPB	2.8	na
CYG	2.5	na
EPX	2.5	0.0
AIX	2.3	0.1
CIF	2.3	0.0
INA	2.2	na
DMG	1.9	0.0
CLO	1.9	0.1
	24.5	7.7

Source all figures: WAA/Independent Investment Research/IRESS.
All data as at 30 June 2012 unless otherwise specified.

NTA & Share Price Performance



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