

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

WAM Capital Limited (WAM)

Listed Managed Investments

March 2012 Quarterly Review

WHO IS IIR?

Independent Investment Research Pty Ltd, "IIR" is an independent investment research house in Australia. IIR specialises in the analysis of industry trends, and high quality commissioned research. IIR was established in 2004 under Aegis Equities Holdings to provide investment research to a select group of customers. Since March 2010, IIR has operated independently from Aegis by former Aegis staff to provide customers and subscribers unparalleled research website, that covers listed and unlisted managed investments, resource companies, ETFs, property, structured products, and IPO's.

DISCLAIMER

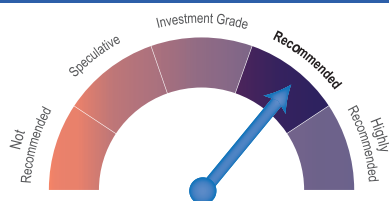
This publication has been prepared by Independent Investment Research Pty Limited ("IIR") (ABN 90 111 536 700), an Australian Financial Services Licensee (AFSL no. 293655). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price as at 28 May 2012	\$1.55
Market cap (\$M)	165.1
Shares on issue (M)	106.8
Shares traded (\$M p.a)	24.8
12-month L/H (\$)	1.30/1.65
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. (%)	5.61	6.31
TE (%)	9.28	7.54

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

Dividend Yield

	%
FY09	0.0ff
FY10	6.87ff
FY11	5.79ff

Substantial Shareholders

	%
Victor John Plummer	4.7
Interests associated with Geoff Wilson	3.3

As at 31 March 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 2.6% (RKN). 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 March end, 36% of the portfolio was allocated to cash.

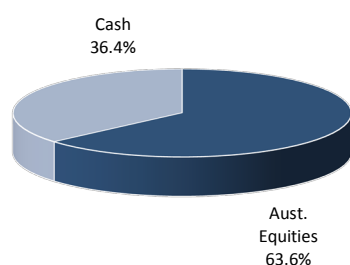
INDEPENDENT INVESTMENT RESEARCH COMMENTS

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 underperformed the benchmark index by 2% over the March quarter, with the portfolio (pre-tax NTA plus dividends) increasing 7% compared to the benchmark index rise of 9%, however has outperformed the benchmark index by 5.6% over the 12-months to 31 March 2012. As at March-end 2012, WAM was trading at discount to pre-tax NTA of 1.6%, well below the average discount of 7.6%. 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.

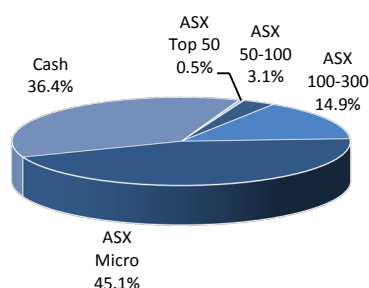
SECTOR BREAKDOWN

Sector	%
Energy	3.6
Materials	5.4
Industrials	24.3
Consumer Discretionary	17.3
Consumer Staples	2.7
Healthcare	2.8
Financials (ex Property)	31.8
Information Technology	6.2
Telecommunication Services	3.1
Utilities	2.8

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ Breville Group
- ◆ Ainsworth Game Technology
- ◆ McMillan Shakespeare

KEY NEGATIVE CONTRIBUTORS

- ◆ Signature Capital Investments
- ◆ Centrepont Alliance
- ◆ QBE Insurance Group

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

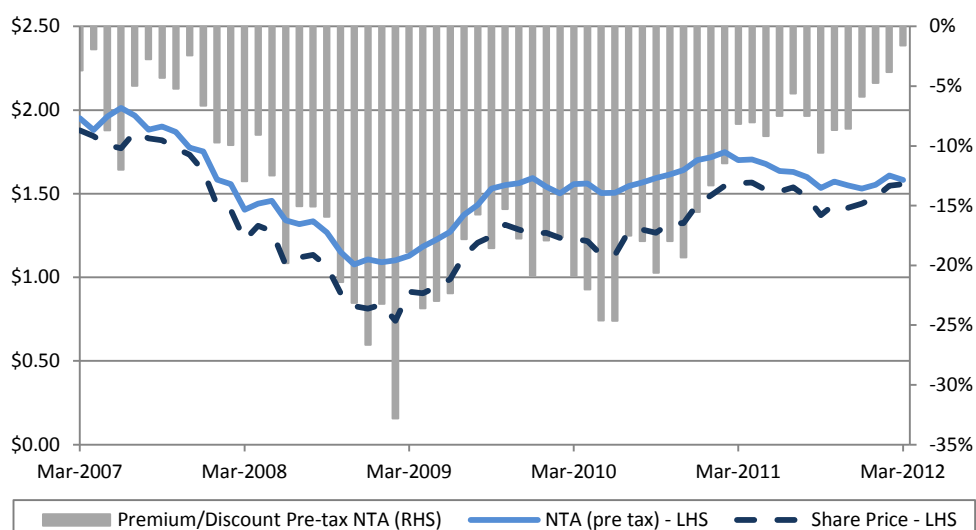
- ◆ **Options** – 1 for 1 bonus issue of approx. 106,819,954 options to acquire fully paid ordinary shares exercisable at \$1.60 per option on or before 31 July 2013.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends, provided the company has sufficient franking credits, and it is within prudent business practices.
- ◆ **Capital management policy** – The Board manages the company's capital by regularly reviewing the most efficient manner by which the company employs its capital. Management believes in preservation of shareholder value. This will be achieved through the management of the level of distributions to shareholders, share and option issues as well as share buy-backs.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

WAM'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords (%)
RKN	2.6	0.0
ELI	2.4	na
BRG	2.1	0.0
MMS	1.7	0.1
IBC	1.6	na
CCQ	1.6	na
COF	1.4	0.0
CBAPB	1.4	na
SKE	1.3	0.0
CTN	1.2	Na
	17.3	0.2

Source all figures: WAM/Independent Investment Research/IRESS.
All data as at 31 March 2012 unless otherwise specified

NTA & Share Price Performance



(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR" (ABN 56144966165), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

PO Box H297 Australia Square

Sydney NSW 1215

Phone 61 2 8001 6693

ABN 11 152 172 079

DENVER OFFICE

1011 S Valentia 138

Denver Colorado 80247

Telephone: +1 161 412 444 724

WAM Research Limited (WAX)

Listed Managed Investments

March 2012 Quarterly Review

WHO IS IIR?

Independent Investment Research Pty Ltd, "IIR" is an independent investment research house in Australia. IIR specialises in the analysis of industry trends, and high quality commissioned research. IIR was established in 2004 under Aegis Equities Holdings to provide investment research to a select group of customers. Since March 2010, IIR has operated independently from Aegis by former Aegis staff to provide customers and subscribers unparalleled research website, that covers listed and unlisted managed investments, resource companies, ETFs, property, structured products, and IPO's.

DISCLAIMER

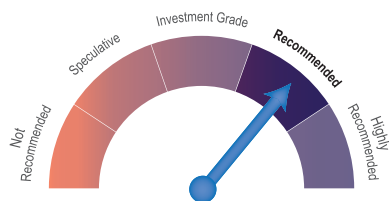
This publication has been prepared by Independent Investment Research Pty Limited ("IIR") (ABN 90 111 536 700), an Australian Financial Services Licensee (AFSL no. 293655). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Asset

Listed companies and other

Investment Sectors

Diversified

Investment Profile

Share price as at 28 May 2012	\$0.73
Market cap (\$M)	88.2
Shares on issue (M)	120.9
Shares traded (\$M p.a.)	17.8
12-month L/H (\$)	0.63/0.80
Listing date	Aug. 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. (%)	6.94	1.54
TE (%)	7.71	7.57

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

Dividend Yield

	%
FY09	6.78ff
FY10	7.30ff
FY11	9.86ff

Substantial Shareholders

	%
Interests associated with Geoff Wilson	4.7
Victor John Plummer	2.7

As at 31 March 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 43.4% of investments being in companies outside the S&P/ASX 300. 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 March end, the manager had cash holdings of 40%.

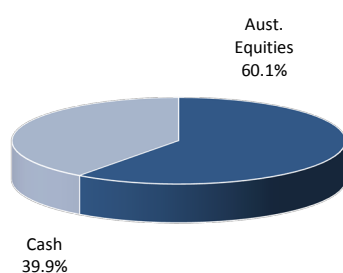
INDEPENDENT INVESTMENT RESEARCH COMMENTS

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 0.8% over the March quarter, taking the outperformance of the benchmark index over the 12-months to 31 March 2012 to 6.9%. WAX was trading at a 13.2% discount to pre-tax NTA at March end.

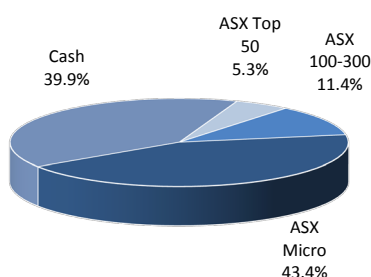
SECTOR BREAKDOWN

Sector	%
Materials	1.7
Industrials	24.1
Consumer Discretionary	29.2
Healthcare	2.5
Financials (ex Property)	27.9
Property	0.0
Information Technology	7.7
Telecommunication Services	5.7
Utilities	1.2

Asset Weighting



Size Weighting



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 is committed to paying an increasing stream of fully franked dividends, provided the company has sufficient franking credits, and it is within prudent business practices.
- ◆ **Capital management policy** – The Board manages the company's capital by regularly reviewing the most efficient manner by which the company employs its capital. Management believes in preservation of shareholder value. This will be achieved through the management of the level of distributions to shareholders, share and option issues as well as share buy-backs.
- ◆ **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 (%)
NAB	5.3	4.5
APE	4.5	0.0
BRG	3.5	0.0
MYS	3.1	0.0
MMS	3.1	0.1
RKN	2.9	0.0
COF	2.8	0.0
ARP	2.4	0.1
AMM	2.2	0.0
AAD	1.8	0.0
	31.6	4.9

Source all figures: WAX/Independent Investment Research/IRESS.
All data as at 31 March 2012 unless otherwise specified

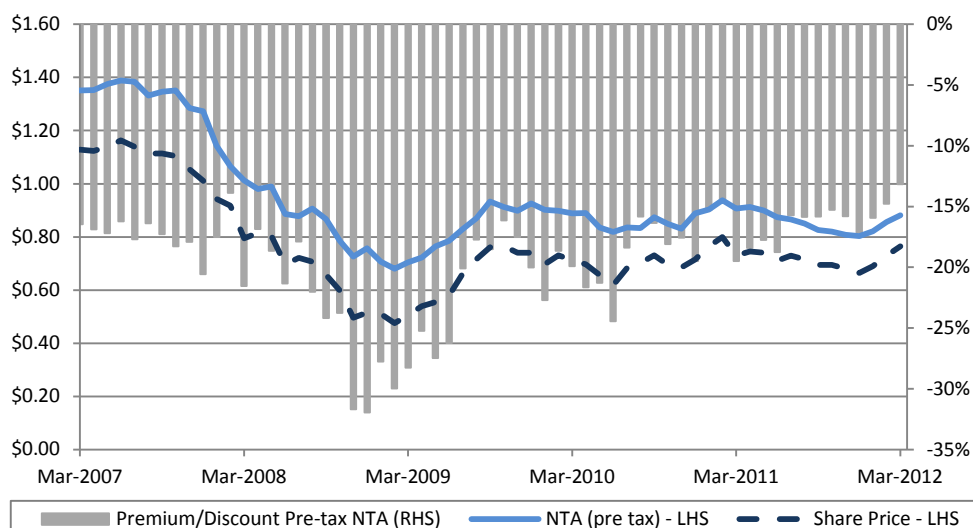
KEY POSITIVE CONTRIBUTORS

- ◆ Breville Group
- ◆ Ainsworth Games Technology
- ◆ Coffey International

KEY NEGATIVE CONTRIBUTORS

- ◆ Centrepoint Alliance
- ◆ Reckon
- ◆ Mystate

NTA & Share Price Performance



(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR" (ABN 56144966165), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

PO Box H297 Australia Square

Sydney NSW 1215

Phone 61 2 8001 6693

ABN 11 152 172 079

DENVER OFFICE

1011 S Valentia 138

Denver Colorado 80247

Telephone: +1 161 412 444 724

WAM Active Limited (WAA)

Listed Managed Investments

March 2012 Quarterly Review

WHO IS IIR?

Independent Investment Research Pty Ltd, "IIR" is an independent investment research house in Australia. IIR specialises in the analysis of industry trends, and high quality commissioned research. IIR was established in 2004 under Aegis Equities Holdings to provide investment research to a select group of customers. Since March 2010, IIR has operated independently from Aegis by former Aegis staff to provide customers and subscribers unparalleled research website, that covers listed and unlisted managed investments, resource companies, ETFs, property, structured products, and IPO's.

DISCLAIMER

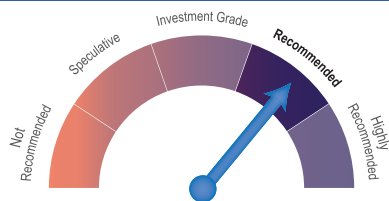
This publication has been prepared by Independent Investment Research Pty Limited ("IIR") (ABN 90 111 536 700), an Australian Financial Services Licensee (AFSL no. 293655). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Rating



LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price as at 28 May 2012	\$1.03
Market cap (\$M)	16.8
Shares on issue (M)	16.3
Shares traded (\$M p.a)	4.0
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. (%)	7.49	1.70
TE (%)	11.26	9.37

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

Dividend Yield	%
FY09	0.00ff
FY10	5.13ff
FY11	6.83ff

Substantial Shareholders

	%
Interests Associated with Geoff Wilson	13.1
Huntingfield Investments	10.2

As at 31 March 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 favorably 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 March quarter end, the manager had cash holdings of 41.6%.

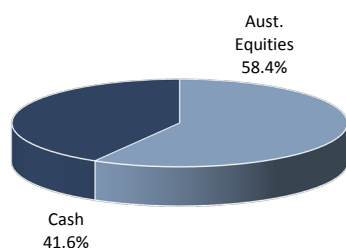
INDEPENDENT INVESTMENT RESEARCH COMMENTS

The absolute return nature of WAA means that it 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 likely result in the outperformance of the portfolio when the market generates large negative returns. WAA's portfolio (pre-tax NTA plus dividends) underperformed the benchmark index by 4.6% over the March quarter; however, the portfolio has outperformed the benchmark index by 7.5% over the 12-months to 31 March 2012. The company took advantage of some investment opportunities over the March quarter, reducing the cash holdings from 61% to 42%, with the company reducing exposure to the financial sector and significantly increasing the portfolio's exposure to the industrials sector. 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.

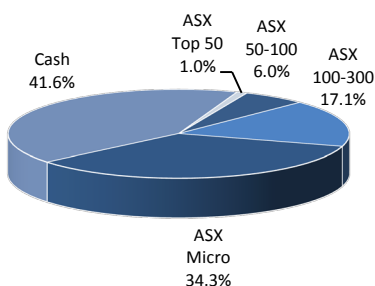
SECTOR BREAKDOWN

Sector	%
Energy	7.5
Materials	10.0
Industrials	29.7
Consumer Discretionary	9.9
Consumer Staples	3.5
Healthcare	4.9
Financials (ex Property)	29.5
Information Technology	0.4
Telecommunication Services	0.0
Utilities	4.6

Asset Weighting



Size Weighting



KEY POSITIVE CONTRIBUTORS

- ◆ Virgin Australia Holdings
- ◆ ING Real Estate
- ◆ Drillsearch Energy

KEY NEGATIVE CONTRIBUTORS

- ◆ Signature Capital Investments
- ◆ QBE Insurance Group
- ◆ Challenger

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

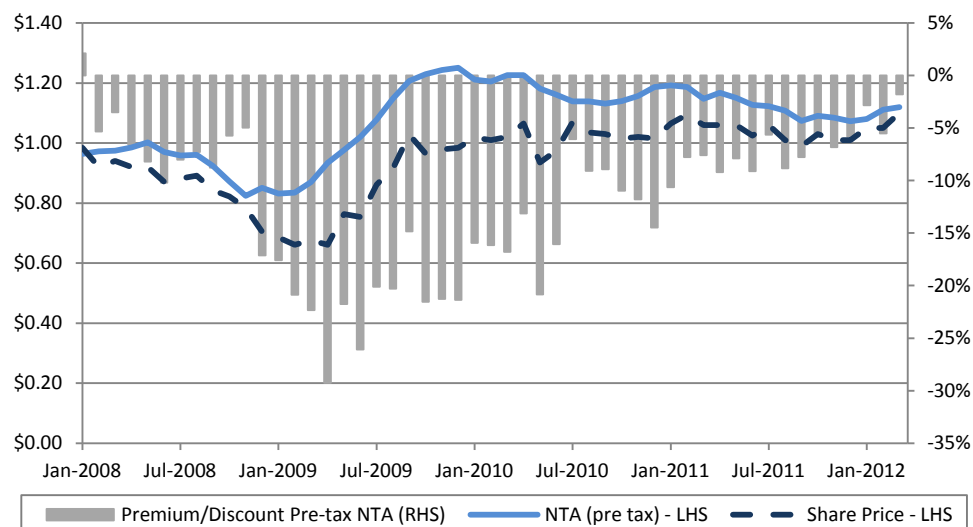
- ◆ **Options** – 1 for 1 bonus issue to acquire fully paid ordinary shares exercisable at \$1.08 with expiration on or before 12 December 2013.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends, provided the company has sufficient franking credits, and it is within prudent business practices.
- ◆ **Capital management policy** – The Board manages the company's capital by regularly reviewing the most efficient manner by which the company employs its capital. Management believes in preservation of shareholder value. This will be achieved through the management of the level of distributions to shareholders, share and option issues as well as share buy-backs.
- ◆ **LIC tax concessions** – No
- ◆ **DRP available** – Yes

WAA'S PORTFOLIO (TOP 10) WEIGHTING

Code	Portfolio (%)	All Ords (%)
CCQ	2.9	na
ILF	2.3	na
EPX	2.2	0.0
AIX	2.1	0.1
SDG	2.1	0.0
GFF	2.0	0.1
EGP	2.0	0.2
BSL	2.0	0.1
CYG	1.9	na
VAH	1.8	0.1
	21.3	0.7

Source all figures: WAA/Independent Investment Research/IRESS.
All data as at 31 March 2012 unless otherwise specified

NTA & Share Price Performance



(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR" (ABN 56144966165), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

PO Box H297 Australia Square

Sydney NSW 1215

Phone 61 2 8001 6693

ABN 11 152 172 079

DENVER OFFICE

1011 S Valentia 138

Denver Colorado 80247

Telephone: +1 161 412 444 724