

# WAM CAPITAL LIMITED

(ACN 086 587 395)



## **WAM CAPITAL FEBRUARY 2007 INVESTMENT UPDATE & NTA**

Since inception in August 1999 WAM Capital Ltd (WAM) has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividend) has increased by 499.3% compared to a 165.3% increase in the All Ordinaries Accumulation Index.

- In February WAM's gross portfolio (before all fees, costs and taxes) increased by 0.39%, while the All Ordinaries Accumulation Index rose by 1.59%.
- The gross portfolio has increased 34.4% for the 12 months to 28 February 2007.
- The gross portfolio has increased 27.4% for the 8 months to 28 February 2007.
- The NTA before tax was 197.56\* cents a share, as at 28 February 2007.
- The NTA after tax was 179.82 cents a share, as at 28 February 2007.

The above figures are undiluted for unexercised options and after the exercise of 2,838,322 options at \$1.80 each. The above figures are also before the payment of an interim dividend of 8.0 cents a share fully franked, payable on the 27 April 2007.

\*This is after the payment of \$1,350,611 (1.90 cents a share) in tax.

WAM is an investment company whose mission is to provide superior returns to its investors over the medium to long term. WAM is managed by Wilson Asset Management (International) Pty Limited.

### **MARKET OUTLOOK**

February saw volatility return to the market after a long upward march. Since the bull market began in March 2003, there have been several bouts of volatility that have seen the market fall suddenly only to rebound sharply. We would expect this type of volatility to become more common as valuations move higher. There can be little doubting the Australian market, especially the industrial sector is expensive. A significant portion of the recent rise in the industrial sector has been due to earning multiples expanding rather than profit growth. This is a dangerous situation. In simple terms, when PE ratios expand it means investors are prepared to take on more risk. As a consequence we remain cautious.

### **DIVIDEND**

On the 6<sup>th</sup> February the Directors declared an interim dividend of 8.0 cents a share fully franked payable on the 27 April 2007. The shares will trade ex dividend on 16 April 2007.

Option holders who exercise their options by the 13 April 2007 will receive the interim dividend of 8.0 cents a share.

### **OPTIONS ISSUE**

On 24<sup>th</sup> October 2006, the Directors of WAM Capital Limited announced a 1 for 1 bonus issue of options to its shareholders. The options were allotted to shareholders on 1<sup>st</sup> December 2006 and have been issued at no cost to shareholders. The options have an exercise price of \$1.80 per option and can be exercised any time up until the expiry date of 17 December 2007.

As at the 6<sup>th</sup> March 3,227,233 options have been exercised for a total consideration of \$5,809,019 with a remaining balance of outstanding options being 64,983,538.

### **PORTFOLIO STRUCTURE & STRATEGY**

As at 28 February 2007, listed securities made up approximately 85% of the portfolio, while fixed interest and cash made up the remaining 15%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, and are well positioned in growth industries and have proven management. We continue to research heavily to find companies that meet this profile.

At 28 February 2007 the major securities held in the portfolio were:

<b>COMPANY</b>	<b>MARKET VALUE \$</b>
AJ Lucas Group Ltd (AJL)	1,479,055.50
Antares Energy Ltd Unsec Conv Notes (AZZG)	1,393,000.00
Bank of Queensland Reset Prefs (BOQPB)	1,683,885.00
Clime Investment Ltd (CIW)	2,215,313.88
Coffey International Ltd (COF)	2,897,948.40
Credit Corp Group Ltd (CCP)	7,508,085.00
Harvey Norman Holdings Ltd (HVN)	1,415,925.00
Henderson Group Plc (HGI)	3,153,920.00
IWL Ltd (IWL)	2,272,436.40
Linq Resources Fund (LRF)	2,181,380.25
Ludowici Ltd (LDW)	1,693,825.16
Mariner Bridge Investments Ltd (MBR)	2,837,532.12
Mariner Financial Ltd (MFI)	1,458,000.00
McMillan Shakespeare Ltd (MMS)	3,731,890.40
Melbourne IT Ltd (MLB)	3,395,148.68
MMC Contrarian Ltd (MMA)	3,459,954.36
Monadelphous Group Ltd (MND)	2,238,600.00
News Corp (NWS)	2,090,900.00
Photon Group Ltd (PGA)	3,985,422.54
Rattoon Holdings Ltd (RTN)	3,470,597.76
Rebel Sport Ltd (REB)	2,314,511.75
Reckon Ltd (RKN)	4,706,577.49
Reef Casino Trust (RCT)	1,377,823.20
Reverse Corp Ltd (REF)	4,155,638.40
Select Harvests Ltd (SHV)	1,930,610.51
Service Stream Ltd (SSM)	1,962,387.00
Tassal Group Ltd (TGR)	1,657,021.56
Timbercorp Ltd (TIM)	2,089,500.00
Tower Australia Ltd (TAL)	1,638,193.61
Wotif.com Holdings Ltd (WTF)	1,627,516.02
NTA before tax	197.56c*
NTA after tax and before tax on unrealised gains	193.32c
NTA after tax	179.52c

The above figures are undiluted for unexercised options and after the exercise of 2,838,322 options at \$1.80 each. The above figures are also before the payment of an interim dividend of 8.0 cents a share fully franked, payable on the 27 April 2007.

\* This is after the payment of \$1,350,611 (1.90 cents a share) in tax.

## PERFORMANCE TABLE

	<b>Aug 99</b>	<b>Sep 99</b>	<b>Oct 99</b>	<b>Nov 99</b>	<b>Dec 99</b>	<b>Jan 00</b>
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%
All Ordinaries Accum.	-1.9%	-1.7%	+0.5%	+5.9%	+3.7%	-1.8%
	<b>Feb 00</b>	<b>Mar 00</b>	<b>Apr 00</b>	<b>May 00</b>	<b>Jun 00</b>	<b>Jul 00</b>
Gross Portfolio *	+5.4%	+5.3%	-5.7%	-2.9%	+3.6%	+2.9%
All Ordinaries Accum.	+1.6%	+0.5%	-1.5%	-1.3%	+7.7%	-1.3%
	<b>Aug 00</b>	<b>Sep 00</b>	<b>Oct 00</b>	<b>Nov 00</b>	<b>Dec 00</b>	<b>Jan 01</b>
Gross Portfolio *	+5.2%	-0.7%	+2.5%	+1.9%	+0.1%	+1.7%
All Ordinaries Accum.	+1.7%	+0.2%	-1.1%	+1.1%	-2.0%	+4.4%
	<b>Feb 01</b>	<b>Mar 01</b>	<b>Apr 01</b>	<b>May 01</b>	<b>Jun 01</b>	<b>July 01</b>
Gross Portfolio *	-0.2%	-3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-0.2%	-4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	<b>Aug 01</b>	<b>Sep 01</b>	<b>Oct 01</b>	<b>Nov 01</b>	<b>Dec 01</b>	<b>Jan 02</b>
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%
	<b>Feb 02</b>	<b>Mar 02</b>	<b>Apr 02</b>	<b>May 02</b>	<b>Jun 02</b>	<b>Jul 02</b>
Gross Portfolio *	+3.1%	+4.9%	-0.4%	+0.7%	-2.2%	-3.0%
All Ordinaries Accum.	-1.1%	+0.8%	-1.8%	+0.9%	-4.4%	-4.1%
	<b>Aug 02</b>	<b>Sep 02</b>	<b>Oct 02</b>	<b>Nov 02</b>	<b>Dec 02</b>	<b>Jan 03</b>
Gross Portfolio *	+3.9%	-1.1%	+1.1%	+1.6%	+1.5%	+1.3%
All Ordinaries Accum.	+1.8%	-4.1%	+2.6%	+1.5%	-1.5%	-1.3%
	<b>Feb 03</b>	<b>Mar 03</b>	<b>Apr 03</b>	<b>May 03</b>	<b>Jun 03</b>	<b>Jul 03</b>
Gross Portfolio *	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	<b>Aug 03</b>	<b>Sept 03</b>	<b>Oct 03</b>	<b>Nov 03</b>	<b>Dec 03</b>	<b>Jan 04</b>
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%
	<b>Feb 04</b>	<b>Mar 04</b>	<b>Apr 04</b>	<b>May 04</b>	<b>Jun 04</b>	<b>Jul 04</b>
Gross Portfolio *	+2.7%	+0.1%	-1.3%	-0.8%	+1.0%	+2.4%
All Ordinaries Accum.	+3.1%	+2.0%	-0.1%	+1.6%	+2.7%	+0.6%
	<b>Aug 04</b>	<b>Sep 04</b>	<b>Oct 04</b>	<b>Nov 04</b>	<b>Dec 04</b>	<b>Jan 05</b>
Gross Portfolio *	+1.2%	+2.5%	+2.9%	+3.3%	+0.7%	+2.7%
All Ordinaries Accum.	+1.1%	+3.8%	+3.1%	+4.6%	+3.0%	+1.3%
	<b>Feb 05</b>	<b>Mar 05</b>	<b>Apr 05</b>	<b>May 05</b>	<b>Jun 05</b>	<b>Jul 05</b>
Gross Portfolio *	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	<b>Aug 05</b>	<b>Sep 05</b>	<b>Oct 05</b>	<b>Nov 05</b>	<b>Dec 05</b>	<b>Jan 06</b>
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%
	<b>Feb 06</b>	<b>Mar 06</b>	<b>Apr 06</b>	<b>May 06</b>	<b>Jun 06</b>	<b>Jul 06</b>
Gross Portfolio *	+4.9%	+5.3%	+2.1%	-2.3%	+0.5%	+0.4%
All Ordinaries Accum.	+0.7%	+4.8%	+2.4%	-4.3%	+1.9%	-1.5%
	<b>Aug 06</b>	<b>Sep 06</b>	<b>Oct 06</b>	<b>Nov 06</b>	<b>Dec 06</b>	<b>Jan 07</b>
Gross Portfolio *	+3.4%	+2.4%	+4.7%	+3.6%	+6.1%	+3.8%
All Ordinaries Accum.	+3.2%	+1.3%	+4.8%	+2.5%	+3.6%	+2.0%
	<b>Feb 07</b>	<b>Mar 07</b>	<b>Apr 07</b>	<b>May 07</b>	<b>Jun 07</b>	<b>Since Inception</b>
Gross Portfolio *	+0.39%					+499.3%
All Ordinaries Accum.	+1.59%					+165.3%

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