

WAM CAPITAL LIMITED

A.B.N. 34 086 587 395



WAM CAPITAL LTD (WAM) - JANUARY 2008 **INVESTMENT UPDATE & NTA**

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.

Since inception in August 1999 WAM Capital Ltd (WAM) has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 482.4% compared to a 168.0% increase in the All Ordinaries Accumulation Index.

In January WAM's gross portfolio (before all fees, costs and taxes) fell by 9.45%, while the All Ordinaries Accumulation Index fell by 11.25% and the Small Ordinaries Accumulation Index fell 14.37%.

NTA before tax	163.88c
NTA after tax and before tax on unrealised gains	163.88c
NTA after tax	160.40c

MARKET OUTLOOK

January was the worst month on the Australian share market since the October crash in 1987. The All Ordinaries Index closed 11.3 per cent lower for the month, after being down 18.7 per cent at one stage. As you would expect in volatile times, the smaller stocks were hardest hit. The Small Ordinaries Index fell 14.4 per cent for the month as panic and a litany of margin selling of stocks took hold. In effect, we witnessed a significant unwinding of high gearing levels of investors that had built up gradually over the course of the four and half year bull market. The trigger for this unwinding was a drop in equity prices in the United States, which now looks likely to fall into recession following a collapse in the financial and property markets.

WAM Capital entered the month with approximately 33.6 per cent cash and fixed interest investments with the remainder of the portfolio invested in equities. The equity portfolio, as has been the case since inception, had a high exposure to small industrial companies. By the end of the month, the fund had fallen approximately 9.4 per cent. This is a disappointing result. At the close of the month the portfolio's cash position had risen to in excess of 37.4 per cent while the remainder held in equities, mainly small companies.

We expect to retain our high cash position until we see an end to the extreme volatility that has gripped the market. This could take some months to play out but we do believe there will be some great opportunities that emerge. Some of the opportunities that are currently presenting themselves are takeover arbitrages, namely Symbion Ltd (SYB) (4.8%) and Jubilee Mines Ltd (JBM) (1.6%).

Unlike previous declines in the market over the last five years we do not expect a sharp bounce back in the near term. History shows that when the United States experiences a

recession, its share market declines on average 26 per cent over a period of anywhere between 6 and 24 months. That said, we also believe the bulk of the decline in the Australian share market has taken place and valuations are increasingly becoming attractive. Make no mistake we have entered a bear market and sentiment will get worse before it gets better. This all takes time, especially if the economy slows and earnings suffer. It could well be that things don't improve until year end, but as we have said opportunities will appear and in particular in the small end of the market where many stocks will be totally forgotten and unloved. We look forward to finding these opportunities.

PERFORMANCE

- The gross portfolio has decreased 14.06% for the 7 months to 31 January 2008.
- The gross portfolio has decreased 2.44% for the 12 months to 31 January 2008.

Set out below is the performance of WAM Capital Limited since listing to 31 December 2007:

	Gross Portfolio*	All Ords. 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%
Half year 2008	-5.1%	+3.7%	-8.8%

Annualised performance	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1 year	+11.8%	+18.0%	-6.1%
3 years	+20.4%	+21.3%	-0.9%
5 years	+22.3%	+21.4%	+0.9%
7 years	+23.2%	+15.1%	+8.1%
Since inception	+24.8%	+14.0%	+10.7%

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

PORTFOLIO STRUCTURE & STRATEGY

As at 31 January 2008, listed securities made up approximately 62.7% of the portfolio, while fixed interest and cash made up the remaining 37.4%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research heavily to find companies that meet this profile.

Investment Type	As at 31 December 2007		As at 31 January 2008	
	\$m	%	\$m	%
Listed Equities	126.28	66.4%	107.37	62.6%
Fixed Interest and Cash	63.94	33.6%	64.21	37.4%
Total Assets	190.22	100.0%	171.58	100.0%
	No.		No.	
Total no. of ord shares on issue	105,052,502		105,052,558	

PORTFOLIO STRUCTURE & STRATEGY (CONTINUED)

At 31 January 2008 the major securities held in the portfolio were:

COMPANY	MARKET VALUE \$
Adtrans Group Ltd (ADG)	2,282,335
Aevum Ltd (AVE)	1,654,296
Antares Energy Ltd Unsec Conv Notes (AZZG)	1,330,000
Bank of Queensland Reset Prefs (BOQPB)	1,650,705
Chandler MacLeod Ltd (CHD)	1,051,572
Clime Investment Ltd (CIW)	2,334,004
Coffey International Ltd (COF)	1,455,016
Coote Industrial Ltd (CXG)	1,636,250
Devine Ltd (DVN)	1,362,900
Eservglobal Ltd (ESV)	1,962,545
Hastie Group Ltd (HST)	1,262,432
HFA Accelerator Plus Ltd (HAP)	1,115,752
HFA Holdings Ltd (HFA)	2,162,560
Imdex Ltd (IMD)	1,613,239
Industrial Minerals Ltd (IDM)	1,452,250
ITX Group Ltd (ITX)	1,775,575
Jubilee Mines NL (JBM)	2,827,355
Keybridge Capital Ltd (KBC)	1,511,332
Ludowici Ltd (LDW)	1,485,952
McMillan Shakespeare Ltd (MMS)	2,904,552
Melbourne IT Ltd (MLB)	3,885,252
Mitchell Communications Group Ltd (MCU)	2,504,308
NewSat Ltd (NWT)	1,131,643
Nomad Building Solutions Ltd (NOD)	2,852,186
Photon Group Ltd (PGA)	3,605,600
Premier Investments Ltd (PMV)	2,647,665
Rattoon Holdings Ltd (RTN)	2,050,640
Reckon Ltd (RKN)	6,896,210
Reverse Corp Ltd (REF)	1,834,153
RIO Tinto Ltd (RIO)	1,018,440
RR Australia Ltd (RRA)	1,760,049
Service Stream Ltd (SSM)	2,305,001
St George Bank Ltd (SGB)	1,264,112
Sydney Gas Ltd (SGL)	1,045,131
Symbion Health Ltd (SYB)	8,163,919
Tower Ltd (TWR)	1,181,263
Watpac Ltd (WTP)	2,145,187
West Australian Newspapers Holdings Ltd (WAN)	1,743,603

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PERFORMANCE TABLE

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%
All Ordinaries Accum.	-1.9%	-1.7%	+0.5%	+5.9%	+3.7%	-1.8%	+1.6%	+0.5%
	Apr 00	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00
Gross Portfolio *	-5.7%	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%
All Ordinaries Accum.	-1.5%	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%
	Dec 00	Jan 01	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01
Gross Portfolio *	+0.1%	+1.7%	-0.2%	- 3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-2.0%	+4.4%	-0.2%	- 4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%
	Apr 02	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02	Nov 02
Gross Portfolio *	-0.4%	+0.7%	-2.2%	-3.0%	+3.9%	-1.1%	+1.1%	+1.6%
All Ordinaries Accum.	-1.8%	+0.9%	-4.4%	-4.1%	+1.8%	-4.1%	+2.6%	+1.5%
	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03
Gross Portfolio *	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%	+2.7%	+0.1%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%	+3.1%	+2.0%
	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04
Gross Portfolio *	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%	+3.3%
All Ordinaries Accum.	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%	+4.6%
	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Gross Portfolio *	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+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
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%
	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06
Gross Portfolio *	+2.1%	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%
All Ordinaries Accum.	+2.4%	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%
	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07
Gross Portfolio *	+6.1%	+3.8%	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%
All Ordinaries Accum.	+3.6%	+2.0%	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%
	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08		Since Inception
Gross Portfolio *	-4.2%	+1.7%	+3.1%	-4.8%	-1.1%	-9.5%		+482.4%
All Ordinaries Accum.	+1.7%	+5.8%	+3.1%	-2.4%	-2.4%	-11.2%		+168.0%

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