

WAM CAPITAL SEPTEMBER 99 **INVESTMENT UPDATE & NTA**

Since inception in August 1999 WAM Capital Ltd (WAM) has significantly outperformed the overall sharemarket. WAM's portfolio (before all fees, costs and taxes) has increased by 6.5% while the index has declined by 3.6%. This has been achieved with a cash level in excess of 40% over the period. In September WAM's portfolio increased 5.1% while the All Ords Accumulation Index fell 1.7%. The WAM Board is extremely pleased with the performance. The Board is also examining the best way to maximise return on shareholders funds, by closely scrutinising the capital structure.

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

Strong earnings growth and low interest rates have driven valuations to historically high levels which we believe are unsustainable. In our view the major risk to the equity market is an upward move in interest rates and inflationary expectations. This would result in a significant reduction in price earnings ratios. The expansion of price earning ratios has been the major driver behind the performance of world equity markets over the last decade. Any contraction in price earnings ratio will lead to a fall in the equity market which will not be offset by earnings growth.

PORTFOLIO STRUCTURE & STRATEGY

Our bearish macro view has led WAM to maintain a high cash level (approx 35% as at 30th September 1999). We have been focusing on companies with relatively favourable earnings multiples and exceptionally strong earnings per share growth (25% plus). Currently the majority of companies exhibiting these characteristics are medium sized industrial companies. We continue to research heavily to find companies that meet this profile.

In the first few months of operations WAM has also focused on building up franking credits which will assist in the franking of an interim dividend assuming profitability allows one to be paid. The current level of franking is 1.3 cents per share.

As at 30th September 1999 equities made up 65% of the portfolio, the remainder being held in fixed interest and cash.

The major securities held as at 30th September 1999 in the fund give exposure to;

Brian McGuigan Wines
Powerlan
Qantas
Foodland
Millers Retail
CBA
WA Newspapers
Strathfield
First Australian Building Society
Challenger International
Port Douglas Reef Resorts

PERFORMANCE

	Sept 99	Since Inception
All Ordinaries Accumulation Index	-1.7%	-3.6%
Gross Portfolio *	+5.1%	+6.5%

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

NTA before tax 30/09/99	102.5c
NTA after tax 30/09/99	101.7c

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