



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – AUGUST 2010

WAM Active Limited (WAA) listed on the Australian Stock Exchange in January 2008.

WAA offers investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. Since inception WAA has outperformed the overall sharemarket. WAA's portfolio (before all fees, costs, taxes and dividends) has increased by 39.8% compared to a decline of 22.3% in the S&P/ASX All Ordinaries Accumulation Index. The investment objectives of WAA are to derive an absolute return, to deliver investors a growing income stream in the form of fully franked dividends and to preserve capital.

- In August WAA's gross portfolio (before all fees, costs and taxes) increased by 0.1%, whilst the S&P/ASX All Ordinaries Accumulation Index fell by 0.7%.
- WAA's gross portfolio (before all fees, costs and taxes) has increased by 5.9% for the 12 months to 31 August 2010, while the S&P/ASX All Ordinaries Accumulation Index has increased by 2.7%.

NTA before tax	113.83c
NTA after tax and before tax on unrealised gains	114.25c*
NTA after tax	112.96c**

The above numbers are before the payment of a fully franked final dividend of 3.0 cents per share payable on 24 September 2010.

*Includes tax assets of 0.42 cents per share.

** This includes the net effect of 0.42 cents of tax assets and 1.29 cents of deferred tax liabilities.

MARKET OUTLOOK

The bullish beginning to the new financial year faded in August with the S&P/ASX All Ordinaries Accumulation Index falling 0.7 per cent. The vast majority of the decline was due to a poor performance by the banking sector on the back of disappointing operating updates by the big four players. Another factor contributing to the weak month was the nations' biggest stock, BHP Billiton Limited, falling following the decision to bid for Canadian based Potash for a staggering \$40 billion. Investors were weary of the purchase price and how BHP Billiton Limited was going to fund the acquisition.

The broader market fared much better during August with the annual profit reporting season proving to be comforting for investors. Profit numbers were about in line and 2011 earnings forecasts were only revised down mildly. This benign outlook saw the S&P/ASX Small Ordinaries Accumulation Index rise a healthy 1.8 per cent for the month.

MARKET OUTLOOK (continued)

Despite this we remain cautious, believing that in the short term global macroeconomic issues will determine the direction of the overall market rather than earnings. The US economy, after a bounce following the global financial crises, has fallen on difficult times again, with the possibility of a second recession within three years. Until the market can see through this period of sub optimal growth or even contraction, share markets around the globe will continue to flounder. Eventually, valuations will become compelling and too hard to ignore. We will wait for this outcome with anticipation.

DIVIDENDS

On 21 July 2010 the Board announced a 50% increased final dividend of 3.0 cents per share fully franked to be paid 24 September 2010. The shares traded ex dividend on 13 September 2010. This brings the full year FY2010 dividend to 6.0 cents per share fully franked.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis. Recently introduced government legislation now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather it will be with consideration to cash flow, cash holdings and available franking credits.

The dividend re-investment plan will operate at the weighted average market price of shares sold on the record date and the three trading days prior to the record date. To participate in the dividend re-investment plan, please send your election to our share registrar no later than 17 September 2010. The current share price (\$1.035 being closing price 13 September 2010) is at a 9.1% discount to the 31 August 2010 pre-tax NTA.

OPTION ISSUE

On 8 February 2010 the Board announced a 1 for 1 option issue for its shareholders. The options, which trade on the Australian Securities Exchange, have an exercise price of \$1.15 per option and can be exercised any time up until the expiry date of 30 April 2011.

The reason behind the option issue is the Board's vision to grow the market capitalisation of WAM Active to \$100m over the next 5 years and to continue to generate strong results.

PERFORMANCE

Set out below is the performance of WAA since listing to 31 August 2010. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX All Ordinaries Accumulation Index which is a before tax and costs measure.

Annualised Performance	1 Year	2 Year	Since Inception (Jan-08)
WAM Active Limited*	+5.9%	+17.5%	+13.4%
S&P/ASX All Ords Accum	+2.7%	-3.6%	-9.0%
Outperformance	+3.2%	+21.1%	+22.4%

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

Financial Year	Gross Portfolio*	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2007/2008	+2.2%	-15.2%	+17.4%
2008/2009	+9.6%	-22.2%	+31.8%
2009/2010	+22.7%	+13.8%	+8.9%
YTD 2010/2011	+1.7%	+3.5%	-1.8%

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

PORTFOLIO STRUCTURE

Investment Type	As at 31 July 2010		As at 31 August 2010	
	\$m	%	\$m	%
Listed Equities	4.76	27.4%	6.64	35.4%
Fixed Interest and Cash	14.50	72.6%	12.11	64.6%
Total Long Portfolio	19.26	100.0%	18.75	100.0%
Total Short Portfolio	(0.63)		(0.89)	
	No.		No.	
Total no. of ord shares on issue	15,606,857		15,606,857	
Total no. of options on issue	15,484,670		15,484,670	

During the month of August we decreased our cash levels and held an average of 68.6%. We established positions in Adtrans Group Limited (ADG), Aevum Limited (AVE), AWB Limited (AWB), BHP Billiton Limited (BHP), Emerging Leaders Investments Limited (ELI), Essa Australia Limited (ESS), Fleetwood Corporation Limited (FWD), ITX Group Limited (ITX), Mineral Resources Limited (MIN), Premier Investment Limited (PMV), Service Stream Limited (SSM), Trafalgar Corporate Group (TGP) and Globe International Limited (GLB)

We took advantage of the following capital raisings Photon Group Limited (PGA), Gloucester Coal Limited (GCL) and Eastern Star Gas Limited (ESG), Augur Resources

PORTFOLIO STRUCTURE continued

Limited (AUK), Ivanhoe Australia Limited (IVA), SAI Global Limited (SAI), Redstone Resources Limited (RDS) and Macarthur Coal Limited (MCC).

We reduced our holdings in AV Jennings Limited (AVJ), Devine Limited (DVN), Investorfirst Limited (INQ), Port Bouvard Limited (PBD), PaperlinX SPS Trust (PXUPA), Sirtex Medical Limited (SRX) and Westoz Investment Company Limited (WIC), Finbar Group Limited (FRI),

We exited positions in Cape Lambert Resources Limited (CFE), Dyesol Limited (DYE), Emerging Leaders Investments Limited (ELI), Eastern Star Gas Limited (ESG), Fleetwood Corporation Limited (FWD), Horizon Oil Limited (HZN), iiNet Limited (IIN), Lycopodium (LYL), Mineral Resources Limited (MIN), Ozgrowth (OZG), Reed Resources Limited (RDR), Riversdale Mining Limited (RIV), SAI Global Limited (SAI), Slater and Gordon (SGH), Sylvania Resources Limited (SLV), TPG Telecom Limited (TPM) and Texon Petroleum Limited (TXN).

At 31 August 2010 the major securities held in the portfolio were:

CODE	COMPANY	MARKET VALUE \$	MARKET VALUE AS % OF GROSS ASSETS
HSP	Healthscope Limited	1,171,206	6.6%
RHG	RHG Limited	834,577	4.7%
AWB	AWB Limited	561,060	3.1%
ADG	Adtrans Group Limited	378,550	2.1%
PMV	Premier Investments Limited	358,344	2.0%
BHP	BHP Billiton Limited	333,821	1.9%
MCC	MacArthur Coal Limited	287,640	1.6%
MND	Monadelphous Group Limited	279,565	1.6%
PXUPA	PaperlinX SPS Trust	272,805	1.5%
CCQ	Contango Capital Partners Limited	250,646	1.4%
EFG	Everest Financial Group Limited	211,562	1.2%
NHC	New Hope Corporation Limited	160,726	0.9%
WIC	Westoz Investment Company Limited	148,459	0.8%
ITX	ITX Group Limited	101,789	0.6%
SRX	Sirtex Medical Limited	94,575	0.5%
REH	Reece Australia Limited	92,472	0.5%
PGA	Photon Group Limited	90,351	0.5%

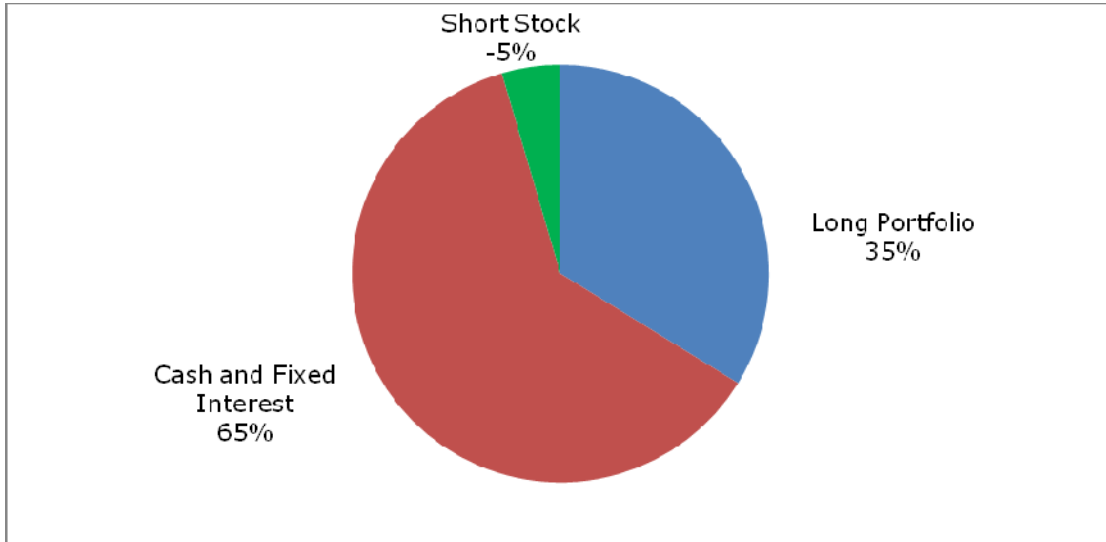
PERFORMANCE TABLE

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
Gross Portfolio **	+0.3%	+1.2%	+0.5%	+1.6%	+2.4%	-3.7%	-1.1%
All Ords Accum.	-11.2%	+0.3%	-4.1%	+4.6%	+2.5%	-7.3%	-5.2%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
Gross Portfolio **	+0.1%	-3.8%	-5.3%	-5.2%	+3.4%	-1.9%	+0.6%
All Ords Accum.	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%	-4.9%	-4.3%
	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sep 09
Gross Portfolio **	+4.5%	+7.6%	+5.0%	+6.2%	+9.6%	+7.5%	+6.2%
All Ords Accum.	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%	+6.5%	+6.0%
	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10
Gross Portfolio **	+2.1%	+0.3%	+1.0%	-3.6%	+0.0%	+2.9%	+0.4%
All Ords Accum.	-1.9%	+1.9%	+3.7%	-5.8%	+1.8%	+5.8%	-1.2%
	May 10	Jun 10	Jul 10	Aug 10			Since Inception
Gross Portfolio **	-4.0%	-0.9%	+1.6%*	+0.1%			+39.8%
All Ords Accum.	-7.6%	-2.6%	+4.2%	-0.7%			-22.3%

*Adjusted from prior month

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

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

