WAM ACTIVE LIMITED (WAA)
INVESTMENT UPDATE & NTA – DECEMBER 2008

WAM Active Limited (WAA) listed on the Australian Stock Exchange in January 2008 after raising $15.4 million.

WAA offers investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. This was achieved in our first year with the Fund outperforming the All Ordinaries Accumulation Index by 30.9%.

The investment objectives of WAA are to derive an absolute return, to deliver investors an income stream in the form of fully franked dividends and to preserve capital.

In December WAA's gross portfolio (before all fees, costs and taxes) increased by 3.43%, while the All Ordinaries Accumulation Index fell by 0.08%.

NTA before tax payable and after tax assets	91.83c*
NTA after tax and before tax on unrealised	91.83c
NTA after tax	91.19c

* This includes 4.6 cents per share in tax assets.

MARKET OUTLOOK

The Australian share market stabilised in December with the All Ordinaries Accumulation Index falling only 0.08 per cent, the best effort since August and a significant improvement on the previous three months. December also marked a major decline in volatility that peaked in October and November with concerns about the viability of the world and Australian banking systems causing significant stress for investors. This fear seems to be abating as we head into 2009.

Does this change in massive volatility mean the market has reached a bottom? We believe the market's remarkable decline experienced in 2008 will not repeat in 2009 and a more orderly market will resume. However, there is no magic bullet and a return to a bull market may be 6 or even 12 months away still. In the mean time the market will track sideways waiting to see how far company earnings decline through the course of 2009. We anticipate earnings across the board will fall more than 20 per cent and possibly 30 per cent which was the case in the recession of the early 1990s. The first taste of this is only a few weeks away with half yearly earnings due to be reported by Australian companies during February.

We are bullish in the medium term as opportunities of incredibly cheap companies start to appear before us. We will progressively invest our cash during that period, but cautious not to be too hasty given the unusual circumstances of the economic decline on this occasion. We are buoyed by the massive drop in interest rates and expect the lower cost of funding to have some real impact late in 2009 and throughout 2010 before rates have to be raised to more normal levels. We also anticipate the US economy finding a bottom during 2009 and a recovery during 2010.

PORTFOLIO STRUCTURE & STRATEGY

	As at 30 November 2008			As at 31 December 2008	
Investment Type	**$m**	**%**		**$m**	**%**
Listed Equities	2.23	17.1%		3.92	29.1%
Fixed Interest and Cash	10.82	82.9%		9.54	70.9%
Total Long Portfolio	**13.05**	**100.0%**		**13.46**	**100.0%**
Total Short Portfolio	**-**	**-**		**-**	**-**
	No.			**No.**	
Total no. of ord shares on issue	15,400,101			15,400,101	
Total no. of options on issue	15,400,100			15,400,100	

During the month of December we reduced our cash level to an average of 70%. Capital raisings continued to be a positive way to trade in the market as stocks were offered at attractive discounts. We participated in the following placements – Commonwealth Bank of Australia (CBA), Westpac Banking Corporation (WBC), Bendigo and Adelaide Bank Limited (BEN), Transfield Services Limited (TSE), ING Office Fund (IOF), Bluescope Steel Limited (BSL) and Crown Limited (CWN).

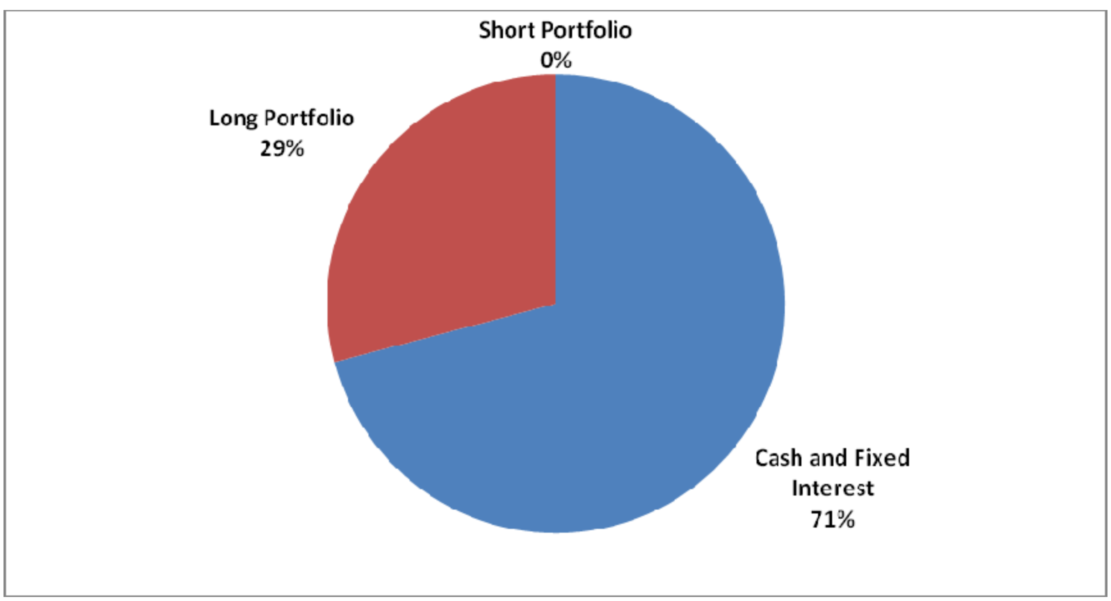
During the month we increased our holding in ASX Limited (ASX), Progen Pharmaceuticals Limited (PGL), Photon Group Limited (PGA) and established positions in Everest Babcock & Brown Limited (EBB), Toll Holdings Limited (TOL) and Tatts Group Limited (TTS). Positions were also traded in Australian Agricultural Company Limited (AAC), AJ Lucas Group Limited (AJL) and Telstra Corporation Limited (TLS).

PORTFOLIO STRUCTURE & STRATEGY (continued)

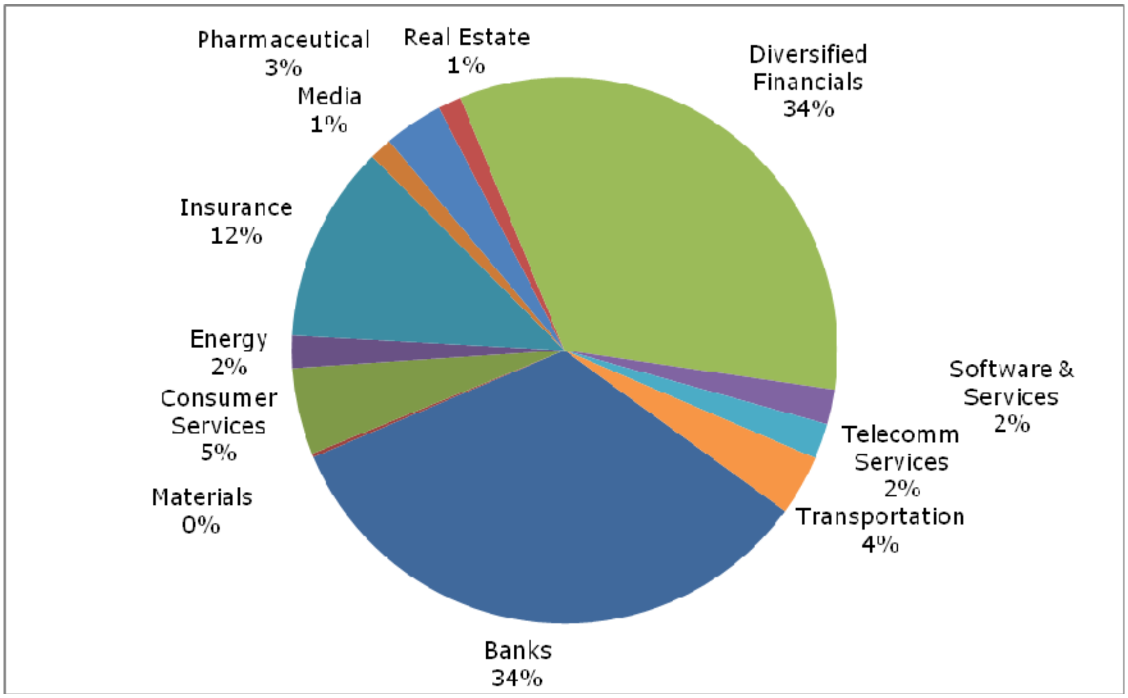
At 31 December 2008 the major securities held in the portfolio were:

CODE	COMPANY	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
ASX	ASX Limited	17.9%	5.2%
EBB	Everest Babcock & Brown Limited	12.1%	3.5%
NAB	National Australia Bank Limited	11.3%	3.3%
WBC	Westpac Banking Corporation	8.6%	2.5%
QBE	QBE Insurance Group Limited	7.7%	2.2%
CBA	Commonwealth Bank of Australia	6.3%	1.8%
TTS	Tatts Group Limited	5.1%	1.5%
AMP	AMP Limited	4.0%	1.2%
TOL	Toll Holdings Limited	3.6%	1.0%
PGL	Progen Pharmaceuticals Limited	3.5%	1.0%
BEN	Bendigo and Adelaide Bank Limited	3.4%	1.0%
ANZPB	ANZ Banking Group Limited Conv Prefs	2.7%	0.8%
AMM	Amcom Telecommunications Limited	2.1%	0.6%
MVU	MatrixView Limited	1.9%	0.6%

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



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**		**Since Inception**
Gross Portfolio *	+0.1%	-3.8%	-5.3%	-5.2%	+3.4%		-9.5%
All Ords Accum.	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%		-40.4%

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

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