



**WAM ACTIVE LIMITED (WAA)**  
**ABN 49 126 420 719**  
**INVESTMENT UPDATE & NTA – JANUARY 2011**

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 55.3% compared to a decline of 14.0% in the S&P/ASX All Ordinaries Accumulation Index. The investment objectives of WAA are to deliver investors a growing income stream in the form of fully franked dividends, derive an absolute return and to preserve capital.

In January WAA's gross portfolio (before all fees, costs and taxes) increased by 0.7%, whilst the S&P/ASX All Ordinaries Accumulation Index increased by 0.1%.

<b>Annualised Performance as at 31 January 2011</b>	<b>1 Month</b>	<b>6 Months</b>	<b>1 Year</b>	<b>2 Years</b>	<b>Since Inception (Jan-08)</b>
WAM Active Limited*	+0.7%	+11.2%	+11.1%	+32.3%	+15.3%
S&P/ASX All Ordinaries Accumulation Index	+0.1%	+9.9%	+9.8%	+23.2%	-4.8%
<b>Outperformance</b>	<b>+0.6%</b>	<b>+1.3%</b>	<b>+1.3%</b>	<b>+9.1%</b>	<b>+20.1%</b>

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

<b>NTA before tax</b>	<b>119.17c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>120.07c*</b>
<b>NTA after tax</b>	<b>116.78c**</b>

\*Includes tax assets of 0.9 cents per share.

\*\*This includes the net effect of 0.9 cents of tax assets and 3.3 cents of deferred tax liabilities.

**MARKET OUTLOOK**

The upward march on world equity markets continued in January with investors becoming increasingly positive about the medium term economic outlook for the global powerhouse, the United States. This offset growing concerns about inflation and higher interest rates in China. The impact of the floods held the benchmark S&P/ASX All Ordinaries Accumulation index to only a 0.07 per cent higher close.

## **MARKET OUTLOOK (continued)**

Bucking a recent trend, industrial stocks outperformed the booming resources sector. Mining companies were sold off as investors became increasingly cautious about the possibility of slow down in the Chinese economy. The Chinese government has been forced to restrict bank lending and lift interest rates to quell inflation which is hovering around 5 per cent. This tightening is expected to continue through the first half of calendar year 2011 and we watch in anticipation. If Chinese interest rates need to be raised aggressively in the coming months we anticipate that resource stocks will undergo a multiple month correction. Once this is complete we would envisage that demand for base commodities will strengthen during calendar year 2012.

In contrast, industrial stocks are beginning to benefit from a more bullish 2011 outlook for the US economy. With the Federal Reserve in the US determined to keep interest rates at historical lows for an extended period, investors will be keen to buy equities to take advantage of a recovering economy. This should be a major positive for Australia's industrial stocks. In addition, we eagerly await the next move by the Australian Reserve Bank on domestic interest rates. While the market's perception is that official interest rates will track higher in 2011, we believe the current soft economy will allow the RBA to hold fire despite the boom in the mining sector. Flat interest rates would allow the industrial and financial sectors to enjoy stronger growth in the medium term. The upcoming reporting period will provide an insight into the impact on the economy of last year's rise in interest rates.

## **DIVIDENDS**

On 13 January 2011 the company announced a fully franked interim dividend of 4.0 cents per share. This is a 33% increase on the interim dividend last year. It is to be paid as follows.

Ex Date:	17 March 2011
Record Date:	23 March 2011
Payment Date:	31 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$1.085 being closing price 10 February 2011) is a 9.3% discount to the 31 January 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 23 March 2011.

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. Government legislation introduced in June 2010 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.

## **OPTION ISSUE**

If you wish to exercise your WAM Active Limited (WAA) options at the exercise price of \$1.15 in order to receive ordinary shares which will be eligible to receive the 4.0 cents a share fully franked interim dividend you need to do so by close of business 11 March 2011. The options will expire on the 30 April 2011.

One of the reasons behind the option issue is the Board's vision to grow the market capitalisation of WAM Active to \$100m over the next 4 years and to continue to generate strong results.

## PORTFOLIO STRUCTURE

Investment Type	As at 31 Dec 2010		As at 31 Jan 2011	
	\$m	%	\$m	%
Listed Equities	12.67	65.4%	11.66	57.6%
Fixed Interest and Cash	6.69	34.6%	8.57	42.4%
<b>Total Long Portfolio</b>	<b>19.36</b>	<b>100.0%</b>	<b>20.23</b>	<b>100.0%</b>
<b>Total Short Portfolio</b>	<b>(0.27)</b>		<b>(0.99)</b>	
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	15,682,838		15,682,838	
<b>Total options on issue</b>	15,482,170		15,482,170	

During the month of January we increased our equity holdings to an average of 61.5%.

We established positions in Brambles Limited (BXB), CPI Group Limited (CPI), Carsales.com Limited (CRZ), Imdex Limited (IMD), Oil Search Limited (OSH), RP Data Limited (RPX), Sihayo Gold Limited (SIH), Sigma Pharmaceuticals Limited (SIP), SMS Management & Technology Limited (SMC) and Village Roadshow Limited (VRL).

We took advantage of only one capital raising Crescent Gold Limited (CRE).

We reduced our holdings in Alcyone Resources Limited (AYN), Centius Gold Limited (CNS), Customers Limited (CUS), Finbar Group Limited (FRI), Redhill Education Limited (RDH), Resmed Inc (RMD), and Wide Bay Australia Limited (WBB).

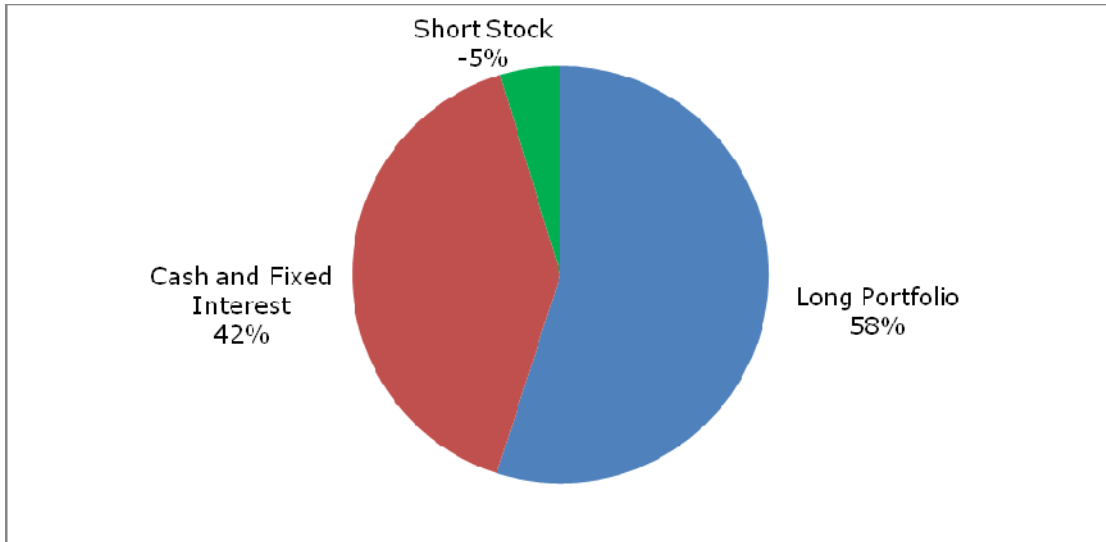
We exited positions in A1 Minerals Limited (AAM), ADX Energy Limited (ADX), Australian & New Zealand Banking Group Limited (ANZ), Aurora Oil & Gas Limited (AUT), Bannerman Resources Limited (BMN), Beach Energy Limited (BPT), Commonwealth Bank of Australia (CBA), CSR Limited (CSR), Essa Australia Limited (ESS), James Hardie Industries (JHX), Monadelphous Group Limited (MND), National Australia Bank Limited (NAB), Navitas Limited (NVT), Prime Financial Group Limited (PFG), Redstone Resources Limited (RDS), Ross Human Direction Limited (RHD), Sundance Energy Australia Limited (SEA), Silver Chef Limited (SIV), Straits Resources Limited (SRL), Westpac Banking Corporation (WBC), WPG Resources Limited (WPG) and Westfield Retail Trust (WRT).

We traded positions in Azimuth Resources Limited (AZH), Fortescue Metals Group Limited (FMG), Graincorp Limited (GNC), Harvey Norman Holdings Limited (HVN), Industrea Limited (IDL), JB Hi-Fi Limited (JBH), Suncorp Group Limited (SUN) and Transfield Services Limited (TSE).

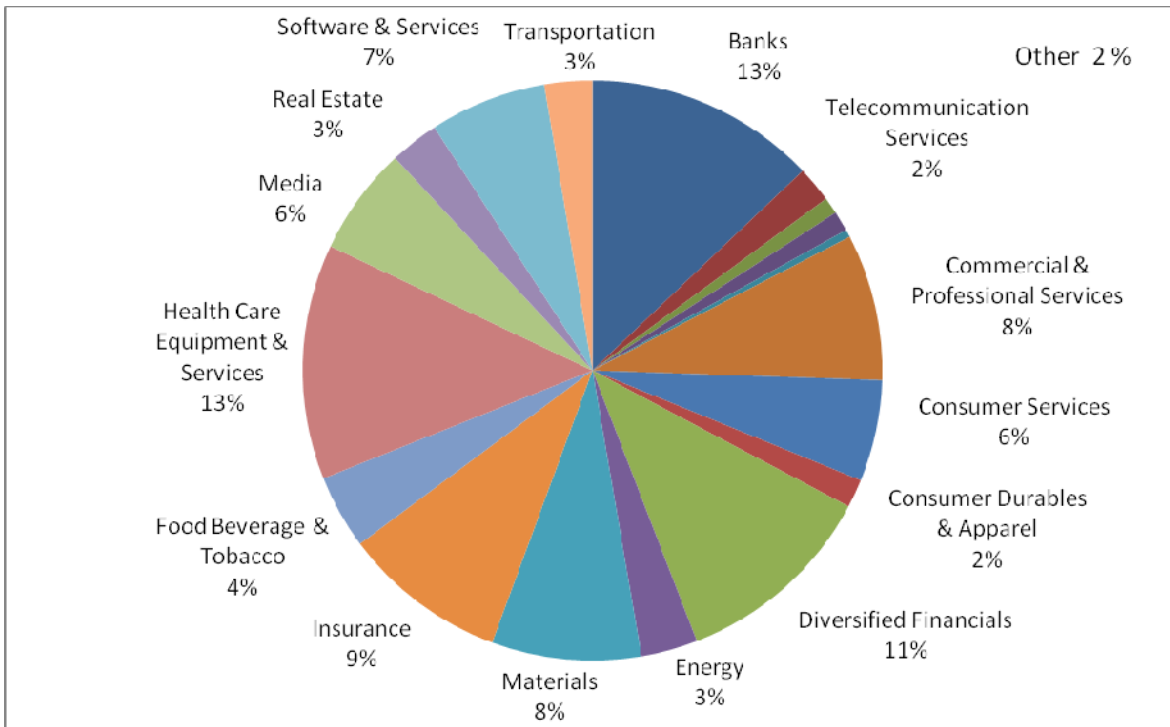
At 31 January 2011 the major securities held in the portfolio were:

<b>Code</b>	<b>Company</b>	<b>Market Value \$</b>	<b>Market Value as % Gross Assets</b>
RHG	RHG Limited	1,406,532	7.3%
TAL	Tower Australia Group Limited	1,069,928	5.6%
PRY	Primary Health Care Limited	813,025	4.2%
BXB	Brambles Limited	646,200	3.4%
FLT	Flight Centre Limited	597,975	3.1%
MSF	Maryborough Sugar Factory Limited (The)	480,115	2.5%
SYM	Symex Holdings Limited	399,228	2.1%
NWS	News Corporation	379,800	2.0%
SIH	Sihayo Gold Limited	301,218	1.6%
INQ	Investorfirst Limited	294,667	1.5%
EFG	Everest Financial Group Limited	284,813	1.5%
CCP	Credit Corp Group Limited	280,909	1.5%
OSH	Oil Search Limited	279,720	1.5%
KSC	K & S Corporation Limited	252,345	1.3%
CCQ	Contango Capital Partners Limited	250,646	1.3%
RPX	Rp Data Limited	248,250	1.3%
MTU	M2 Telecommunications Group Limited	233,207	1.2%
RMD	ResMed Inc.	229,120	1.2%
WFM	Webfirm Group Limited	222,308	1.2%
RVA	Reva Medical Inc	216,477	1.1%

**PORTFOLIO STRUCTURE - ASSET ALLOCATION**



**LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION**



## **PERFORMANCE**

Set out below is the performance of WAA since listing to January 2011 on a financial year basis from 1 July to 30 June. 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 before tax and expenses.

<b>Financial Year</b>	<b>Gross Portfolio*</b>	<b>S&amp;P/ASX All Ordinaries Accumulation Index</b>	<b>Outperformance</b>
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	+13.0%	+14.5%	-1.5%

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

## **PERFORMANCE TABLE**

	<b>Jan 08</b>	<b>Feb 08</b>	<b>Mar 08</b>	<b>Apr 08</b>	<b>May 08</b>	<b>Jun 08</b>	<b>Jul 08</b>
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%
	<b>Aug 08</b>	<b>Sep 08</b>	<b>Oct 08</b>	<b>Nov 08</b>	<b>Dec 08</b>	<b>Jan 09</b>	<b>Feb 09</b>
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%
	<b>Mar 09</b>	<b>Apr 09</b>	<b>May 09</b>	<b>Jun 09</b>	<b>July 09</b>	<b>Aug 09</b>	<b>Sep 09</b>
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%
	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>	<b>Jan 10</b>	<b>Feb 10</b>	<b>Mar 10</b>	<b>Apr 10</b>
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%
	<b>May 10</b>	<b>Jun 10</b>	<b>Jul 10</b>	<b>Aug 10</b>	<b>Sep 10</b>	<b>Oct 10</b>	<b>Nov 10</b>
Gross Portfolio *	-4.0%	-0.9%	+1.6%	+0.1%	+2.7%	+1.3%	+2.3%
All Ords Accum.	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%	-0.7%
	<b>Dec 10</b>	<b>Jan 11</b>					<b>Since Inception</b>
Gross Portfolio *	+3.6%	+0.7%					+55.3%
All Ords Accum.	+3.8%	+0.1%					-14.0%

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