



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
JULY 2012

WAM Active Limited (WAA) is a listed investment company that provides investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. The investment objectives are to deliver investors a growing income stream in the form of fully franked dividends and to preserve capital in both the short term and long term.

Outperformance against sharemarket

Since inception, the WAA Investment Portfolio has outperformed the overall sharemarket – its strong performance against the S&P/ASX All Ordinaries Accumulation Index is set out in the table below. The investment performance is before expenses, fees and taxes.

| Performance as at 31 July 2012 | 1 Mth % | 6 Mths % | 1 Year % | 2 Yrs %pa | 3 Yrs %pa | Since Inception (Jan-08) %pa |
|-------------------------------------------|----------------|-----------------|-----------------|------------------|------------------|-------------------------------------|
| WAA Investment Portfolio | +1.2% | +5.5% | +6.8% | +8.2% | +10.0% | +11.3% |
| S&P/ASX All Ordinaries Accumulation Index | +3.7% | +1.4% | -0.2% | +1.9% | +4.6% | -4.4% |
| Outperformance | -2.5% | +4.1% | +7.0% | +6.3% | +5.4% | +15.7% |

NTA figures

The following Net Tangible Asset (NTA) figures are before the payment of a fully franked final dividend of 4.5 cents per share payable on the 19 October 2012. The figures below have not been adjusted for the 16,301,585 options on issue with an exercise price of \$1.08 per share.

| | |
|---------------------------------------------------------|------------------|
| NTA before tax | 106.86c |
| NTA after tax and before tax on unrealised gains | 108.62c* |
| NTA after tax | 106.95c** |

* Includes tax assets of 1.76 cents per share.

** Includes the net effect of 1.76 cents of tax assets and 1.67 cents of deferred tax liabilities.

Market outlook

The S&P/ASX All Ordinaries Accumulation Index finished up 3.7% in July, its best month since January 2012. Expectations of further stimulus from the US Federal Reserve and European Central Bank (ECB) gave equity markets a significant boost. This was further reinforced by strong comments from ECB president, Mario Draghi saying they would do whatever it takes to preserve the Euro. On this news, world equity markets surged higher while bond yields on European sovereign debt declined considerably. We have seen previous rallies on the back of positive news from Europe, but these are becoming shorter and shorter. Further developments will be closely watched and have the potential to significantly effect both equity and bond markets.

During August a large portion of ASX listed companies with 30 June year ends will report. Profit guidance for FY13 will be limited given the high level of uncertainty in the Australian economy. We believe that analysts' earnings estimates for FY13 are currently too high and will need to be revised down. The reporting season will provide us with opportunities to visit several companies and establish how they are tracking. We will be looking to hear if there has been any change in trading conditions over recent weeks in response to the latest interest rate cuts.

Although we have become more conservative in our outlook for equity markets in 2013, volatile equity markets can provide profitable opportunities. Thus we continue to research thoroughly and meet with company management teams to identify such opportunities.

Dividends – 4.5 cents per share fully franked final

On 10 August 2012, the Board announced a fully franked FY2012 final dividend of 4.5 cents per share. This was a 12.5% increase on the previous year's dividend.

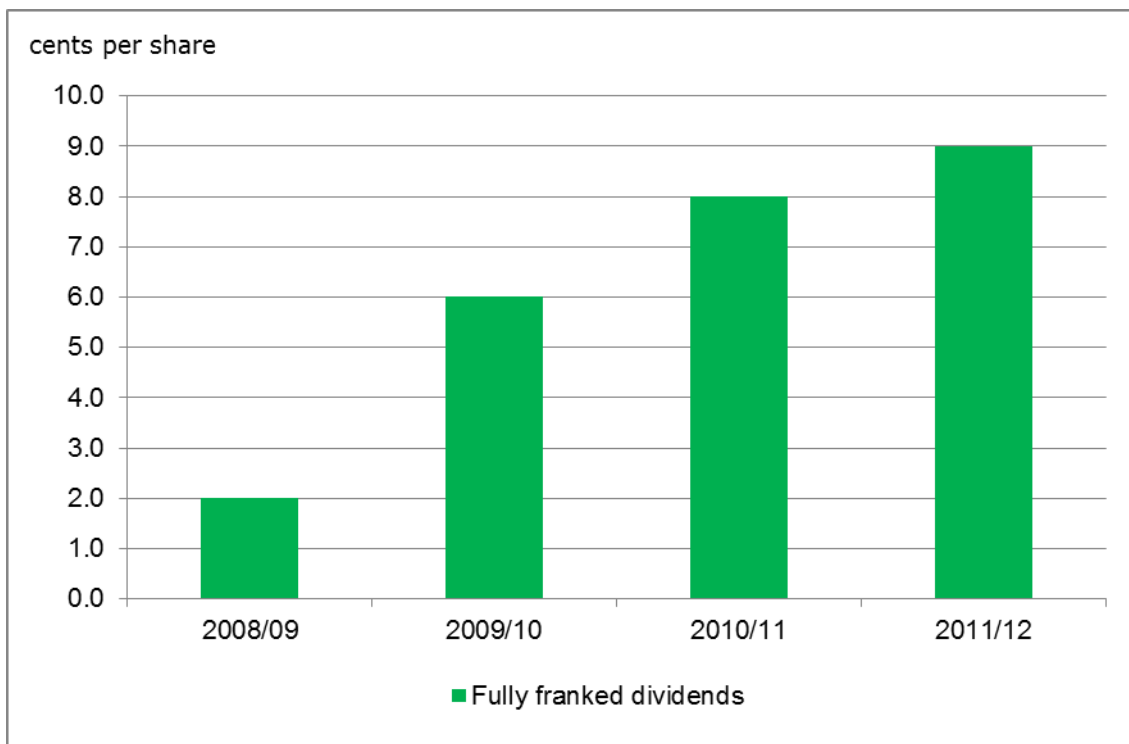
| | |
|--------------------------------------------------------------------------------------------|-----------------|
| ➤ Dividend ex date | 8 October 2012 |
| ➤ Dividend record date | 12 October 2012 |
| ➤ DRP election date | 12 October 2012 |
| ➤ Dividend payment date | 19 October 2012 |
| ➤ Last day for Option holders to exercise options in order to be eligible for the dividend | 5 October 2012 |

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. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

The dividend re-investment plan will operate at a 2.5% discount to the weighted average market price of shares sold on the ASX on the books closing date (12 October 2012) and the three trading days preceding that date.

To participate in the dividend re-investment plan, please send your election form to our share registrar no later than 12 October 2012. Option holders are required to exercise their options by Friday 5 October to participate in the 4.5 cent final fully franked dividend.

Dividends (continued)



Option issue – 1 for 1 bonus issue

On 4 May 2012, the Board announced a 1 for 1 bonus issue of options to acquire ordinary shares in the capital of the Company. The options were allotted to shareholders on 25 June 2012. The options have an exercise price of \$1.08 per share and can be exercised at any time on or before 12 December 2013. The options are currently trading on the ASX under the code WAAO.

As at 31 July 2012, 8,360 options have been exercised for a total consideration of \$9,029 with a remaining balance of outstanding options being 16,301,585.

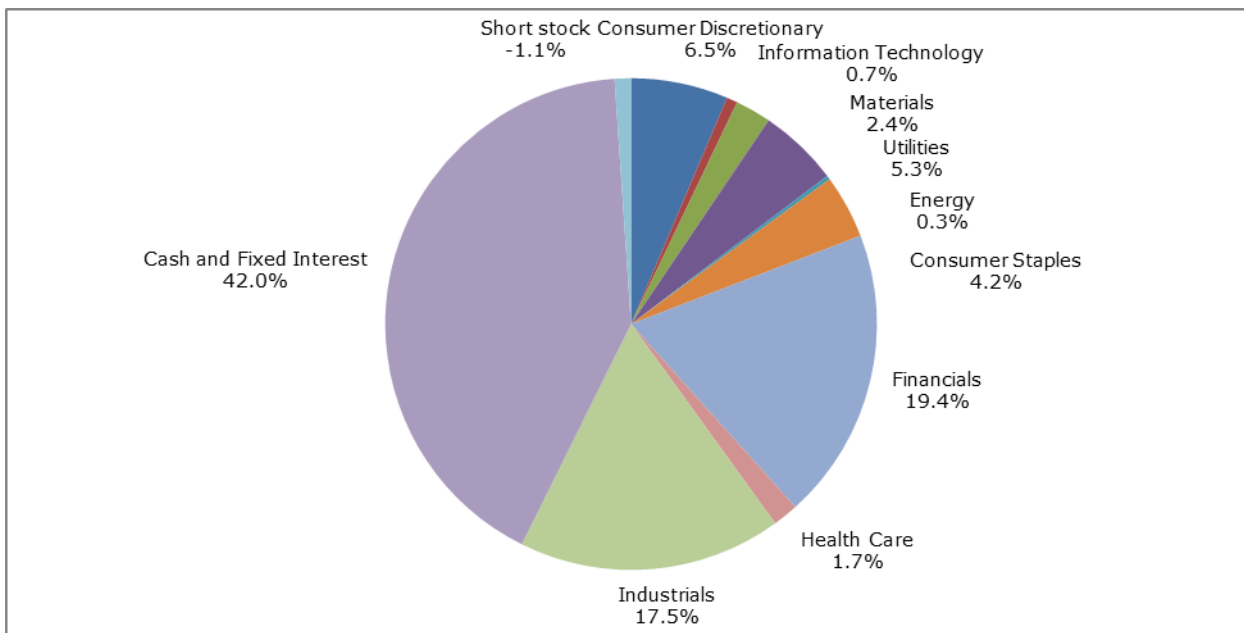
Portfolio structure

| Investment Type | As at 30 June 2012 | | As at 31 July 2012 | |
|---------------------------------------|--------------------|---------------|--------------------|---------------|
| | \$m | % | \$m | % |
| Listed Equities | 9.3 | 51.4% | 7.6 | 42.0% |
| Fixed Interest and Cash | 8.8 | 48.6% | 10.4 | 58.0% |
| Total Long Portfolio | 18.1 | 100.0% | 18.0 | 100.0% |
| Total Short Portfolio | (0.5) | (3.0%) | (0.2) | (1.1%) |
| Total Fund Size | \$17.6m | | \$17.8m | |
| | No. | | No. | |
| Total ordinary shares on issue | 16,309,945 | | 16,318,305 | |
| Total options on issue | 16,309,945 | | 16,301,585 | |

At 31 July 2012 the major securities held in the portfolio were as follows:

| Code | Company | Market Value \$ | Market Value as % Gross Assets |
|-------|------------------------------------------------|-----------------|--------------------------------|
| CBAPB | CBA Perpetual Exc Resale Listed Sec - PERLS IV | 705,340 | 3.9% |
| CCQ | Contango Capital Partners Limited | 580,254 | 3.2% |
| ALS | Alesco Corporation Limited | 553,268 | 3.1% |
| CYG | Coventry Group Limited | 530,895 | 2.9% |
| INA | Ingenia Communities Group | 506,955 | 2.8% |
| SDG | Sunland Group Limited | 495,055 | 2.7% |
| EPX | Ethane Pipeline Income Fund | 463,671 | 2.6% |
| CIF | Challenger Infrastructure Fund | 419,835 | 2.3% |
| LWB | Little World Beverages Limited | 406,380 | 2.3% |
| FRI | Finbar Group Limited | 396,700 | 2.2% |
| FLT | Flight Centre Limited | 380,866 | 2.1% |
| GLG | Gerard Lighting Group Limited | 375,765 | 2.1% |
| SVW | Seven Group Holdings Limited | 373,752 | 2.1% |
| RHG | RHG Limited | 362,212 | 2.0% |
| TWO | Talent2 International Limited | 339,664 | 1.9% |
| CLO | Clough Limited | 320,332 | 1.8% |
| SHV | Select Harvests Limited | 305,435 | 1.7% |
| MMX | Murchison Metals Limited | 297,631 | 1.7% |
| PRV | Premium Investors Limited | 293,911 | 1.6% |
| CND | Clarius Group Limited | 231,433 | 1.3% |

Portfolio structure – sector allocation



Performance – yearly comparison to S&P/ASX All Ordinaries Accumulation Index

Set out below is the performance of WAA’s investment portfolio since listing to 31 July 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to how the Company’s investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

| Financial Year | Investment 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% |
| 2010/2011 | +11.5% | +12.2% | -0.7% |
| 2011/2012 | +5.5% | -7.0% | +12.5% |
| 2012/2013 YTD | +1.2% | +3.7% | -2.5% |

Performance - monthly comparison

The table below shows the month by month investment performance of WAA against the S&P/ASX All Ordinaries Accumulation Index.

| | | | | | | | |
|-----------------------|---------------|---------------|---------------|---------------|----------------|---------------|------------------------|
| | Jan 08 | Feb 08 | Mar 08 | Apr 08 | May 08 | Jun 08 | Jul 08 |
| Investment 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 |
| Investment 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 | Jun 09 | July 09 | Aug 09 | Sep 09 |
| Investment 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 |
| Investment 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 | Sep 10 | Oct 10 | Nov 10 |
| Investment 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% |
| | Dec 10 | Jan 11 | Feb 11 | Mar 11 | Apr 11 | May 11 | Jun 11 |
| Investment Portfolio* | +3.6% | +0.7% | -0.3% | +0.4% | +2.5% | -1.6% | -2.3% |
| All Ords Accum. | +3.8% | +0.1% | +2.2% | +0.6% | -0.6% | -1.9% | -2.4% |
| | Jul 11 | Aug 11 | Sep 11 | Oct 11 | Nov 11 | Dec 11 | Jan 12 |
| Investment Portfolio* | +0.0% | -1.2% | +0.7% | +2.1% | -0.4% | -1.0% | +1.0% |
| All Ords Accum. | -3.4% | -2.0% | -6.3% | +7.2% | -3.4% | -1.6% | +5.2% |
| | Feb 12 | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Since Inception |
| Investment Portfolio* | +3.5% | +1.1% | +0.0% | -1.6% | +1.1% | +1.2% | +63.6% |
| All Ords Accum. | +2.4% | +1.2% | +1.1% | -6.9% | +0.3% | +3.7% | -18.8% |

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

For more information

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