



**WAM ACTIVE LIMITED (WAA)**  
**ABN 49 126 420 719**  
**INVESTMENT UPDATE & NTA – JUNE 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 37.4% compared to a decline of 24.9% in the S&P/ASX All Ordinaries Accumulation Index. 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.

Set out below is the performance of WAA:

	Since inception	12 month	6 month	3 month
WAM Active Limited	+37.4%	+22.7%	-5.2%	-4.5%
S&P/ASX All Ords Accum	-24.9%	+13.8%	-9.7%	-11.0%
Outperformance	+62.3%	+8.9%	+4.5%	+6.5%

In June WAA's gross portfolio (before all fees, costs and taxes) decreased by 0.9%, whilst the S&P/ASX All Ordinaries Accumulation Index fell by 2.6%.

<b>NTA before tax</b>	<b>117.21c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>113.74c</b>
<b>NTA after tax</b>	<b>112.89c</b>

**MARKET OUTLOOK**

The Australian share market staged a strong rally during the first 3 weeks of June, following the sharp sell-off in May. This was only short lived though with the benchmark S&P/ASX All Ordinaries Index ending the month of June down 2.6 per cent. Sentiment around the globe turned decidedly bearish in late June with investors becoming increasingly concerned about the sustainability of the economic recovery in the USA. The softer economic data from the world's largest economy came hot on the heels of the sovereign debt problems that emerged in Europe back in April. To make matters worse signs have also emerged that China is attempting to reign in growth in a bid to restrain price inflation, especially among residential property.

As stated in last month's announcement we do not believe that we are simply experiencing a correction in a new bull market that began in March 2009. Instead, we

believe that we are in a much longer bear market that will provide some excellent buying opportunities in the months and years to come.

With the S&P/ASX All Ordinaries Index currently trading at around 4,200 points and the overall market trading on a historically low price to earnings multiple of around 11 times we believe a buying opportunity may present itself in the coming months.

## **DIVIDENDS**

On 26 February 2010 WAA paid an interim fully franked dividend of 3.0 cents per ordinary share.

The board is committed to paying an increasing stream of fully franked dividends to shareholders over time. Newly introduced government legislation now enables companies to pay fully franked dividends if the company has sufficient franking credits and is deemed solvent by the Directors. Dividend payments will not be reliant on profit as it was previously. Essentially, WAA will always be in a position to pay a dividend irrespective of current year profit or retained earnings.

## **OPTION ISSUE**

The Directors of WAA announced a 1 for 1 bonus issue for its shareholders on 8 February 2010. The options have an exercise price of \$1.15 per option and can be exercised any time up until the expiry date of 30 April 2011.

## **PORTFOLIO STRUCTURE & STRATEGY**

	<b>As at 31 May 2010</b>		<b>As at 30 June 2010</b>	
<b>Investment Type</b>	<b>\$m</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
Listed Equities	7.36	37.9%	4.39	22.4%
Fixed Interest and Cash	12.02	62.1%	15.18	77.6%
<b>Total Long Portfolio</b>	<b>19.38</b>	<b>100.0%</b>	<b>19.57</b>	<b>100.0%</b>
<b>Total Short Portfolio</b>	<b>(0.19)</b>		<b>(0.67)</b>	
	<b>No.</b>		<b>No.</b>	
<b>Total no. of ord shares on issue</b>	15,604,808		15,604,808	
<b>Total no. of options on issue</b>	15,486,719		15,486,719	

During the month of June we maintained our cash level at an average of 69.9%.

We established positions in Ammtec Limited (AEC) and Everest Financial Group (EFG) and took advantage of the following capital raisings ADX Energy Limited (ADX), Ampella Mining (AMX), Aurora Oil & Gas Limited (AUT) and Kairiki Energy Limited (KIK).

We traded positions in ASX Limited (ASX), Mount Gibson Iron Limited (MGX) and Macquarie Group Limited (MQG).

We reduced our holdings in AV Jennings Limited (AVJ), Devine Limited (DVN), Dyesol Limited (DYE), Finbar Group Limited (FRI), Lycopodium Limited (LYL) and Paperlinx SPS Trust Pref (PXUPA). We also exited positions in ABM Resources NL (ABU), Austock Group Limited (ACK), Australia and New Zealand Banking Group Limited (ANZ), BHP Billiton Limited (BHP), Bradken Limited (BKN), Commonwealth Bank of Australia (CBA), Credit Corp Group Limited (CCP), Centrebet International Limited (CIL), Calliden Group Limited (CIX), Flight Centre Limited (FLT), Flexigroup Limited (FXL), James Hardie Industries (JHX), MMC Contrarian Limited (MMA), News

Corporation (NWS), Qube Logistics (QUB), Redstone Resources Limited (RDS), Rio Tinto Limited (RIO), Sylvania Resources Limited (SLV), Sirtex Medical Limited (SRX), Seymour Whyte Limited (SWL), Transurban Group (TCL), Westpac Banking Corporation (WBC) and Wesfarmers Limited (WES).

At 30 June 2010 the major securities held in the portfolio were:

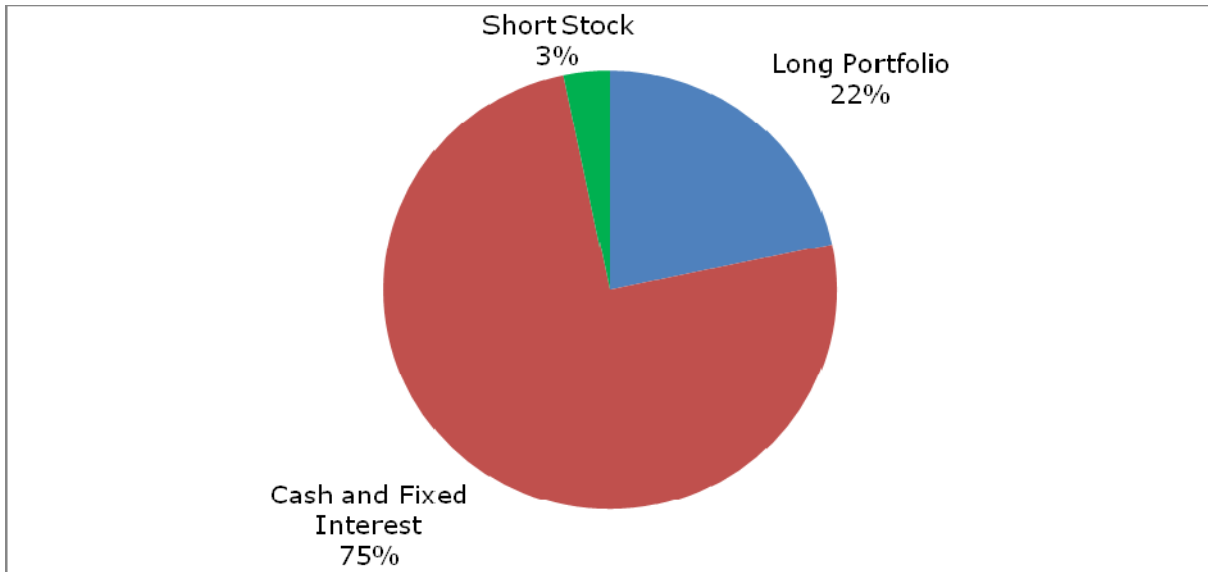
CODE	COMPANY	MARKET VALUE \$	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
RHG	RHG Limited	683,293	15.6%	3.6%
NAB	National Australia Bank Ltd	558,720	12.8%	3.0%
VTP	Van Eyk Three Pillars Limited	423,097	9.7%	2.2%
HSP	Healthscope Limited	352,920	8.1%	1.9%
PXUPA	PaperlinX SPS Trust preference shares	313,395	7.2%	1.7%
DYE	Dyesol Limited	213,913	4.9%	1.1%
WIC	Westoz Investment Company Limited	186,975	4.3%	1.0%
CXP	Corporate Express Australia Limited	184,411	4.2%	1.0%
DVN	Devine Limited	119,554	2.7%	0.6%
SRX	Sirtex Medical Limited	111,970	2.6%	0.6%
LYL	Lycopodium Limited	107,501	2.5%	0.6%
CCQ	Contango Capital Partners Limited	96,519	2.2%	0.5%
AVJ	AVJennings Limited	96,197	2.2%	0.5%
NFK	Norfolk Group Limited	85,845	2.0%	0.5%

### **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>June 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>Since Inception</b>
Gross Portfolio **	-4.0%	-0.9%					+37.4%
All Ords Accum.	-7.6%	-2.6%					-24.9%

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

## PORTFOLIO STRUCTURE - ASSET ALLOCATION



## LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

