



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – MAY 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 38.6% compared to a decline of 22.9% 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	+38.6%	+31.4%	-3.4%	-0.8%
S&P/ASX All Ords Accum	-22.9%	+21.4%	-3.9%	-3.3%
Outperformance	+61.5%	+10.0%	+0.5%	+2.5%

In May WAA's gross portfolio (before all fees, costs and taxes) decreased by 4.0%, while the S&P/ASX All Ordinaries Accumulation Index fell by 7.6%.

NTA before tax	118.11c
NTA after tax and before tax on unrealised gains	114.57c
NTA after tax	113.42c

MARKET OUTLOOK

The Australian share market experienced its worst month in more than a year during May. A combination of sovereign debt problems in Europe, concerns of a slowdown in the Chinese economy and the announcement of a new resources tax in Australia triggered a major sell off. The S&P/ASX All Ordinaries Index slumped to be down 13 per cent at one stage only to recover and finish 7.6 per cent lower for the month.

We do not believe this is simply a correction in a new bull market. Instead, we are of the view the market will continue to struggle in the coming months. While there will be some sharp rallies, these are unlikely to be sustained and the downward trend of the overall market will continue. Generally, Australian analysts have their earnings forecasts too high for the 2011 financial year. This, coupled with Europe's problem, will weigh heavily on the domestic share market.

While the market is set to struggle we believe the next 18 to 24 months will provide fantastic buying opportunities for investors with a long term outlook. Bear markets, like the one we are currently experiencing, can take up to five years to complete. We are approximately two and half years into the current one.

DIVIDENDS

On 26 February 2010 WAM Active Limited 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. Dividends can only be paid if the Company has sufficient profits and franking credits.

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

	As at 30 April 2010		As at 31 May 2010	
Investment Type	\$m	%	\$m	%
Listed Equities	7.90	38.5%	7.36	37.9%
Fixed Interest and Cash	12.62	61.5%	12.02	62.1%
Total Long Portfolio	20.52	100.0%	19.38	100.0%
Total Short Portfolio	(0.47)		(0.19)	
	No.		No.	
Total no. of ord shares on issue	15,602,308		15,604,808	
Total no. of options on issue	15,489,219		15,486,719	

During the month of April we maintained our cash level at an average of 61.8%.

We established positions in Australia and New Zealand Banking Group Limited (ANZ), BHP Billiton Limited (BHP), Commonwealth Bank of Australia (CBA), Flight Centre Limited (FLT), Healthscope Limited (HSP) and James Hardie Industries (JHX).

We took advantage of the following capital raisings Ausdrill Limited (ASL), Bradken Limited (BKN), Central Petroleum Limited (CTP), Transurban Group (TCL), Transfield Services Infrastructure Fund (TSI) and Qube Logistics (QUB).

We traded positions in Atlas Iron Limited (AGO), Boart Longyear Limited (BLY), Leighton Holdings Limited (LEI), Mount Gibson Iron Limited (MGX), Murchison Metals Ltd (MMX), Service Stream Limited (SSM), WorleyParsons Limited (WOR) and Woodside Petroleum Limited (WPL).

We reduced our holdings in Abm Resources NL (ABU), Centrebet International Limited (CIL), Credit Corp Group Limited (CCP), Finbar Group Limited (FRI), FlexiGroup Limited (FXL), Lycopodium Limited (LYL) and Norfolk Group Limited.

We exited positions in Austin Engineering Limited (ANG), Aurora Minerals Limited (ARM), ARB Corporation Limited (ARP), Bendigo and Adelaide Bank Limited (BEN), Codan Limited (CDA), Charter Hall Office Reit (CQO), Fortescue Metals Group Ltd (FMG), Fairfax Media Limited (FXJ), Monadelphous Group Limited (MND), Mastermyne

Group Limited (MYE), PaperlinX Limited (PPX), Specialty Fashion Group Limited (SFH), Sims Metal Management Limited (SGM) and Virgin Blue Holdings Limited (VBA).

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

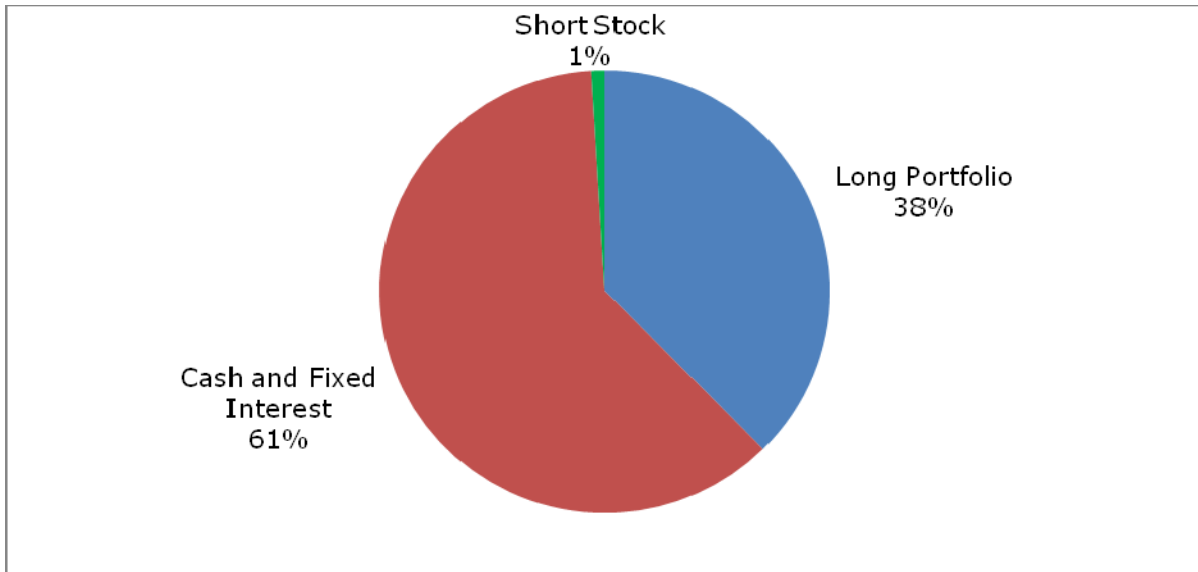
CODE	COMPANY	MARKET VALUE \$	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
RHG	RHG Limited	667,255	9.1%	3.5%
VTP	Van Eyk Three Pillars Limited	444,252	6.0%	2.3%
PXUPA	PaperlinX SPS Trust	407,610	5.5%	2.1%
NAB	National Australia Bank Ltd	401,962	5.5%	2.1%
WBC	Westpac Banking Corporation	390,150	5.3%	2.0%
ANZ	ANZ Banking Group Limited	379,270	5.2%	2.0%
CBA	Commonwealth Bank of Australia	366,782	5.0%	1.9%
NWS	News Corporation	356,397	4.8%	1.9%
MOG	Macquarie Group Limited	331,475	4.5%	1.7%
BHP	BHP Billiton Limited	292,536	4.0%	1.5%
FLT	Flight Centre Limited	284,240	3.9%	1.5%
WES	Wesfarmers Limited	247,350	3.4%	1.3%
FXL	Flexigroup Limited	211,081	2.9%	1.1%
DYE	Dyesol Limited	203,656	2.8%	1.1%

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 **	+2.7%	+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						Since Inception
Gross Portfolio **	-4.0%						+38.6%
All Ords Accum.	-7.6%						-22.9%

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

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

