



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

WAM Active Limited (WAA) offers 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 performance relates to the investments and excludes expenses and taxes.

Performance as at 31 May 2012	1 Mth %	6 Mths %	Fin Ytd %	1 Year %	2 Yrs %pa	3 Yrs %pa	Since Inception (Jan-08) %pa
WAA Investment Portfolio	-1.6%	+3.1%	+4.4%	+2.0%	+7.4%	+14.9%	+11.2%
S&P/ASX All Ordinaries Accumulation Index	-6.9%	+1.0%	-7.3%	-9.5%	+0.6%	+7.1%	-5.4%
Outperformance	+5.3%	+2.1%	+11.7%	+11.5%	+6.8%	+7.8%	+16.6%

NTA figures

The following NTA figures are after the payment of a fully franked interim dividend of 4.5 cents per share paid on the 24 April 2012.

NTA before tax	105.76c
NTA after tax and before tax on unrealised gains	107.40c*
NTA after tax	106.08c**

* Includes tax assets of 1.64 cents per share.

** Includes the net effect of 1.64 cents of tax assets and 1.32 cents of deferred tax liabilities.

Market outlook

May was a torrid month for the Australian equity market with the S&P/ASX All Ordinaries Accumulation Index down 6.9%. This came after a relatively good start to 2012 and erased much of this years gain. The European sovereign debt crisis continued as a constant theme. The crisis weighed heavily on equity markets following a brief respite due to liquidity measures adopted by the ECB from December to March. Greece is now seemingly edging closer to a Euro exit and Spain to a bailout of its banking system.

However more worrying for Australian investors were signs of a slowdown in China and the mining majors making noises about the high cost and low productivity of Australian projects. This led to resources, and particularly the small resources sector, being sold off aggressively during May. Adding to the Chinese slowdown was the worsening macroeconomic data from US. This suggests the US recovery is starting to wane leaving no economic powerhouse to drive global growth.

Following a ferocious pace of earnings downgrades in April, the trend continued in May with downgrades from Myer and Toll Holdings. We are expecting further earnings downgrades from companies in the coming weeks. The Australian Bureau of Statistics reported drops in retail sales, house prices and building approvals, which provides further evidence of the worsening economic environment.

Despite the Reserve Bank cutting interest rates by 0.5% in early May, Australian equities continued their falls. The RBA cut rates by 0.25% in June but traders are still pricing in further possible rate cuts in 2013. We believe a series of rate cuts will ultimately be a positive for industrial companies as they will stimulate the non-mining economy.

Government bond yields have tumbled globally over recent weeks with short terms bond yields even turning negative in some instances. The German 2 year notes saw yields of -0.12% at one point. Government bond yields are now hitting multi-decade lows and in some case all time historic lows across many different countries including the US, Australia, Germany and the Netherlands. UK 10 year government bond rates are at their lowest levels since 1715. Australian 10 year bond yields have fallen from 4.08% at the 31st March to 3.07% at the time of writing a fall of 25%. These steep falls in yields have been greater than the decline seen in equity markets and the current gap between the two suggest a significant dislocation to the normalised relationship between the two asset classes. Both the speed and the size of the declines recorded suggest the bond market at least is pricing in a significant global downturn. If this is the case it would then infer a further drop in equity markets in the coming months in order to remove the current dislocations we are seeing.

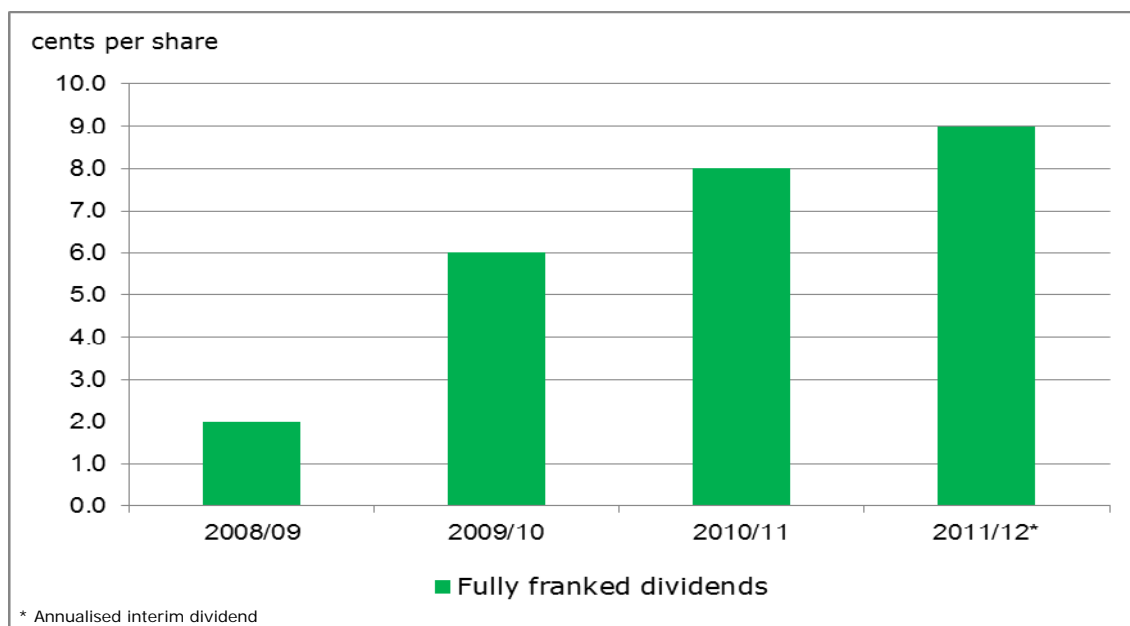
Given the recent movements in the bond market and deteriorating global and local macroeconomic picture we have become more conservative in our outlook for equity markets in 2013.

Dividends – 4.5 cents per share fully franked interim

On 24 April 2012, the Company paid a fully franked interim dividend of 4.5 cents per share. This is a 12.5% increase on the previous year's interim dividend.

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.

Providing the Company is deemed solvent by the Board, the Company should always be in a position to pay dividends.



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 will have an exercise price of \$1.08 per share and they will expire 12 December 2013. The options will trade on the ASX under the code WAAO.

The ex date for the bonus option issue is 14 June 2012. The record date for participation is 20 June 2012.

Further details of the bonus option issue will be provided in the Prospectus to be sent to shareholders of the Company in late June.

The Board of WAM Active is focused on creating shareholder value and growing the Company and believes this bonus option issue will promote this endeavour.

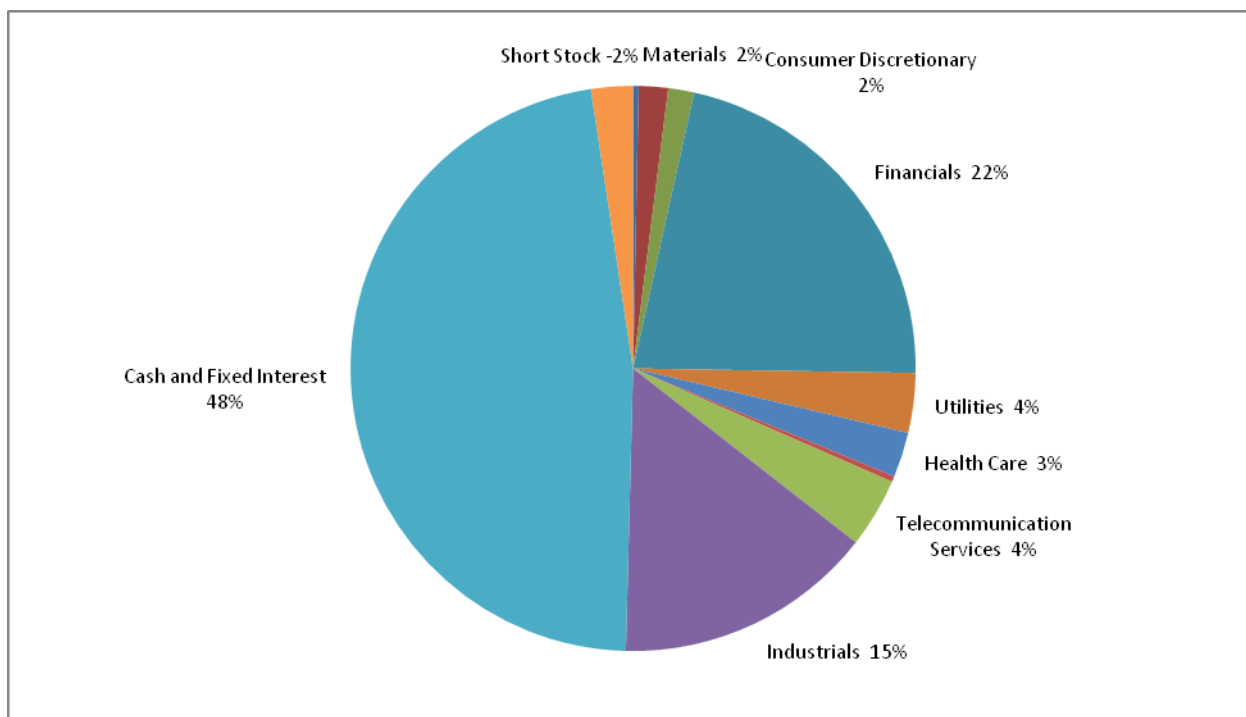
Portfolio structure

Investment Type	As at 30 Apr 2012		As at 31 May 2012	
	\$m	%	\$m	%
Listed Equities	7.8	42.6%	9.2	51.6%
Fixed Interest and Cash	10.5	57.4%	8.7	48.4%
Total Long Portfolio	18.3	100.0%	17.9	100.0%
Total Short Portfolio	(0.5)		(0.4)	
Total Fund Size	\$17.8m		\$17.5m	
	No.		No.	
Total ordinary shares on issue	16,309,945		16,309,945	

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

Code	Company	Market Value \$	Market Value as % Gross Assets
LDW	Ludowici Limited	567,366	3.2%
CCQ	Contango Capital Partners Limited	545,006	3.0%
SDG	Sunland Group Limited	497,868	2.8%
EPX	Ethane Pipeline Income Fund	449,860	2.5%
AIX	Australian Infrastructure Fund	404,905	2.3%
TLS	Telstra Corporation Limited	371,046	2.1%
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	367,799	2.1%
ILF	ING Real Estate Community Living Group	365,502	2.0%
IIN	iiNet Limited	362,694	2.0%
SUN	Suncorp Group Limited	351,062	2.0%
CYG	Coventry Group Limited	348,759	1.9%
CLO	Clough Limited	343,213	1.9%
RHG	RHG Limited	315,669	1.8%
PRV	Premium Investors Limited	295,535	1.6%
PMC	Platinum Capital Limited	292,694	1.6%
MMX	Murchison Metals Limited	288,426	1.6%
CMIPC	CMI Limited Conv Pref Class A	257,259	1.4%
CND	Clarius Group Limited	201,282	1.1%
CDD	Cardno Limited	184,526	1.0%
SPL	Starpharma Holdings Limited	181,736	1.0%

Portfolio structure – sector allocation



Performance – yearly comparison to All Ordinaries Accumulation index

Set out below is the performance of WAA's investment portfolio since listing to 31 May 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	Gross 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%
YTD 2011/2012	+4.4%	-7.3%	+11.7%

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
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	Jun 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*	+2.1%	+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
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%
	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
Gross 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
Gross 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			Since Inception
Gross Portfolio*	+3.5%	+1.1%	+0.0%	-1.6%			+59.9%
All Ords Accum.	+2.4%	+1.2%	+1.1%	-6.9%			-21.9%

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

For more information

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