WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – OCTOBER 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 45.5% compared to a decline of 16.6% in the S&P/ASX All Ordinaries Accumulation Index. The investment objectives of WAA are to derive an absolute return, to deliver investors a growing income stream in the form of fully franked dividends and to preserve capital.

- In October WAA's gross portfolio (before all fees, costs and taxes) increased by 1.3%, whilst the S&P/ASX All Ordinaries Accumulation Index increased by 2.2%.

- WAA's gross portfolio (before all fees, costs and taxes) has increased by 1.7% for the 12 months to 31 October 2010, while the S&P/ASX All Ordinaries Accumulation Index has increased by 5.9%.

NTA before tax	**113.99c**
NTA after tax and before tax on unrealised gains	**114.23c***
NTA after tax	**112.49c****

*Includes tax assets of 0.25 cents per share.
**This includes the net effect of 0.25 cents of tax assets and 1.74 cents of deferred tax liabilities.

MARKET OUTLOOK

The Australian share market enjoyed its third up month out of the last four, as investors followed a strong lead from the US in October. The S&P/ASX All Ordinaries Accumulation Index rose a solid 2.2 per cent for October, following an extremely strong September. Most of the excitement again was in the resources sector with the S&P/ASX All Materials Index powering ahead 5.1 per cent while the S&P/ASX All Industrials Index lagged behind registering a rise of only 1.1 per cent. These large differentials in performance stem from an ongoing growth surge in China and the positive impact from the US Federal Reserve's decision to pump money into its economy. While there is a lot of scepticism about the Fed's policy of pump priming the economy, it has won the early battle with equity prices rising. To our own detriment we have been cautious this year, holding high cash positions in our funds and to some extent we have been caught off guard by the surge in prices.

MARKET OUTLOOK (continued)

We would expect the current momentum to continue into the new calendar year and are positioning ourselves for that outcome. We would also expect the Australian market to continue to underperform the US market in the short term. The headwinds of a rising currency and higher local interest rates are not positives for the local market.

DIVIDENDS

On 24 September 2010 the company paid a final dividend of 3.0 cents per share fully franked. This brings the full year FY2010 dividend to 6.0 cents per share fully franked.

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. Recently introduced government legislation 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

On 8 February 2010 the Board announced a 1 for 1 option issue for its shareholders. The options, which trade on the Australian Securities Exchange, have an exercise price of $1.15 per option and can be exercised any time up until the expiry date of 30 April 2011.

The reason behind the option issue is the Board's vision to grow the market capitalisation of WAM Active to $100m over the next 5 years and to continue to generate strong results.

PERFORMANCE

Set out below is the performance of WAA since listing to 31 October 2010. 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 before tax and expenses.

Annualised Performance	**1 Year**	**2 Year**	**Since Inception (Jan–08)**
WAM Active Limited*	+1.7%	+25.5%	+14.2%
S&P/ASX All Ords Accum	+5.9%	+13.9%	-6.2%
Outperformance	**-4.2%**	**+11.6%**	**+20.4%**

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

PERFORMANCE (continued)

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%
YTD 2010/2011	+5.9%	+11.0%	-5.1%

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

PORTFOLIO STRUCTURE

	As at 30 Sept 2010			As at 31 Oct 2010	
Investment Type	**$m**	**%**		**$m**	**%**
Listed Equities	5.60	29.3%		10.22	53.7%
Fixed Interest and Cash	13.52	70.7%		8.82	46.3%
Total Long Portfolio	**19.12**	**100.0%**		**19.04**	**100.0%**
Total Short Portfolio	**(1.19)**			**(0.88)**	
	No.			**No.**	
Total no. of ord shares on issue	15,682,838			15,682,838	
Total no. of options on issue	15,482,170			15,482,170	

During the month of October we decreased our cash levels and held an average of 58.5%.

We established positions Beach Energy Limited (BPT), Boom Logistics Limited (BOL), Citdael Resources Group Limited (CGG), Customers Limited (CUS), Fairfax Media Limited Convertible Preference Staples Securities (FXJPB), Laguna Resources (LRC), Lycopodium Limited (LYL), Nanosonics Limited (NAN), Rock Building Society Limited (ROK), Tower Australia Group Limited (TAL), Webjet Limited (WEB) and Whitehaven Coal Limited (WHC).

We took advantage of the following capital raisings ABM Resources (ABU), Aurora Oil & Gas Limited (AUT), Industrea Limited (IDL), Investorfirst Limited (INQ), Mermaid Marine Australia Limited (MRM), Metrocoal Limited (MTE), Northern Iron (NFE), Oceanagold Corporation (OGC), Orion Metals Limited (ORM), Red 5 Limited (RED) and Tap Oil Limited (TAP),IMF Australia Limited Convertible Note (IMFGA).

We reduced our holdings in Connxion Limited (CXN), Globe International Limited (GLB), Photon Group Limited (PGA), Paperlinx SPS (PXUPA), Redstone Resources Limited (RDS), Ross Human Directions Limited (RHD), Venture Minerals Limited (VMS) and Wide Bay Australia Limited (WBB).

We exited positions in Anglo Australia Resources (AAR), Augur Resources Limited (AUK), Cabcharge Australia Limited (CAB), Central Petroleum Limited (CTP), Geo Property Group (GPM), Gryphon Minerals Limited (GRY), IMF Australia Limited (IMF), Oil Basins Limited (OBL), Olympus Pacific Minerals (OYM), Premier Investments Limited (PMV), Rex Minerals Limited (RXM) and Van Eyk Three Pillars Limited (VTP).

We traded positions in GPT Group (GPT), McMillan Shakespeare Limited (MMS), Ten Network Holdings Limited (TEN) and WorleyParsons Limited (WOR).

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

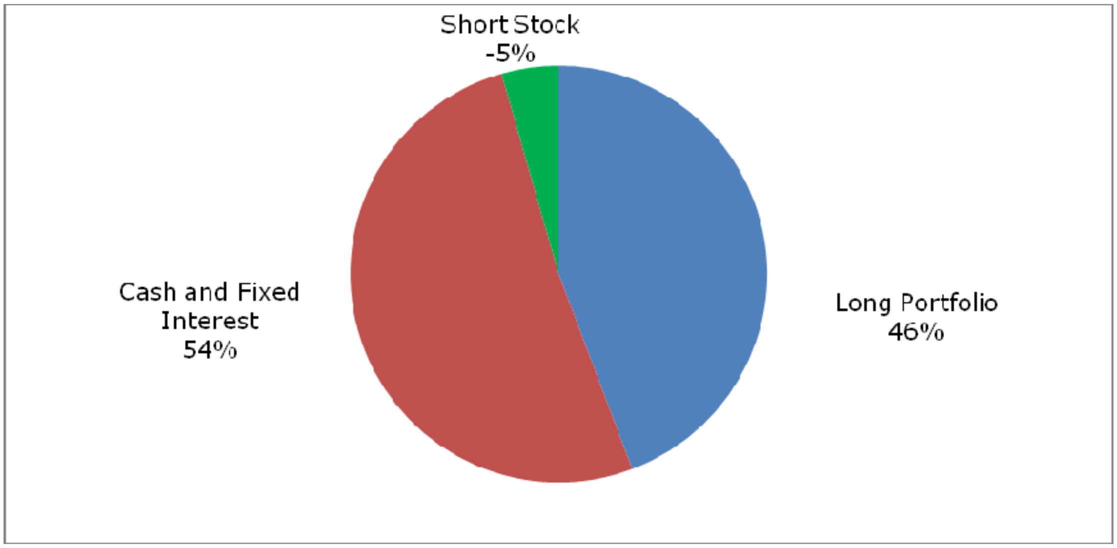
CODE	COMPANY	MARKET VALUE	MARKET VALUE AS % OF GROSS ASSETS
AWB	AWB Limited	2,739,175	15.1%
RHG	RHG Limited	891,052	4.9%
TAL	Tower Australia Group Limited	409,698	2.3%
SYM	Symex Holdings Limited	401,302	2.2%
EFG	Everest Financial Group Limited	324,280	1.8%
CCQ	Contango Capital Partners Limited	248,987	1.4%
WEB	Webjet Limited	241,321	1.3%
WFM	Webfirm Group Limited	235,385	1.3%
INQ	Investorfirst Limited	190,400	1.0%
WHC	Whitehaven Coal Limited	177,480	1.0%
IMFG	IMF (Australia) Ltd 10.25% Conv Note Mat. 31/12/14	170,999	0.9%
BOL	Boom Logistics Limited	170,000	0.9%
SGI	Signature Capital Investments Limited	156,981	0.9%
NAN	Nanosonics Limited	153,000	0.8%
SHV	Select Harvests Limited	152,560	0.8%
ITX	ITX Group Limited	152,065	0.8%
SIV	Silver Chef Limited	117,962	0.6%
RDS	Redstone Resources Limited	116,051	0.6%
BPT	Beach Energy Limited	113,900	0.6%

PERFORMANCE TABLE

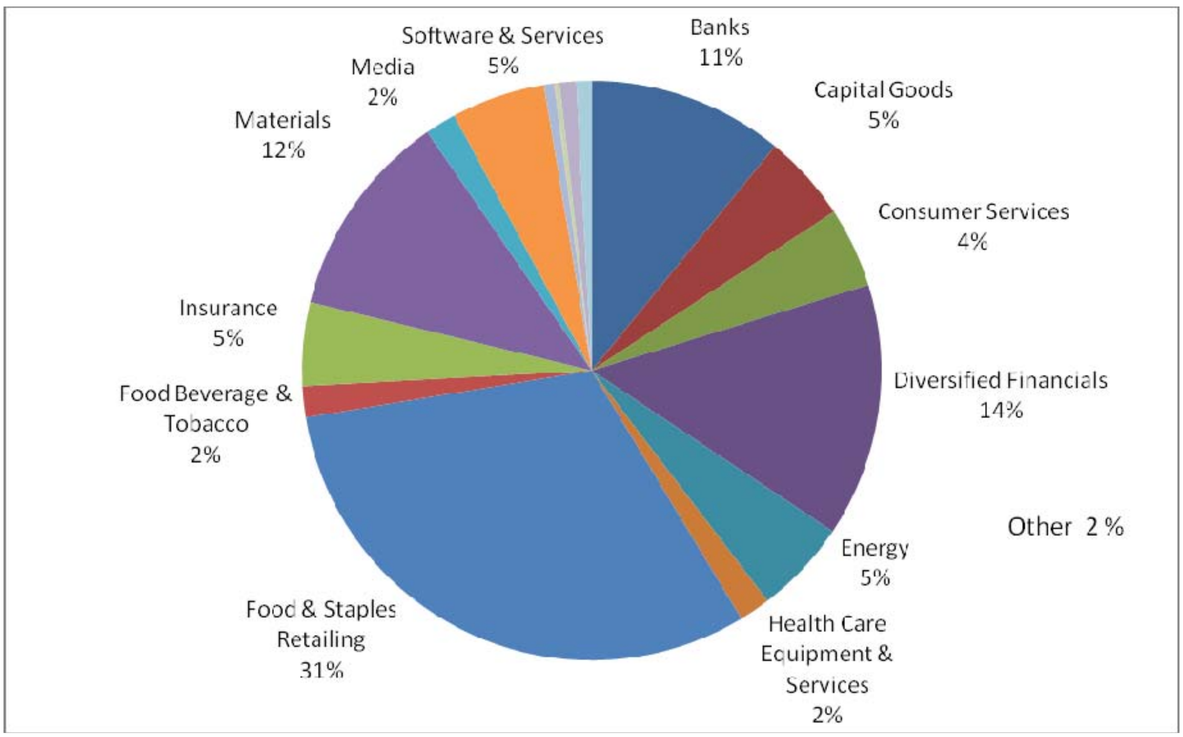
	Jan 08	**Feb 08**	**Mar 08**	**Apr 08**	**May 08**	**Jun 08**	**Jul 08**
Gross Portfolio *	+0.3%	+1.2%	+0.5%	+1.6%	+2.4%	-3.7%	-1.1%
All Ords Accum.	-11.2%	+0.3%	-4.1%	+4.6%	+2.5%	-7.3%	-5.2%
	Aug 08	**Sep 08**	**Oct 08**	**Nov 08**	**Dec 08**	**Jan 09**	**Feb 09**
Gross Portfolio *	+0.1%	-3.8%	-5.3%	-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 *	+2.1%	+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**	**Since Inception**
Gross Portfolio *	-4.0%	-0.9%	+1.6%	+0.1%	+2.7%	+1.3%	+45.5%
All Ords Accum.	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%	-16.6%

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

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



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