WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – OCTOBER 2011

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. Since inception WAA has outperformed the overall sharemarket. WAA's portfolio (before all fees, costs, taxes and dividends) has increased by 55.7% compared to a decline of 19.9% in the S&P/ASX All Ordinaries Accumulation Index. 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.

Performance as at 31 October 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Year %	2 Yrs % pa	Since Inception (Jan–08) % pa
WAM Active Limited*	+2.1%	-2.2%	+1.7%	+7.0%	+4.3%	+12.3%
S&P/ASX All Ordinaries Accumulation Index	+7.2%	-8.9%	-4.9%	-4.0%	+0.9%	-5.6%
Outperformance	**-5.1%**	**+6.7%**	**+6.6%**	**+11.0%**	**+3.4%**	**+17.9%**

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

The following NTA figures are after the payment of a fully franked final dividend of 4.0 cents per share paid on 30 September 2011.

The portfolio is currently defensively positioned with 35% in cash and fixed interest and 30% in stocks subject to takeovers which were predominantly purchased during the month. As a result of this, in September the fund was up 0.7% while the market fell 6.3%. With the market rebound in October, the portfolio did not keep pace. Over the last 2 months, the fund gained 2.9% against a 0.9% increase in the S&P ASX/All Ordinaries Accumulation index and resulting in an outperformance of +2.0%. Since 30 June 2011 the fund has increased 1.7% while the broader market has fallen 4.9%. This has been achieved with significantly less risk and volatility than the market.

NTA before tax	**109.07c**
NTA after tax and before tax on unrealised gains	**110.55c***
NTA after tax	**109.28c****

* Includes tax assets of 1.48 cents per share.
** Includes the net effect of 1.48 cents of tax assets and 1.27 cents of deferred tax liabilities.

Market Outlook

October saw the bulls return in force with the S&P/ASX All Ordinaries Index Accumulation Index up 7.2%. Europe remained the focus for investors with speculation of a bailout package driving the market higher during the month. News of European bank recapitalisations and the European Financial Stability Facility (EFSF) instilled confidence with investors that an end was in sight to the debt situation that exists.

Locally, economic data remains weak, reflecting recessionary type conditions in some sectors. Early November has seen the Reserve Bank produce the first interest rate cut for over two and a half years. The driver behind their decision, apart from weak economic data, was that the outlook for inflation has improved significantly since the start of 2011. We see this initial cut as a positive for equity markets, however we believe a succession of rate cuts will be needed to stimulate the domestic economy. As always we continue to research heavily for individual stock opportunities.

Dividends

On 30 September 2011, the Company paid a fully franked final dividend of 4.0 cents per share. This brings the full year dividend to 8.0 cent 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. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits.

Providing the company is deemed solvent by the Board, WAA should always be in a position to pay dividends. WAA currently has franking credits which allow it to pay 9.7 cents per share.

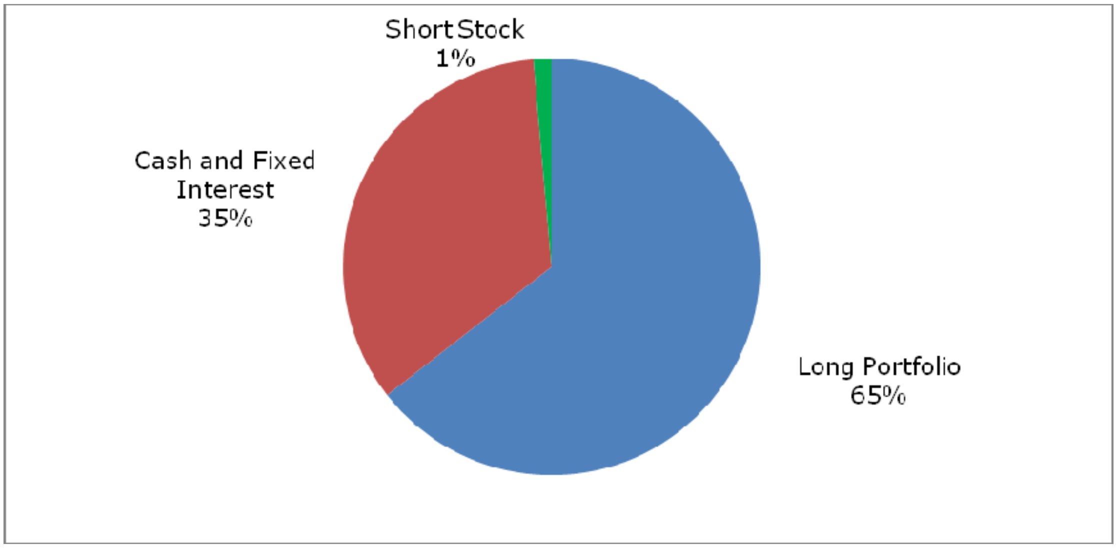
Portfolio Structure

	As at 30 Sept 2011			As at 31 Oct 2011	
Investment Type	**$m**	**%**		**$m**	**%**
Listed Equities	6.3	35.9%		11.8	65.4%
Fixed Interest and Cash	11.2	64.1%		6.3	34.6%
Total Long Portfolio	**17.5**	**100.0%**		**18.1**	**100.0%**
Total Short Portfolio	**(0.0)**			**(0.3)**	
Total Fund Size	**$17.5m**			**$17.8m**	
	No.			**No.**	
Total ordinary shares on issue	16,176,213			16,176,213	

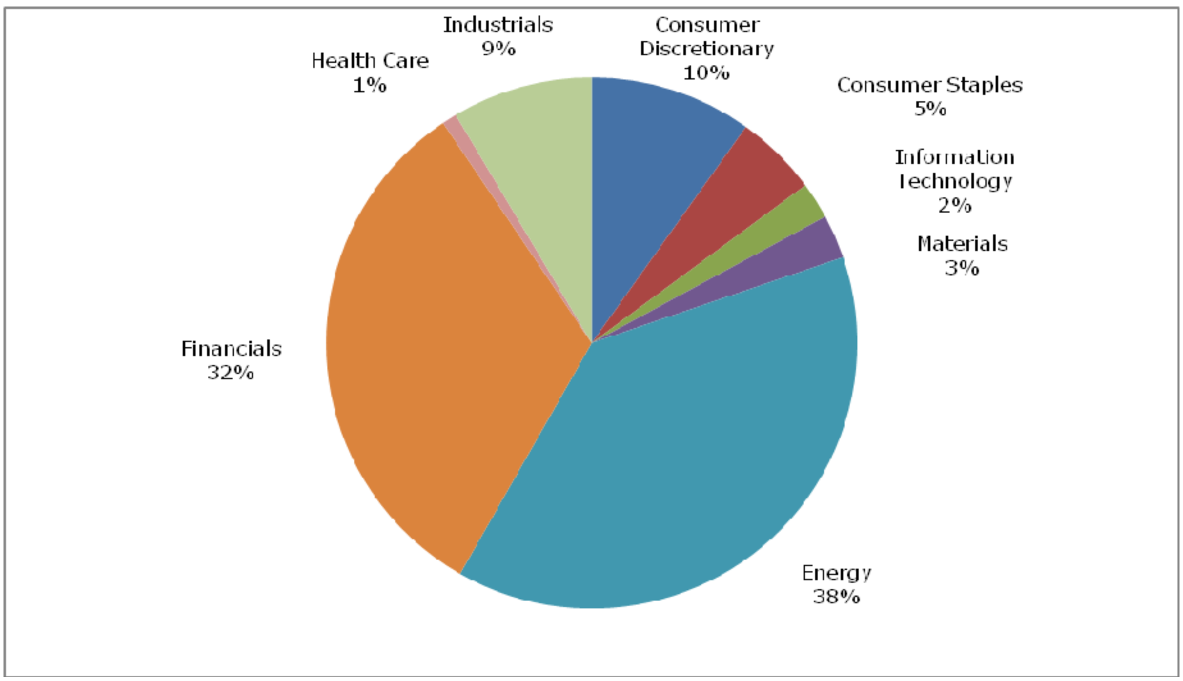
At 31 October 2011 the major securities held in the portfolio were:

Code	Company	Market Value $	Market Value as % Gross Assets
HUN	Hunnu Coal Limited	2,120,991	11.9%
CNA	Coal & Allied Industries Limited	1,827,173	10.3%
SGI	Signature Capital Investments Limited	1,272,332	7.2%
CCQ	Contango Capital Partners Limited	525,690	3.0%
NHC	New Hope Corporation Limited	446,250	2.5%
SOE	Souls Private Equity Limited	420,301	2.4%
VBA	Virgin Blue Holdings Limited	393,750	2.2%
SDG	Sunland Group Limited	391,052	2.2%
FGL	Foster's Group Limited	367,770	2.1%
DJS	David Jones Limited	355,950	2.0%
JBH	JB Hi-Fi Limited	353,577	2.0%
MYR	Myer Holdings Limited	352,350	2.0%
SYM	Symex Holdings Limited	245,670	1.4%
MSF	Maryborough Sugar Factory Limited (The)	224,161	1.3%
MFNHA	Macquarie Fortress Australia Floating Rate S1	223,390	1.3%
RHG	RHG Limited	208,360	1.2%
CYG	Coventry Group Limited	185,874	1.0%
QAN	Qantas Airways Limited	159,062	0.9%
IMFG	IMF (Australia) Ltd 10.25% Conv Note	151,568	0.9%
ROK	Rock Building Society Limited (The)	128,255	0.7%

Portfolio Structure – Asset Allocation



Long Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAA since listing to October 2011 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	+1.7%	-4.9%	**+6.6%**

Monthly 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**	**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**			**Since Inception**
Gross Portfolio*	+0.0%	-1.2%	+0.7%	+2.1%			+55.7%
All Ords Accum.	-3.4%	-2.0%	-6.3%	+7.2%			-19.9%

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

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