



WAM ACTIVE LIMITED (WAA)
INVESTMENT UPDATE & NTA – SEPTEMBER 2009

WAM Active Limited (WAA) listed on the Australian Stock Exchange in January 2008 after raising \$15.4 million.

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 40.1% compared to a 19.8% decrease 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 WAM Active Limited since listing to 30 September 2009:

	Gross Portfolio	S&P/ASX All Ords. Accumulation Index	Outperformance
2007/2008	+2.2%	-15.2%	+17.4%
2008/2009	+9.6%	-22.2%	+31.8%
YTD 2009/10	+25.1%	+21.6%	+3.5%

In September WAA's gross portfolio (before all fees, costs and taxes) increased by 6.20%, while the S&P/ASX All Ordinaries Accumulation Index increased by 6.00%.

NTA before tax	123.28c
NTA after tax and before tax on unrealised gains[^]	123.23c
NTA after tax	116.25c

[^]Includes a tax asset of 0.3 cents per share.

MARKET OUTLOOK

The bulls tightened their grip on the Australian share market in September with the market rising for the seventh consecutive month. The S&P/ASX All Ordinaries Accumulation index has now risen a remarkable 52 per cent since it hit the bottom of the bear market on March 6, 2009. All sectors of the market are participating in the rally as investors scramble to buy shares in the hope of not missing out on the rally completely. The rise in shares coincides with increasing confidence about the outlook in the medium to long term for the local economy.

In the August "Market Outlook" we mentioned that we were becoming increasingly cautious about the share market. This caution stemmed from an evaporation of companies trading at low valuations and the pending upward move in official interest rates. At the time we believed the Reserve Bank of Australian would start tightening

rates in November this year or even February next year. However, the decision to move earlier has clearly revealed the RBA is intent on normalizing interest rates as soon as practicably possible. Normal rates are somewhere between 5 and 6 per cent. This means official rates will increase by around 2 per cent over the next 12 to 18 months. Historically equities do not perform well in rising interest rate markets and we believe this time will be no different. We do not believe the Australian share market will experience a collapse such as the one experienced in 2008, however, a gradual decline may occur in 2010 as countries in the northern hemisphere also begin to lift official interest rates.

DIVIDENDS

On 20 July 2009 WAM Active Limited paid a final fully franked dividend of 2.0 cents per ordinary share. The DRP price was \$0.82.

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.

PORTFOLIO STRUCTURE & STRATEGY

	As at 31 August 2009		As at 30 September 2009	
Investment Type	\$m	%	\$m	%
Listed Equities	15.13	79.0%	15.75	77.8%
Fixed Interest and Cash	4.02	21.0%	4.49	22.2%
Total Long Portfolio	19.15	100.0%	20.24	100.0%
Total Short Portfolio	0.05	100.0%	0.01	100.0%
	No.		No.	
Total no. of ord shares on issue	15,489,219		15,489,219	
Total no. of options on issue	-		-	

During the month of September we held our cash level at an average of 23%. We established positions in AXA Asia Pacific Holdings Limited (AXA), Clive Peeters Limited (CPR), DWS Advanced Business Solutions Limited (DWS), Fairfax Limited (FXJ), Horizon Oil Limited (HZN), Lend Lease Primelife Group (LLP), New Hope Corporation Limited (NHC), Runge Limited (RUL), Sirtex Medical Limited (SRX).

We took advantage of the following capital raisings: TFS Corporation Limited (TFC), Carsales.com Limited (CRZ), Paladin Energy Limited (PDN), Boart Longyear Limited (BLY), Sigma Pharmaceuticals Limited (SIP), Drillsearch Energy Limited (DLS), Toro Energy Limited (TOE), Primary Health Care Limited (PRY), Bauxite Resources Limited (BAU), Globe Metals & Mining Limited (GBE), Ten Network Holdings Limited (TEN), Po Valley Energy Limited (PVE), FSA Group Limited (FSA), Willmott Forests Limited (WFL).

We reduced our holdings in Adelaide Brighton Limited (ABC), Bendigo & Adelaide Bank Limited (BEN), Calliden Group Limited (CIX), Cape Lambert Iron Ore Limited (CFE), Clough Limited (CLO), Decmil Group Limited (DCG), Fantastic Holdings Limited (FAN), FKP Property Group Limited (FKP), Flexigroup Limited (FXL), Impedimed Limited (IPD), Oakton Limited (OKN) and Pacific Brands Limited (PBG),

We traded positions in ASG Group Limited (ASZ), Bluescope Steel Limited (BSL) and Challenger Financial Services Group Limited (CGF).

We exited positions in Adamus Resources Limited (ADU), AGL Energy Limited (AGK), ALE Property Group Limited (ALE), Bank of Queensland Limited (BOQ), Carsales.com Limited (CRZ), Grange Resources Limited (GRR), Gold One International Limited (GDO), Hastie Group Limited (HST), Healthscope Limited (HSP), Lycopodium Limited (LYL), Northern Iron Limited (NFE), Premier Investments Limited (PMV), Premium Investors Limited (PRV), Sphere Investments Limited (SPH), Spotless Group Limited (SPT), Tabcorp Holdings Limited (TAH), Uranium Exploration Australia Limited (UXA).

At 30 September 2009 the major securities held in the portfolio were:

CODE	COMPANY	MARKET VALUE \$	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
LNN	Lion Nathan Limited	1,905,051	12.1%	9.4%
TLS*	Telstra Corporation Limited	1,317,843	8.4%	6.5%
MCP	McPherson's Limited	921,524	5.9%	4.6%
NAB	National Australia Bank Ltd	637,163	4.0%	3.1%
RHG	RHG Limited	559,571	3.6%	2.8%
FXL	Flexigroup Limited	500,174	3.2%	2.5%
VBA	Virgin Blue Holdings Limited	417,758	2.7%	2.1%
CUS	Customers Limited	396,525	2.5%	2.0%
NHC	New Hope Corporation Limited	391,000	2.5%	1.9%
FBU	Fletcher Building Limited	372,096	2.4%	1.8%
CCQ	Contango Capital Partners Limited	361,717	2.3%	1.8%
TEN	Ten Network Holdings Limited	357,425	2.3%	1.8%
ANZ*	ANZ Banking Group Limited	355,240	2.3%	1.8%
FXJ	Fairfax Media Limited	349,860	2.2%	1.7%

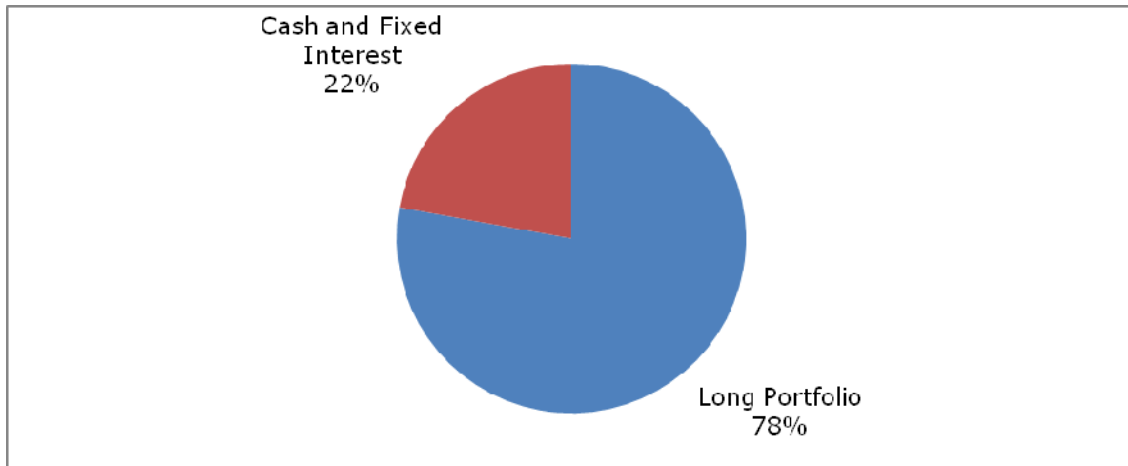
* Indicates that options were outstanding against part of the holding

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%
							Since Inception
Gross Portfolio **							+40.1%
All Ords Accum.							-19.8%

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

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

