



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – SEPTEMBER 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 43.6% compared to a decline of 18.4% 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 September WAA's gross portfolio (before all fees, costs and taxes) increased by 2.7%, whilst the S&P/ASX All Ordinaries Accumulation Index increased by 5.0%.
- WAA's gross portfolio (before all fees, costs and taxes) has increased by 2.5% for the 12 months to 30 September 2010, while the S&P/ASX All Ordinaries Accumulation Index has increased by 1.7%.

The below numbers are after the payment of a fully franked final dividend of 3.0 cents per share paid on 24 September 2010.

NTA before tax	113.09c
NTA after tax and before tax on unrealised gains	113.22c*
NTA after tax	111.77c**

*Includes tax assets of 0.13 cents per share.

**This includes the net effect of 0.13 cents of tax assets and 1.45 cents of deferred tax liabilities.

MARKET OUTLOOK

For reasons that are difficult to explain September is traditionally the poorest performing month for equities in Australia. In 2010 the local share market bucked the trend and powered higher, led by a rampant resources sector. The benchmark All Ordinaries Accumulation Index rose by 5 per cent for the month, while the Small Resources Index posted a 14 per cent gain. The inspiration for the rise was the surge in the US market where the benchmark S&P 500 Index rose an impressive 9 per cent for the month.

The US market was buoyed by marginally improved economic data that indicated the world's largest economy was not about to fall into a second recession in only 3 years. Investors in the US were also encouraged by comments from the US Federal Reserve that indicated it would continue to support the economy at all costs to ensure growth. While this is commonly referred to as printing money it resulted in investors

MARKET OUTLOOK (continued)

increasing their risk appetite, with strong moves in gold, oil, base metals and tech stocks around the globe. This move by investors is likely to continue in the short term, resulting in the current share market rally being prolonged. Despite this we remain cautious and are not convinced loose monetary policy can cure the world's ills of excessive debt. Only time will tell.

In the meantime we have looked to take advantage of market opportunities that have presented themselves, in particular takeover and capital raisings. Company valuations are no longer as compelling as at the start of the financial year, but opportunities to make longer term investments remain on a selective basis.

DIVIDENDS

On 21 July 2010 the Board announced a 50% increased final dividend of 3.0 cents per share fully franked which was paid 24 September 2010. The shares traded ex dividend on 13 September 2010. 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 30 September 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*	+2.5%	+21.4%	+14.1%
S&P/ASX All Ords Accum	+1.7%	+4.5%	-7.1%
Outperformance	+0.8%	+16.9%	+21.2%

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

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	+4.5%	+8.7%	-4.2%

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

PORTFOLIO STRUCTURE

Investment Type	As at 31 August 2010		As at 30 Sept 2010	
	\$m	%	\$m	%
Listed Equities	6.64	35.4%	5.60	29.3%
Fixed Interest and Cash	12.11	64.6%	13.52	70.7%
Total Long Portfolio	18.75	100.0%	19.12	100.0%
Total Short Portfolio	(0.89)		(1.19)	
	No.		No.	
Total no. of ord shares on issue	15,606,857		15,682,838	
Total no. of options on issue	15,484,670		15,482,170	

During the month of September we increased our cash levels and held an average of 67.7%.

We established positions in Bathurst Resources Limited (BTU), IMF (Australia) Limited (IMF), Redhill Education Limited (RDH), Silver Chef Limited (SIV) and Symex Holdings Limited (SYM).

We took advantage of the following capital raisings: Anglo Australian Resources (AAR), Ampella Mining Limited (AMX), Cockatoo Coal Limited (COK), Connexion Ventures Limited (CXN), Gryphon Minerals Limited (GRY), Karoon Gas Australia

PORTFOLIO STRUCTURE continued

Limited (KAR), Oil Basins Limited (OBL), Prosperity Resources Limited (PSP), Select Harvest (SHV), Wide Bay Australia Limited (WBB) and Webfirm Group Limited (WFM).

We reduced our holdings in Augur Resources Limited (AUK), Globe International Limited (GLB), Geo Property Group (GPM), Investorfirst Limited (INO), Premier Investments Limited (PMV), PaperlinX SPS (PXUPA), Redstone Resources Limited (RDS) and Reece Australia Limited (REH).

We exited positions in AV Jennings Limited (AVJ), BHP Billiton (BHP), Clime Investment Management (CIW), Devine Limited (DVN), Finbar Group Limited (FRI), Gloucester Coal Limited (GCL), Healthscope Limited (HSP), Intrepid Mines Limited (IAU), Ivanhoe Australia Limited (IVA), Keybridge Capital Limited (KBC), Lycopodium Limited (LYL), Macarthur Coal Limited (MCC), Mondadelphous Group Limited (MND), Newhope Corporation Limited (NHC), Port Bouvard Limited (PBD), Sims Metal Management Limited (SGM), STW Communications Group (SGN), Sirtex Medical Limited (SRX), Service Stream Limited (SSM) and Westoz Investment Company Limited (WIC).

We traded positions in Cabcharge Limited (CAB), IRESS Market Technologies (IRE), Kathmandu Holdings Limited (KMD), Macarthurcook Industrial Property Fund (MIF), Orotan Group Limited (ORL) and Oil Search Limited (OSH).

At 30 September 2010 the major securities held in the portfolio were:

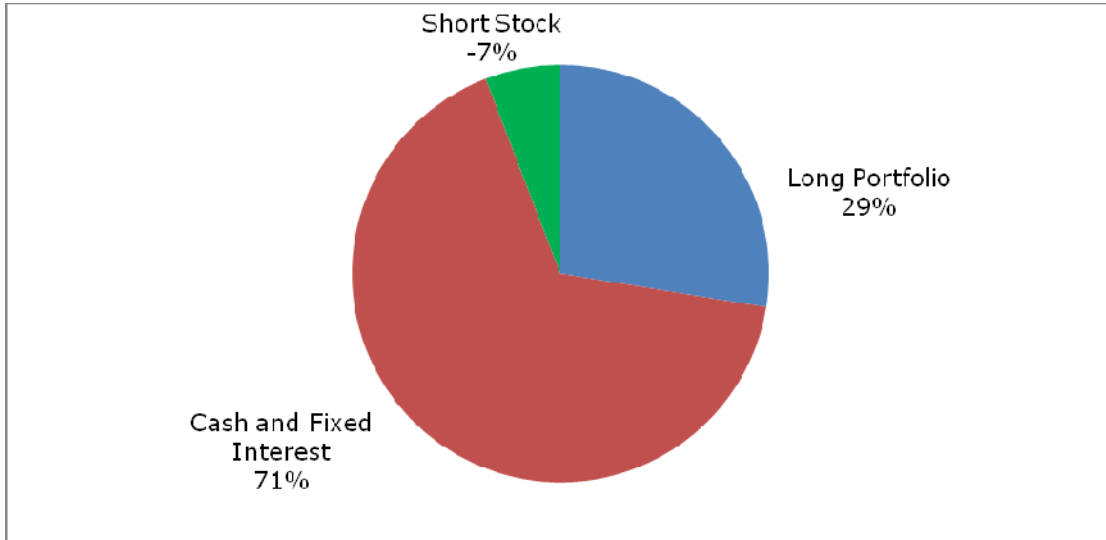
CODE	COMPANY	MARKET VALUE	MARKET VALUE AS % OF GROSS ASSETS
AWB	AWB Limited	1,092,650	6.1%
RHG	RHG Limited	853,402	4.8%
ADG	Adtrans Group Limited	409,845	2.3%
SYM	Symex Holdings Limited	380,800	2.1%
EFG	Everest Financial Group Limited	300,789	1.7%
WFM	Webfirm Group Limited	248,461	1.4%
PXUPA	PaperlinX SPS Trust	241,556	1.3%
CCQ	Contango Capital Partners Limited	239,027	1.3%
SHV	Select Harvests Limited	151,613	0.8%
WBB	Wide Bay Australia Limited	146,668	0.8%
ITX	ITX Group Limited	127,924	0.7%
SIG	Signature Capital Investments Limited	127,213	0.7%
SIV	Silver Chef Limited	105,258	0.6%
RDS	Redstone Resources Limited	102,383	0.6%
RDH	Redhill Education Limited	102,000	0.6%
PMV	Premier Investments Limited	99,692	0.6%
CTP	Central Petroleum Limited	98,590	0.5%

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		Since Inception
Gross Portfolio *	-4.0%	-0.9%	+1.6%	+0.1%	+2.7%		+43.6%
All Ords Accum.	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%		-18.4%

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

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

