

# WAM CAPITAL LIMITED

A.B.N. 34 086 587 395



## **WAM CAPITAL LTD (WAM) - MAY 2008** **INVESTMENT UPDATE & NTA**

WAM is an investment company whose mission is to provide superior returns to its investors over the medium to long term. WAM is managed by Wilson Asset Management (International) Pty Limited.

Since inception in August 1999 WAM Capital Ltd (WAM) has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 466.9% compared to a 176.2% increase in the All Ordinaries Accumulation Index.

In May WAM's gross portfolio (before all fees, costs and taxes) rose by 2.33%, while the All Ordinaries Accumulation Index rose by 2.45%.

NTA before tax payable and after tax assets	150.74c
NTA after tax and before tax on unrealised gains	150.74c
NTA after tax	147.68c

The above figures are after the payment of the interim dividend of 8.00 cents a share fully franked, paid on the 11 March 2008.

### **MARKET OUTLOOK**

The Australian sharemarket rallied strongly in the first half of May 2008 taking the gains since 17 March 2008 to 17%. This rally ran out of steam in the last week in May with heavy profit taking. The catalyst for the sell off was the surging oil price, which hit \$US135 a barrel. While oil prices may have triggered the fall in the market, the reality was that the market had run too hard from the 17 March 2008 to the 19 May 2008. The most recent pull back in the market is providing opportunities to buy companies at reasonable prices. We see value emerging in the Industrial sector and are more sceptical of the booming Resources sector. While earnings growth is slowing among industrial companies, the 34% drop in the All Industrials Index since November 2007 provides a lot of pricing support.

### **PERFORMANCE**

- The gross portfolio has decreased 16.35% for the 11 months to 31 May 2008.
- The gross portfolio has decreased 13.55% for the 12 months to 31 May 2008.

Set out below is the performance of WAM Capital Limited since listing to **31 December 2007**:

	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1999/2000	+33.3%	+11.3%	+22.0%
2000/2001	+30.2%	+8.9%	+21.3%
2001/2002	+32.7%	-4.5%	+37.2%
2002/2003	+12.3%	-1.1%	+13.4%
2003/2004	+27.3%	+22.4%	+4.9%
2004/2005	+13.9%	+24.8%	-10.9%
2005/2006	+27.4%	+24.2%	+3.2%
2006/2007	+44.1%	+30.3%	+13.8%
Half year 2008	-5.1%	+3.7%	-8.8%

Annualised performance	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1 year	+11.8%	+18.0%	-6.1%
3 years	+20.4%	+21.3%	-0.9%
5 years	+22.3%	+21.4%	+0.9%
7 years	+23.2%	+15.1%	+8.1%
Since inception	+24.8%	+14.0%	+10.7%

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

## **PORTFOLIO STRUCTURE & STRATEGY**

As at 31 May 2008, listed securities made up approximately 66.3% of the portfolio, while fixed interest and cash made up the remaining 33.7%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research heavily to find companies that meet this profile.

Investment Type	As at 30 April 2008		As at 31 May 2008	
	\$m	%	\$m	%
Listed Equities	108.56	68.8%	107.75	66.3%
Fixed Interest and Cash	49.16	31.2%	54.66	33.7%
<b>Long Portfolio</b>	<b>157.72</b>	<b>100.0%</b>	<b>162.41</b>	<b>100.0%</b>
<b>Short Portfolio</b>	<b>(1.55)</b>	<b>100.0%</b>	<b>(2.61)</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total no. of ord shares on issue</b>	106,158,940		106,158,940	

## **PORTFOLIO STRUCTURE & STRATEGY (CONTINUED)**

At 31 May 2008 the major securities held in the portfolio were:

<b>COMPANY</b>	<b>MARKET VALUE \$</b>
Adtrans Group Ltd (ADG)	2,213,401
ARC Energy Ltd (ARQ)	2,245,950
ASX Ltd (ASX)	1,420,960
Australia & New Zealand Banking Group Ltd (ANZ)	2,695,474
Bank of Queensland Reset Prefs (BOQPB)	1,625,820
Boral Limited (BLD)	1,887,113
Clime Investment Ltd (CIW)	1,707,808
Commonwealth Bank of Australia (CBA)	1,606,044
Computershare Ltd (CPU)	2,083,193
Dyno Nobel SPS Trust (DYNPA)	2,044,974
Eservglobal Ltd (ESV)	1,654,171
Henderson Group PLC (HGI)	1,759,990
HFA Accelerator Plus Ltd (HAP)	2,050,629
HFA Holdings Ltd (HFA)	3,453,436
Industrial Minerals Ltd (IDM)	1,774,260
ITX Group Limited (ITX)	1,437,370
Just Group Ltd (JST)	1,883,700
Keybridge Capital Ltd (KBC)	1,992,857
Leighton Holdings Limited (LEI)	2,096,289
Ludowici Ltd (LDW)	1,269,813
McMillan Shakespeare Ltd (MMS)	2,647,515
Melbourne IT Ltd (MLB)	4,831,917
Mitchell Communications Group Ltd (MCU)	1,961,205
National Australia Bank Ltd (NAB)	3,968,386
News Corporation (NWS)	1,637,784
Nomad Building Solutions Ltd (NOD)	1,724,088
Photon Group Ltd (PGA)	2,984,260
Primary Health Care Ltd (PRY)	1,651,270
QBE Insurance Group Limited (QBE)	1,416,445
Rattoon Holdings Ltd (RTN)	1,952,990
Reckon Ltd (RKN)	6,901,273
RR Australia Ltd (RRA)	1,936,054
Seek Limited (SEK)	1,498,680
Service Stream Ltd (SSM)	2,208,328
Sydney Gas Ltd (SGL)	1,639,854
Tower Ltd (TWR)	1,766,970
Watpac Ltd (WTP)	1,335,114
Wesfarmers Limited (WES)	1,359,852
Westpac Banking Corporation (WBC)	2,085,525

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## PERFORMANCE TABLE

	<b>Aug 99</b>	<b>Sep 99</b>	<b>Oct 99</b>	<b>Nov 99</b>	<b>Dec 99</b>	<b>Jan 00</b>	<b>Feb 00</b>	<b>Mar 00</b>
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%
All Ordinaries Accum.	-1.9%	-1.7%	+0.5%	+5.9%	+3.7%	-1.8%	+1.6%	+0.5%
	<b>Apr 00</b>	<b>May 00</b>	<b>Jun 00</b>	<b>Jul 00</b>	<b>Aug 00</b>	<b>Sep 00</b>	<b>Oct 00</b>	<b>Nov 00</b>
Gross Portfolio *	-5.7%	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%
All Ordinaries Accum.	-1.5%	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%
	<b>Dec 00</b>	<b>Jan 01</b>	<b>Feb 01</b>	<b>Mar 01</b>	<b>Apr 01</b>	<b>May 01</b>	<b>Jun 01</b>	<b>July 01</b>
Gross Portfolio *	+0.1%	+1.7%	-0.2%	- 3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-2.0%	+4.4%	-0.2%	- 4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	<b>Aug 01</b>	<b>Sep 01</b>	<b>Oct 01</b>	<b>Nov 01</b>	<b>Dec 01</b>	<b>Jan 02</b>	<b>Feb 02</b>	<b>Mar 02</b>
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%
	<b>Apr 02</b>	<b>May 02</b>	<b>Jun 02</b>	<b>Jul 02</b>	<b>Aug 02</b>	<b>Sep 02</b>	<b>Oct 02</b>	<b>Nov 02</b>
Gross Portfolio *	-0.4%	+0.7%	-2.2%	-3.0%	+3.9%	-1.1%	+1.1%	+1.6%
All Ordinaries Accum.	-1.8%	+0.9%	-4.4%	-4.1%	+1.8%	-4.1%	+2.6%	+1.5%
	<b>Dec 02</b>	<b>Jan 03</b>	<b>Feb 03</b>	<b>Mar 03</b>	<b>Apr 03</b>	<b>May 03</b>	<b>Jun 03</b>	<b>Jul 03</b>
Gross Portfolio *	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	<b>Aug 03</b>	<b>Sept 03</b>	<b>Oct 03</b>	<b>Nov 03</b>	<b>Dec 03</b>	<b>Jan 04</b>	<b>Feb 04</b>	<b>Mar 04</b>
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%	+2.7%	+0.1%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%	+3.1%	+2.0%
	<b>Apr 04</b>	<b>May 04</b>	<b>Jun 04</b>	<b>Jul 04</b>	<b>Aug 04</b>	<b>Sep 04</b>	<b>Oct 04</b>	<b>Nov 04</b>
Gross Portfolio *	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%	+3.3%
All Ordinaries Accum.	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%	+4.6%
	<b>Dec 04</b>	<b>Jan 05</b>	<b>Feb 05</b>	<b>Mar 05</b>	<b>Apr 05</b>	<b>May 05</b>	<b>Jun 05</b>	<b>Jul 05</b>
Gross Portfolio *	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+3.0%	+1.3%	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	<b>Aug 05</b>	<b>Sep 05</b>	<b>Oct 05</b>	<b>Nov 05</b>	<b>Dec 05</b>	<b>Jan 06</b>	<b>Feb 06</b>	<b>Mar 06</b>
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%
	<b>Apr 06</b>	<b>May 06</b>	<b>Jun 06</b>	<b>Jul 06</b>	<b>Aug 06</b>	<b>Sep 06</b>	<b>Oct 06</b>	<b>Nov 06</b>
Gross Portfolio *	+2.1%	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%
All Ordinaries Accum.	+2.4%	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%
	<b>Dec 06</b>	<b>Jan 07</b>	<b>Feb 07</b>	<b>Mar 07</b>	<b>Apr 07</b>	<b>May 07</b>	<b>Jun 07</b>	<b>Jul 07</b>
Gross Portfolio *	+6.1%	+3.8%	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%
All Ordinaries Accum.	+3.6%	+2.0%	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%
	<b>Aug 07</b>	<b>Sep 07</b>	<b>Oct 07</b>	<b>Nov 07</b>	<b>Dec 07</b>	<b>Jan 08</b>	<b>Feb 08</b>	<b>Mar 08</b>
Gross Portfolio *	-4.2%	+1.7%	+3.1%	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%
All Ordinaries Accum.	+1.7%	+5.8%	+3.1%	-2.4%	-2.4%	-11.2%	+0.3%	-4.1%
	<b>Apr 08</b>	<b>May 08</b>						<b>Since Inception</b>
Gross Portfolio *	+1.7%	+2.3%						+466.9%
All Ordinaries Accum.	+4.6%	+2.4%						+176.2%

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