



WAM CAPITAL LTD (WAM)
ABN 34 086 587 395
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
DECEMBER 2012

- Implementation of the merger with Premium Investors Limited (Premium Investors) completed on 31 December 2012.
- The assets of Premium Investors have increased by \$1.3m between the scheme consideration calculation date 12 December 2012 and the implementation date 31 December 2012.
- Since the implementation date and following a comprehensive review, the Board has redeemed all the underlying unlisted unit trusts owned by Premium Investors. The proceeds will be managed in line with WAM Capital's (WAM) proven investment process.

Company overview

WAM is a listed investment company that provides investors exposure to an actively managed diversified portfolio that concentrates on identifying undervalued growth companies. These are generally found in the small to medium industrial sector. WAM also provides exposure to relative value arbitrage and market mispricing opportunities.

Investment objective

The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital.

Outperformance against sharemarket

Performance as at 31 December 2012	1 Mth %	6 Mths %	1 Year %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Investment Portfolio	+3.9%	+14.1%	+21.7%	+11.8%	+7.4%	+14.6%	+18.0%
S&P/ASX All Ordinaries Accumulation Index	+3.4%	+15.5%	+18.8%	+2.8%	-2.0%	+9.1%	+7.8%
Outperformance	+0.5%	-1.4%	+2.9%	+9.0%	+9.4%	+5.5%	+10.2%

Consolidated Net Tangible Asset (NTA) figures

The following NTA figures are consolidated to include assets of Premium Investors, a 100% owned subsidiary of WAM. The figures below have not been adjusted for the 153,356,070 remaining options on issue with an exercise price of \$1.60 per share.

NTA before tax	171.79c
NTA after tax and before tax on unrealised gains	174.45c*
NTA after tax	169.88c*

* Includes 3.2 cents of tax assets acquired through the merger with Premium Investors. The scheme consideration was calculated on the NTA before tax as at 12 December 2012.

2013 Interim Dividend Guidance - 6.0 cents per share fully franked

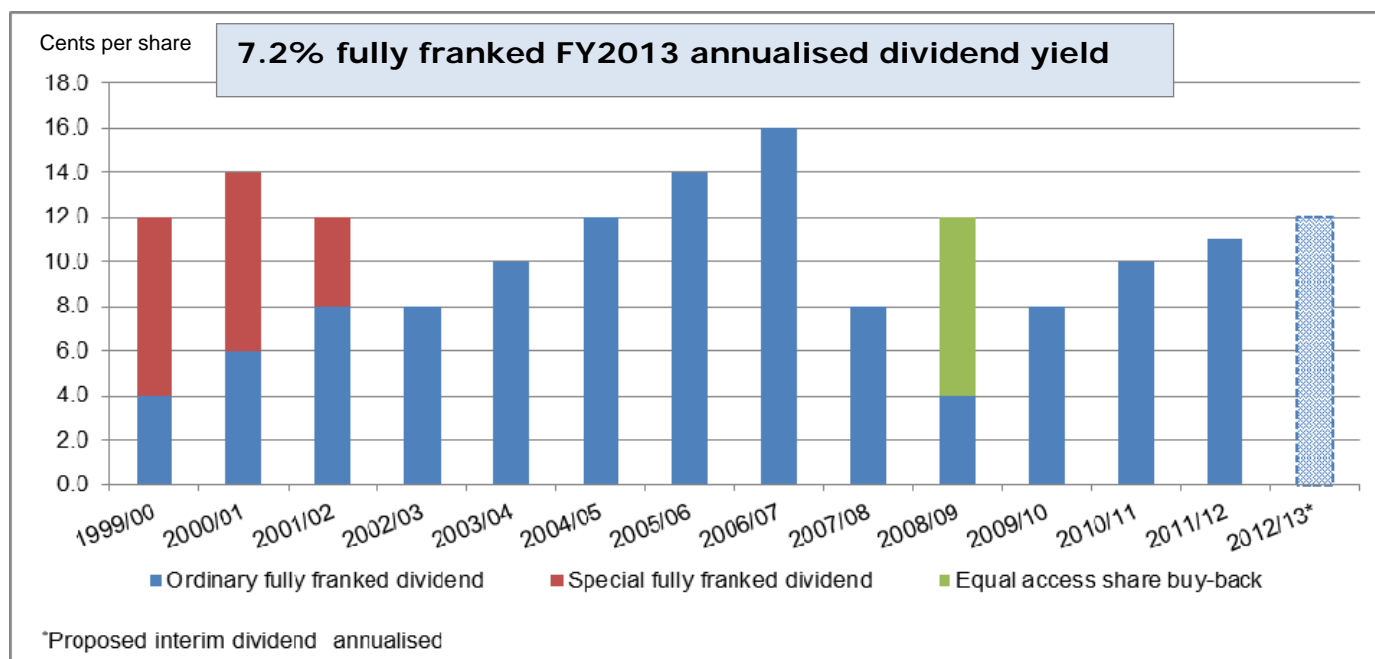
On 5 November 2012, the Board announced the intention to pay a fully franked interim dividend of 6.0 cents per share for the half year ending 31 December 2012. This will be a 9.1% increase on the previous years' interim dividend and represents an annualised fully franked dividend yield of 7.2% based on the last sale price. The dividend payment will be reliant on profitability and the availability of franking credits.

WAM will be announcing the half year results mid February 2013 together with the dividend payment details. We will also be announcing the relevant date to exercise the WAM options in time to be eligible for the interim dividend. The timetable is outlined below:

WAM announces half year results to 31 Dec 2012 and interim dividend payment date	Mid February 2013
Letter sent to WAM option holders with details of when to exercise your options to be entitled to the interim dividend	Mid February 2013
WAM pays 6.0 cents per share fully franked interim dividend	Expected to be March/April 2013

The Board's dividend policy is to pay an increasing stream of fully franked dividends to shareholders provided the Company has sufficient franking credits and it is within prudent business practices. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow and cash holdings.

WAM Capital Dividends



Successful merger with Premium Investors completed

On 31 December 2012, WAM successfully completed the merger with Premium Investors via a scheme of arrangement. 65% of Premium shareholders received scrip and 35% received cash. The Company issued 32,206,715 WAM Capital shares and 32,206,715 WAM Capital options to those who elected to receive scrip and paid \$28.9m to those who elected cash. Premium Investors is now a wholly owned subsidiary of WAM.

Successful merger with Premium Investors completed (continued)

Premium Investors assets are being managed by Treasury Group as transition manager. Consistent with the transition arrangements agreed as part of the merger, notice has been given to Treasury Group to terminate the investment management agreement.

Since the implementation date and following a comprehensive review, the Board has redeemed all the underlying unlisted unit trusts in Premium Investors. The proceeds will be managed in line with WAM's proven investment process.

For further details please refer to the WAM merger page on our website www.wamfunds.com.au or the ASX announcement platform.

Option issue

On 2 April 2012, the Board announced a 1 for 1 bonus issue of options to acquire ordinary shares in the capital of the Company. Further options were issued as part of the placement in August 2012 and the merger with Premium Investors.

The options have an exercise price of \$1.60 per share and can be exercised at any time on or before 31 July 2013. The options give shareholders the right but not the obligation to subscribe for shares in WAM at \$1.60 per share. The options can be exercised in full or in part. The options are currently trading on the ASX under the code WAMO.

As at 31 December 2012, 8,555,808 options have been exercised for a total consideration of \$13,689,293. The remaining balance of outstanding options is 153,356,070.

Market outlook

A strong run into the New Year

The ASX/S&P All Ordinaries Accumulation Index finished up 3.4% in December. The market rallied strongly in the 2012 calendar year. The Australian share market posted its best calendar year performance since 2009 finishing up 18.8%. The market rallied strongly despite a deteriorating earnings outlook and a weak economic environment. In early January 2013 global equity markets including Australia rallied strongly post the US Fiscal Cliff resolution.

Expectations for 2013

We expect the Australian sharemarket will increase by around 10% in 2013 calendar year. We anticipate macroeconomic data to show signs of improvement globally by mid-2013. As interest rates move lower in Australia this will lead to an expansion in price to earnings ratios (P/E), an increase in corporate activity and a reallocation from cash and term deposits to equities.

Portfolio structure

As at 31 December 2012, equities made up 63.8% of the portfolio, unlisted unit trusts 28.2% and fixed interest and cash making up the remaining 8.0%. Our focus is on companies with strong earnings per share growth that trade on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research thoroughly to identify undervalued growth companies that meet this profile, and carry out over 1,000 company visits a year.

Portfolio structure (continued)

Investment Type	As at 30 November 2012		As at 31 December 2012	
	\$m	%	\$m	%
Listed Equities	154.5	66.8%	189.0	63.8%
Unlisted Unit Trusts *	-	-	83.6 *	28.2%
Fixed Interest and Cash	76.7	33.2%	23.5	8.0%
Long Portfolio	231.2	100.0%	296.1	100.0%
Short Portfolio	(0.0)	(0.0%)	(0.0)	(0.0%)
Total Fund Size	\$231.2		\$296.1	
	No.		No.	
Total ordinary shares on issue	138,828,150		171,529,076	
Total options on issue	121,643,566		153,356,070	

* Since 31 December 2012, these investments have been fully redeemed.

As at 31 December 2012 the major securities held in the WAM portfolio were as follows.

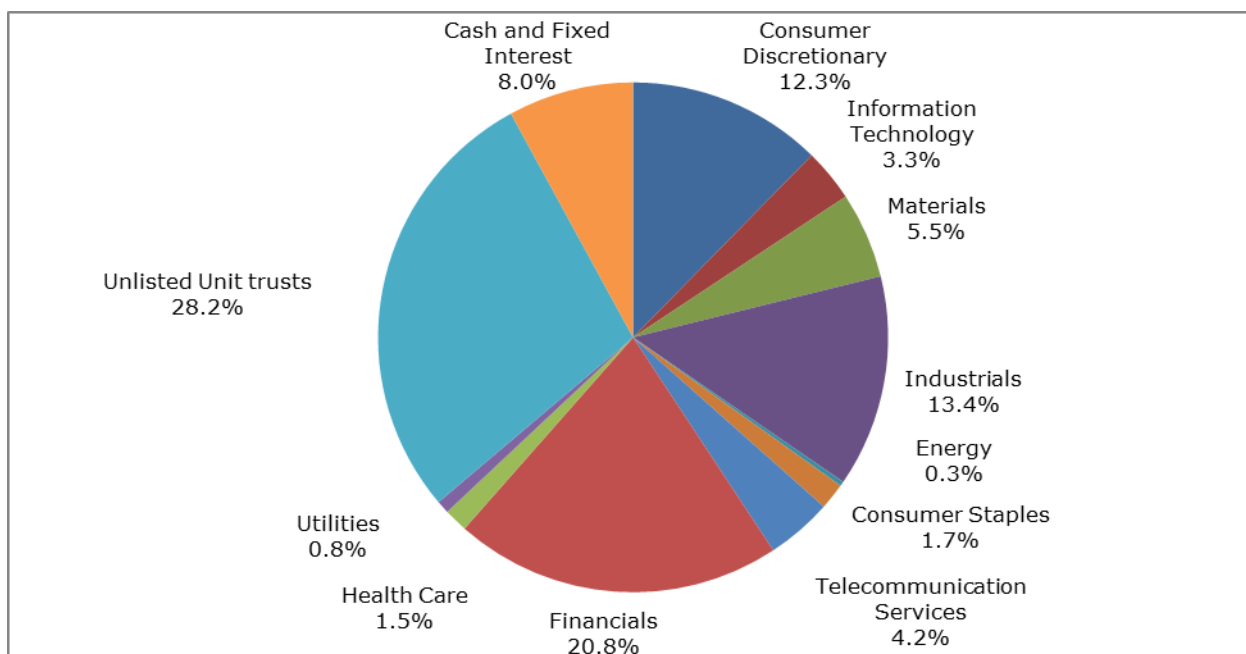
Code	Company	Market Value \$	Market Value as % Gross Assets
MFG	Magellan Financial Group Limited	6,221,149	2.1%
IBC	Ironbark Capital Limited	6,035,628	2.0%
CYA	Century Australia Investments Limited	5,645,736	1.9%
AHE	Automotive Holdings Group Limited	4,781,292	1.6%
INA	Ingenia Communities Group	4,740,566	1.6%
ELI	Emerging Leaders Investments Limited	4,683,114	1.6%
AMM	Amcom Telecommunications Limited	4,623,482	1.6%
BKW	Brickworks Limited	4,397,167	1.5%
NXT	NEXTDC Limited	4,280,240	1.4%
CYG	Coventry Group Limited	4,236,114	1.4%
RHG	RHG Limited	3,952,622	1.3%
BRG	Breville Group Limited	3,927,942	1.3%
CTD	Corporate Travel Management Limited	3,321,289	1.1%
FXJ	Fairfax Media Limited	3,302,352	1.1%
CCV	Cash Converters International	3,251,739	1.1%
FAN	Fantastic Holdings Limited	3,135,779	1.1%
CLO	Clough Limited	3,013,432	1.0%
CCQ	Contango Capital Partners Limited	2,971,898	1.0%
HIL	Hills Holdings Limited	2,897,316	1.0%

Portfolio structure (continued)

As at 31 December 2012 Premium, a 100% owned subsidiary of WAM, held investments in unlisted unit trusts as follows. Since 31 December 2012, these investments have been fully redeemed.

	Market Value \$	Market Value as % Gross Assets
Unlisted Unit Trusts		
Investors Mutual Australian Share Fund	22,749,476	7.7%
RARE Infrastructure Value Fund	17,248,371	5.8%
Orion Australian Share Fund	12,933,071	4.4%
TAAM New Asia Fund	11,301,430	3.8%
GVI Aubrey Global G & I Fund - Hedged	9,717,426	3.3%
GVI Aubrey Global G & I Fund- Unhedged	4,686,782	1.6%
Celeste Australian Small Companies Fund	2,759,802	0.9%
Aubrey Global Conviction Fund	2,217,996	0.7%

Portfolio structure – sector allocation



Performance – yearly comparison to S&P/ASX All Ordinaries Accumulation Index

Since inception, the WAM investment portfolio has outperformed the overall sharemarket. Set out below is the performance of WAM's investment portfolio since listing to 31 December 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAM Investment Portfolio	S&P/ASX All Ordinaries 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%
2007/2008	-23.0%	-12.1%	-10.9%
2008/2009	-3.2%	-22.2%	+19.0%
2009/2010	+29.8%	+13.8%	+16.0%
2010/2011	+17.9%	+12.2%	+5.7%
2011/2012	+4.2%	-7.0%	+11.2%
YTD 2012/2013	+14.1%	+15.5%	-1.4%

Performance - monthly comparison

The table below shows the month by month performance of WAM against the S&P/ASX All Ordinaries Accumulation index.

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00	Apr 00
Investment Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%	-5.7%
S&P/ASX All Ord Accum	-2.5%	-1.2%	+0.5%	+5.4%	+5.6%	-0.7%	+1.9%	+0.5%	-1.5%
	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00	Dec 00	Jan 01
Investment Portfolio *	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%	+0.1%	+1.7%
S&P/ASX All Ord Accum	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%	-2.0%	+4.4%
	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01	Aug 01	Sep 01	Oct 01
Investment Portfolio *	-0.2%	-3.7%	+3.9%	+6.7%	+6.9%	-1.0%	+4.6%	-2.9%	+8.6%
S&P/ASX All Ord Accum	-0.2%	-4.8%	+5.7%	+1.6%	+3.8%	-4.5%	-1.3%	-6.7%	+6.8%
	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02	Apr 02	May 02	Jun 02	Jul 02
Investment Portfolio *	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%	-0.4%	+0.7%	-2.2%	-3.0%
S&P/ASX All Ord Accum	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%	-1.8%	+0.9%	-4.4%	-4.1%
	Aug 02	Sep 02	Oct 02	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03
Investment Portfolio *	+3.9%	-1.1%	+1.1%	+1.6%	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%
S&P/ASX All Ord Accum	+1.8%	-4.1%	+2.6%	+1.5%	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%
	May 03	Jun 03	Jul 03	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04
Investment Portfolio *	+1.5%	+3.5%	+3.6%	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%
S&P/ASX All Ord Accum	+0.5%	+1.3%	+3.6%	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%
	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04
Investment Portfolio *	+2.7%	+0.1%	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%
S&P/ASX All Ord Accum	+3.1%	+2.0%	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%
	Nov 04	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Investment Portfolio *	+3.3%	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
S&P/ASX All Ord Accum	+4.6%	+3.0%	+1.3%	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06
Investment Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%	+2.1%
S&P/ASX All Ord Accum	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%	+2.4%
	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07
Investment Portfolio *	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%	+6.1%	+3.8%
S&P/ASX All Ord Accum	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%	+3.6%	+2.0%
	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07
Investment Portfolio *	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%	-4.2%	+1.7%	+3.1%
S&P/ASX All Ord Accum	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%	+1.7%	+5.8%	+3.1%
	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
Investment Portfolio *	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%	+1.7%	+2.3%	-7.9%	-1.6%
S&P/ASX All Ord Accum	-2.4%	-2.4%	-11.2%	+0.3%	-4.1%	+4.6%	+2.4%	-7.3%	-5.2%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09
Investment Portfolio *	+1.7%	-5.3%	-9.2%	-5.6%	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%
S&P/ASX All Ord Accum	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%	-4.9%	-4.3%	+8.1%	+6.1%
	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10
Investment Portfolio *	+3.6%	+3.9%	+8.2%	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%
S&P/ASX All Ord Accum	+2.2%	+3.9%	+7.7%	+6.5%	+6.1%	-1.9%	+1.9%	+3.7%	-5.9%
	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10
Investment Portfolio *	-0.5%	+3.7%	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4%
S&P/ASX All Ord Accum	+1.8%	+5.8%	-1.2%	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%
	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11
Investment Portfolio *	+2.3%	+3.7%	+1.4%	+2.1%	+0.1%	+1.2%	-1.4%	-2.4%	+0.2%
S&P/ASX All Ord Accum	-0.7%	+3.8%	+0.1%	+2.2%	+0.6%	-0.6%	-1.9%	-2.4%	-3.4%
	Aug 11	Sept 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
Investment Portfolio *	-1.8%	-0.8%	+2.6%	-1.3%	-1.2%	+1.6%	+4.4%	+2.3%	+0.0%
S&P/ASX All Ord Accum	-2.0%	-6.3%	+7.2%	-3.4%	-1.6%	+5.2%	+2.4%	+1.2%	+1.1%
	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Since inception
Investment Portfolio *	-2.2%	+0.5%	+1.7%	+2.7%	+1.7%	+2.6%	+0.9%	+3.9%	+819.5%
S&P/ASX All Ord Accum	-6.9%	+0.3%	+3.7%	+2.1%	+2.1%	+3.0%	+0.3%	+3.4%	+173.2%

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

For more information

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

Wilson Asset Management
Level 11, 139 Macquarie Street, Sydney NSW 2000
GPO Box 4658 Sydney NSW 2001

Phone 02 9247 6755
Fax 02 9247 6855
info@wamfunds.com.au

www.wamfunds.com.au