



WAM CAPITAL LIMITED (WAM) **INVESTMENT UPDATE & NTA – DECEMBER 2008**

WAM Capital Limited (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 has outperformed the overall sharemarket. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 336.7% compared to a 80.0% increase in the All Ordinaries Accumulation Index.

In December WAM's gross portfolio (before all fees, costs and taxes) increased by 3.09%, while the All Ordinaries Accumulation Index fell by 0.08%.

| | |
|---|----------------|
| NTA before tax payable and after tax assets | 125.81* |
| NTA after tax and before tax on unrealised gains | 125.81c |
| NTA after tax | 124.91c |

*This includes 12.0 cents per share in tax assets.

MARKET OUTLOOK

The Australian share market stabilised in December with the All Ordinaries Accumulation Index falling only 0.08 per cent, the best effort since August and a significant improvement on the previous three months. December also marked a major decline in volatility that peaked in October and November with concerns about the viability of the world and Australian banking systems causing significant stress for investors. This fear seems to be abating as we head into 2009.

Does this change in massive volatility mean the market has reached a bottom? We believe the market's remarkable decline experienced in 2008 will not repeat in 2009 and a more orderly market will resume. However, there is no magic bullet and a return to a bull market may be 6 or even 12 months away still. In the mean time the market will track sideways waiting to see how far company earnings decline through the course of 2009. We anticipate earnings across the board will fall more than 20 per cent and possibly 30 per cent which was the case in the recession of the early 1990s. The first taste of this is only a few weeks away with half yearly earnings due to be reported by Australian companies during February.

We are bullish in the medium term as opportunities of incredibly cheap companies start to appear before us. We will progressively invest our cash during that period, but cautious not to be too hasty given the unusual circumstances of the economic decline on this occasion. We are buoyed by the massive drop in interest rates and expect the lower cost of funding to have some real impact late in 2009 and throughout 2010 before rates have to be raised to more normal levels. We also anticipate the US economy finding a bottom during 2009 and a recovery during 2010.

SHARE BUY-BACK

On the 30th October a total of 3,373,557 ordinary shares (55% of shares accepted) were tendered to be bought back at \$1.38 per share totalling \$4,655,509. Payment for shares bought back was made on 7 November 2008.

PERFORMANCE

Set out below is the performance of WAM Capital Limited since listing to **31 December 2008**:

| | 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% |
| 2007/2008 | -23.0% | -12.1% | -10.9% |
| Half year 2008/09 | -16.3% | -29.7% | +13.4% |

Set out below is the performance of WAM Capital Limited since listing to **31 December 2008**:

| Annualised performance | Gross Portfolio* | All Ords. Accumulation Index | Outperformance |
|---------------------------|------------------|---------------------------------|----------------|
| 1 year | -32.1% | -40.4% | +8.3% |
| 3 years | +1.4% | -4.2% | +5.6% |
| 5 years | +7.0% | +6.3% | +0.7% |
| 7 years | +11.9% | +5.4% | +6.5% |
| Since inception | +16.9% | +6.4% | +10.5% |

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

PORTFOLIO STRUCTURE & STRATEGY

As at 31 December 2008, listed securities made up approximately 38.5% of the portfolio, while fixed interest and cash made up the remaining 61.5%. 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.

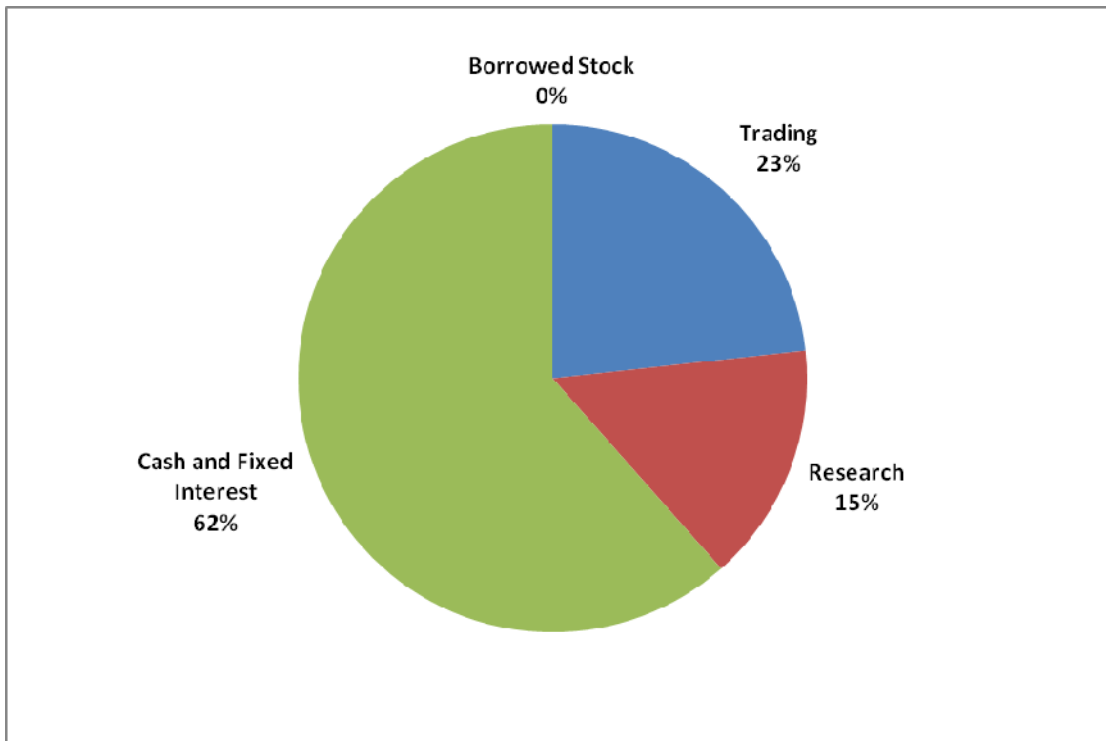
| Investment Type | As at 30 November 2008 | | As at 31 December 2008 | |
|---|---------------------------|---------------|---------------------------|---------------|
| | \$m | % | \$m | % |
| Listed Equities | 38.13 | 33.4% | 45.20 | 38.5% |
| Fixed Interest and Cash | 75.93 | 66.6% | 72.35 | 61.5% |
| Long Portfolio | 114.06 | 100.0% | 117.55 | 100.0% |
| Short Portfolio | - | - | - | - |
| | No. | | No. | |
| Total no. of ord shares on issue | 102,785,383 | | 102,785,383 | |

PORTFOLIO STRUCTURE & STRATEGY (CONTINUED)

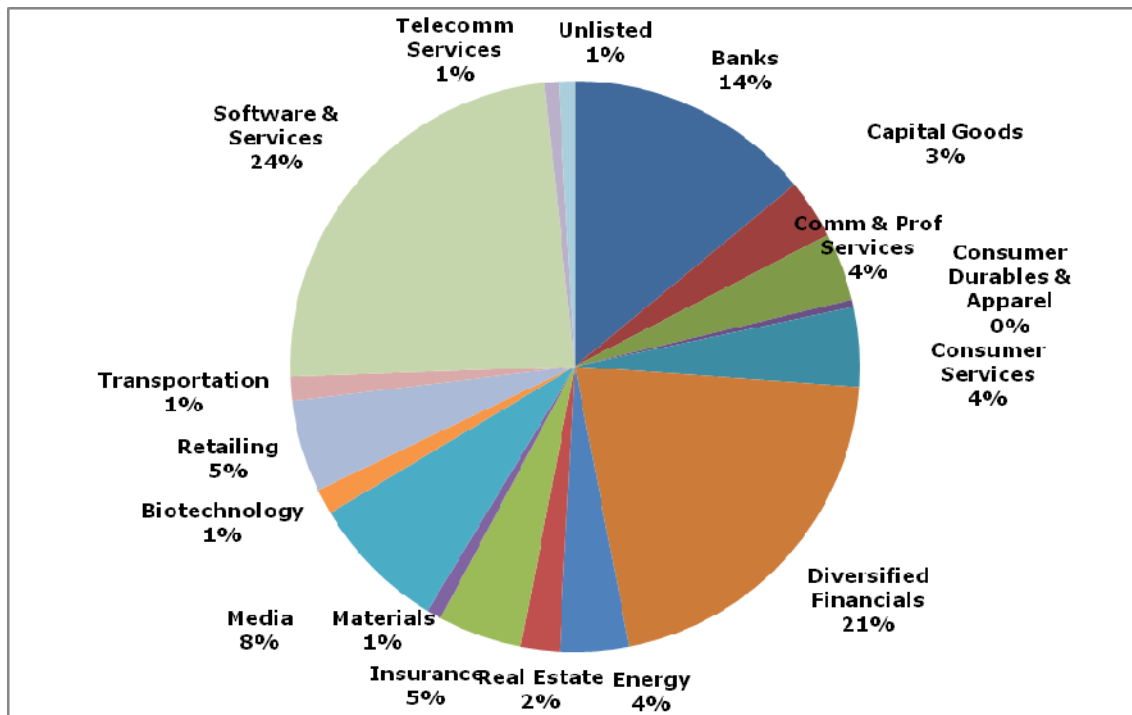
At 31 December 2008 the major securities held in the portfolio were:

| CODE | COMPANY | MARKET VALUE \$ |
|-------------|---------------------------------------|----------------------------|
| AMP | AMP Limited | 737,120 |
| ANZPB | ANZ Banking Group Limited Conv Prefs | 507,197 |
| ASX | ASX Limited | 3,118,545 |
| BEN | Bendigo and Adelaide Bank Limited | 585,750 |
| CBA | Commonwealth Bank of Australia | 1,089,559 |
| CIW | Clime Investment Limited | 654,660 |
| EBB | Everest Babcock & Brown Limited | 2,064,257 |
| ESV | Eservglobal Limited | 924,495 |
| ITX | ITX Group Limited | 838,012 |
| LDW | Ludowici Limited | 545,498 |
| MCU | Mitchell Communications Group Limited | 1,357,758 |
| MLB | Melbourne IT Limited | 2,404,240 |
| MLE | Macquarie Leisure Trust Group | 549,752 |
| MMS | McMillan Shakespeare Limited | 1,640,214 |
| NAB | National Australia Bank Limited | 2,000,390 |
| PGA | Photon Group Limited | 1,084,567 |
| PGL | Progen Pharmaceuticals Limited | 649,567 |
| QBE | QBE Insurance Group Limited | 1,424,635 |
| RCT | Reef Casino Trust | 608,806 |
| RKN | Reckon Limited | 5,499,832 |
| RRA | RR Australia Limited | 1,272,553 |
| RTN | Ratton Holdings Limited | 1,171,794 |
| SGL | Sydney Gas Limited | 1,561,293 |
| SKT | Sky Network Television Limited | 886,846 |
| TOL | Toll Holdings Limited | 617,000 |
| TRS | The Reject Shop Limited | 1,015,050 |
| TTS | Tatts Group Limited | 891,405 |
| WBC | Westpac Banking Corporation | 1,555,284 |

PORTFOLIO STRUCTURE - ASSET ALLOCATION



PORTFOLIO STRUCTURE - SECTOR ALLOCATION



PERFORMANCE TABLE

| | | | | | | | | |
|-----------------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|------------------------|
| | Aug 99 | Sep 99 | Oct 99 | Nov 99 | Dec 99 | Jan 00 | Feb 00 | Mar 00 |
| 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% |
| | | | | | | | | |
| | Apr 00 | May 00 | Jun 00 | Jul 00 | Aug 00 | Sep 00 | Oct 00 | Nov 00 |
| 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% |
| | | | | | | | | |
| | Dec 00 | Jan 01 | Feb 01 | Mar 01 | Apr 01 | May 01 | Jun 01 | July 01 |
| 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% |
| | | | | | | | | |
| | Aug 01 | Sep 01 | Oct 01 | Nov 01 | Dec 01 | Jan 02 | Feb 02 | Mar 02 |
| 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% |
| | | | | | | | | |
| | Apr 02 | May 02 | Jun 02 | Jul 02 | Aug 02 | Sep 02 | Oct 02 | Nov 02 |
| 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% |
| | | | | | | | | |
| | Dec 02 | Jan 03 | Feb 03 | Mar 03 | Apr 03 | May 03 | Jun 03 | Jul 03 |
| 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% |
| | | | | | | | | |
| | Aug 03 | Sept 03 | Oct 03 | Nov 03 | Dec 03 | Jan 04 | Feb 04 | Mar 04 |
| 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% |
| | | | | | | | | |
| | Apr 04 | May 04 | Jun 04 | Jul 04 | Aug 04 | Sep 04 | Oct 04 | Nov 04 |
| 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% |
| | | | | | | | | |
| | Dec 04 | Jan 05 | Feb 05 | Mar 05 | Apr 05 | May 05 | Jun 05 | Jul 05 |
| 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% |
| | | | | | | | | |
| | Aug 05 | Sep 05 | Oct 05 | Nov 05 | Dec 05 | Jan 06 | Feb 06 | Mar 06 |
| 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% |
| | | | | | | | | |
| | Apr 06 | May 06 | Jun 06 | Jul 06 | Aug 06 | Sep 06 | Oct 06 | Nov 06 |
| 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% |
| | | | | | | | | |
| | Dec 06 | Jan 07 | Feb 07 | Mar 07 | Apr 07 | May 07 | Jun 07 | Jul 07 |
| 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% |
| | | | | | | | | |
| | Aug 07 | Sep 07 | Oct 07 | Nov 07 | Dec 07 | Jan 08 | Feb 08 | Mar 08 |
| 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% |
| | | | | | | | | |
| | Apr 08 | May 08 | Jun 08 | Jul 08 | Aug 08 | Sep 08 | Oct 08 | Nov 08 |
| Gross Portfolio * | +1.7% | +2.3% | -7.9% | -1.6% | +1.7% | -5.3% | -9.2% | -5.6% |
| All Ordinaries Accum. | +4.6% | +2.4% | -7.3% | -5.2% | +4.0% | -10.6% | -13.9% | -7.2% |
| | | | | | | | | |
| | Dec 08 | | | | | | | Since Inception |
| Gross Portfolio * | 3.1% | | | | | | | +336.7% |
| All Ordinaries Accum. | -0.1% | | | | | | | +80.0% |

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

For further information please contact Mr Geoff Wilson or Mr Matthew Kidman on (02) 9247 6755

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