



**WAM CAPITAL LTD (WAM)**  
**ABN 34 086 587 395**  
**INVESTMENT UPDATE & NTA – JANUARY 2011**

WAM Capital Limited (WAM) is an investor in listed Australian equities. Its objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital. WAM concentrates mostly on small to medium industrial companies and delivers strong risk adjusted returns to the investor.

Since inception in August 1999 WAM has outperformed the overall share market. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 676.80% compared to a 159.7% increase in the S&P/ASX All Ordinaries Accumulation Index.

In January WAM's gross portfolio (before all fees, costs and taxes) rose by 1.4%, while the S&P/ASX All Ordinaries Accumulation Index rose by 0.1%.

<b>Annualised Performance as at 31 January 2011</b>	<b>1 month</b>	<b>6 months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Since Inception (Aug-99)</b>
WAM Capital Limited*	+1.4%	+15.5%	+21.0%	+10.1%	+12.8%	+17.7%	+19.5%
S&P/ASX All Ordinaries Accumulation Index	+0.1%	+9.9%	+9.8%	-1.0%	+4.1%	+8.2%	+8.7%
<b>Outperformance</b>	<b>+1.3%</b>	<b>+5.6%</b>	<b>+11.2%</b>	<b>+11.1%</b>	<b>+8.7%</b>	<b>+9.5%</b>	<b>+10.8%</b>

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

<b>NTA before tax</b>	<b>176.47c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>175.78c</b>
<b>NTA after tax</b>	<b>167.58c</b>

**MARKET OUTLOOK**

The upward march on world equity markets continued in January with investors becoming increasingly positive about the medium term economic outlook for the global powerhouse, the United States. This offset growing concerns about inflation and higher interest rates in China. The impact of the floods held the benchmark S&P/ASX All Ordinaries Accumulation index to only a 0.07 per cent higher close.

## **MARKET OUTLOOK (continued)**

Bucking a recent trend, industrial stocks outperformed the booming resources sector. Mining companies were sold off as investors became increasingly cautious about the possibility of slow down in the Chinese economy. The Chinese government has been forced to restrict bank lending and lift interest rates to quell inflation which is hovering around 5 per cent. This tightening is expected to continue through the first half of calendar year 2011 and we watch in anticipation. If Chinese interest rates need to be raised aggressively in the coming months we anticipate that resource stocks will undergo a multiple month correction. Once this is complete we would envisage that demand for base commodities will strengthen during calendar year 2012.

In contrast, industrial stocks are beginning to benefit from a more bullish 2011 outlook for the US economy. With the Federal Reserve in the US determined to keep interest rates at historical lows for an extended period, investors will be keen to buy equities to take advantage of a recovering economy. This should be a major positive for Australia's industrial stocks. In addition, we eagerly await the next move by the Australian Reserve Bank on domestic interest rates. While the market's perception is that official interest rates will track higher in 2011, we believe the current soft economy will allow the RBA to hold fire despite the boom in the mining sector. Flat interest rates would allow the industrial and financial sectors to enjoy stronger growth in the medium term. The upcoming reporting period will provide an insight into the impact of the rise in interest rates from last year has had on the economy.

## **DIVIDENDS**

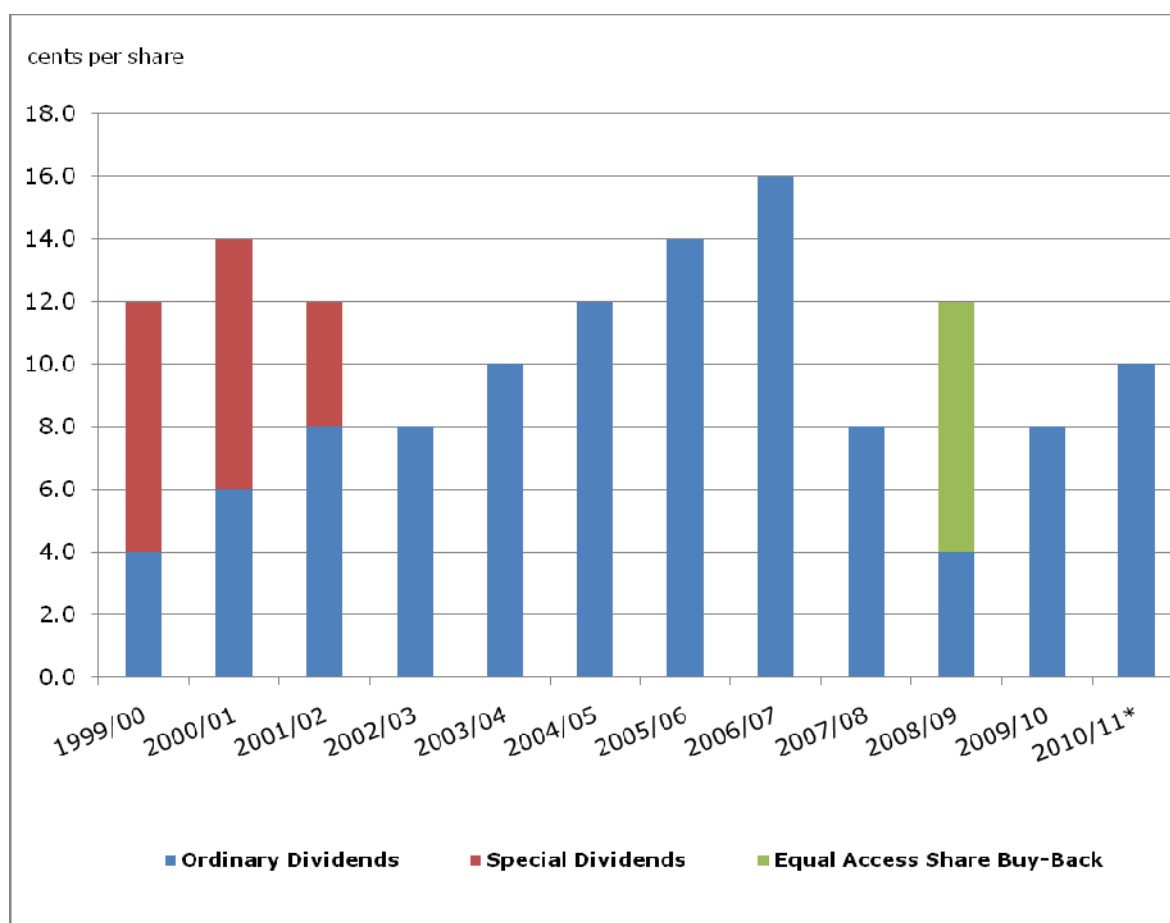
On 10 January 2011 the company announced a fully franked interim dividend of 5.0 cents per share. This is a 25% increase on the interim dividend last year and is to be paid as follows.

Ex Date:	28 February 2011
Record Date:	4 March 2011
Payment Date:	11 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$1.60 being closing price 11 February 2011) is a 9.3% discount to the 31 January 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 4 March 2011.

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. Government legislation introduced in June 2010 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. Essentially, WAM Capital will always be in a position to pay dividends providing it is solvent.

## DIVIDENDS (CONTINUED)



\*Annualised interim dividend

## PORTFOLIO STRUCTURE

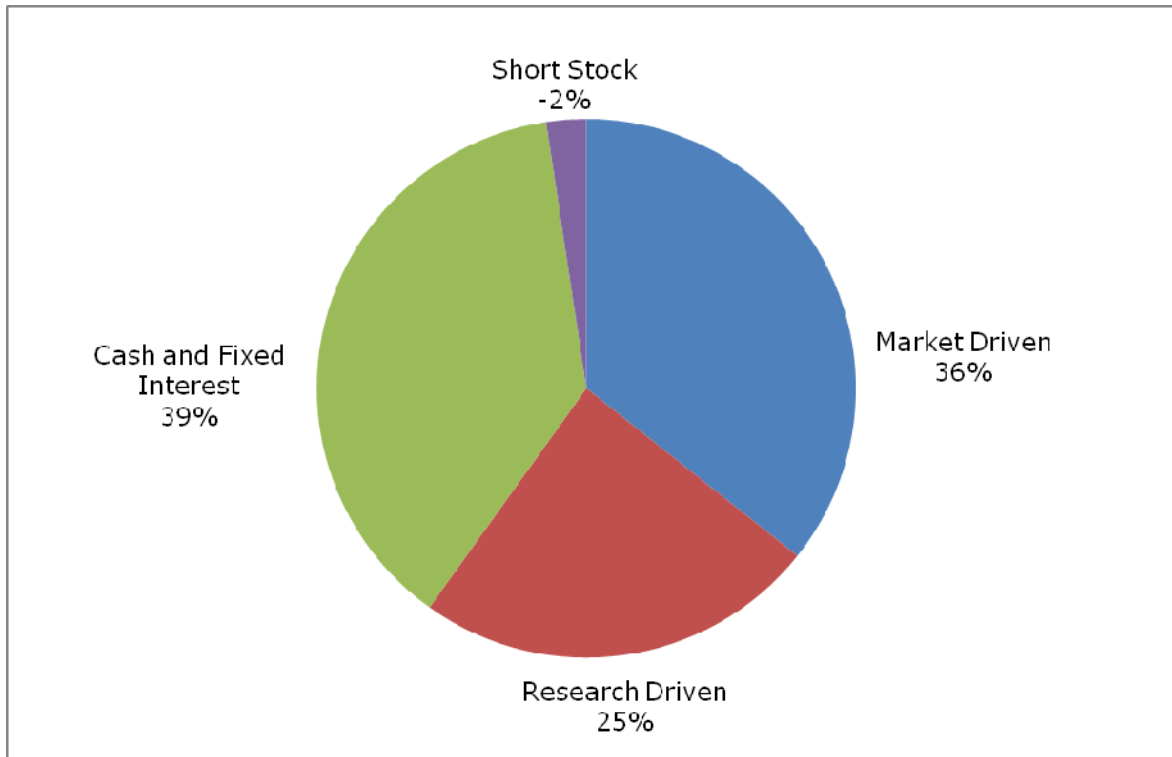
As at 31 January 2011, listed securities made up 61.4% of the portfolio, while fixed interest and cash made up the remaining 38.6%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to heavily research companies that meet this profile, with over 700 company visits a year.

Investment Type	As at 31 Dec 2010		As at 31 Jan 2011	
	\$m	%	\$m	%
Listed Equities	118.07	63.9%	117.14	61.4%
Fixed Interest and Cash	66.71	36.1%	73.77	38.6%
<b>Long Portfolio</b>	<b>184.78</b>	<b>100.0%</b>	<b>190.91</b>	<b>100.0%</b>
<b>Short Portfolio</b>	<b>(1.19)</b>		<b>(4.68)</b>	
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	104,482,025		104,482,025	

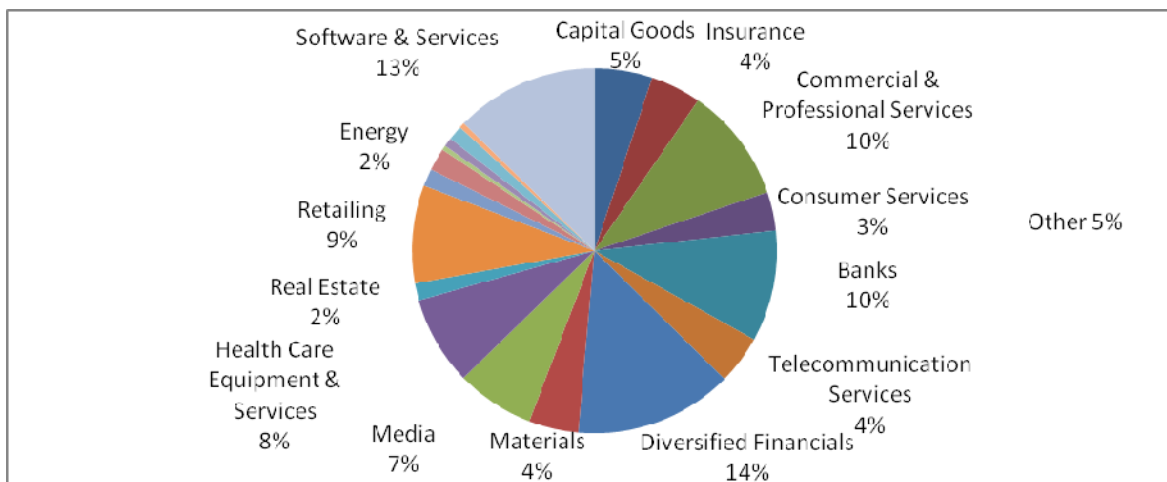
At 31 January 2011 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
RKN	Reckon Limited	9,234,724	5.0%
RHG	RHG Limited	6,920,171	3.7%
TAL	Tower Australia Group Limited	5,247,224	2.8%
MMS	McMillan Shakespeare Limited	5,057,949	2.7%
PRY	Primary Health Care Limited	3,848,655	2.1%
SGN	STW Communications Group Limited	3,203,805	1.7%
BXB	Brambles Limited	3,187,920	1.7%
MYS	Mystate Limited	3,183,131	1.7%
FLT	Flight Centre Limited	2,567,775	1.4%
SGI	Signature Capital Investments Limited	2,494,227	1.3%
TGA	Thorn Group Limited	2,444,072	1.3%
PRV	Premium Investors Limited	2,365,257	1.3%
MSF	Maryborough Sugar Factory Limited (The)	2,343,663	1.3%
MAQ	Macquarie Telecom Group Limited	2,242,671	1.2%
BRG	Breville Group Limited	2,123,582	1.1%
IRE	IRESS Market Technology Limited	1,973,409	1.1%
ELI	Emerging Leaders Investments Limited	1,933,705	1.0%
BKL	Blackmores Limited	1,933,633	1.0%
NWS	News Corporation	1,873,680	1.0%
ARP	ARB Corporation Limited	1,868,594	1.0%

**PORTFOLIO STRUCTURE – GROSS ASSET ALLOCATION**



## LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



## PERFORMANCE

Set out below is the performance of WAM since listing to 31 January 2011 on a financial year basis 1 July to 30 June. 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 is before tax and expenses.

Financial Year	Gross 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	-3.0%	-22.2%	+19.2%
2009/2010	+29.8%	+13.8%	+16.0%
YTD 2010/2011	+18.4%	+14.5%	+3.9%

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

## 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.	-2.5%	-1.2%	+0.5%	+5.4%	+5.6%	-0.7%	+1.9%	+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>Jun 08</b>	<b>Jul 08</b>	<b>Aug 08</b>	<b>Sep 08</b>	<b>Oct 08</b>	<b>Nov 08</b>
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%
	<b>Dec 08</b>	<b>Jan 09</b>	<b>Feb 09</b>	<b>Mar 09</b>	<b>Apr 09</b>	<b>May 09</b>	<b>Jun 09</b>	<b>Jul 09</b>
Gross Portfolio *	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%	+3.6%	+4.1%	+8.2%
All Ordinaries Accum.	-0.1%	-4.9%	-4.3%	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%
	<b>Aug 09</b>	<b>Sep 09</b>	<b>Oct 09</b>	<b>Nov 09</b>	<b>Dec 09</b>	<b>Jan 10</b>	<b>Feb 10</b>	<b>Mar 10</b>
Gross Portfolio *	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%	-0.5%	+3.7%
All Ordinaries Accum.	+6.5%	+6.1%	-1.9%	+1.9%	+3.7%	-5.9%	+1.8%	+5.8%
	<b>Apr 10</b>	<b>May 10</b>	<b>Jun 10</b>	<b>Jul 10</b>	<b>Aug 10</b>	<b>Sept 10</b>	<b>Oct 10</b>	<b>Nov 10</b>
Gross Portfolio *	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4	+2.3%
All Ordinaries Accum.	-1.2%	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2	-0.7%
	<b>Dec 10</b>	<b>Jan 11</b>	<b>Feb 11</b>	<b>Mar 11</b>	<b>Apr 11</b>	<b>May 11</b>	<b>Jun 11</b>	<b>Since inception</b>
Gross Portfolio *	+3.7%	+1.4%						+676.8%
All Ordinaries Accum.	+3.8%	+0.1%						+159.7%

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

For further information please contact Geoff Wilson, Matthew Kidman, Chris Stott or Martin Hickson on (02) 9247 6755

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