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

WAM Capital Limited (WAM) is a listed investment company that provides investors exposure to an actively managed fund that concentrates on identifying undervalued growth companies, generally found in the small to medium industrial sector. The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital.

Outperformance against sharemarket

Since inception, the WAM Investment Portfolio has outperformed the overall sharemarket. WAM's strong performance against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

Performance as at 31 July 2012	1 Mth %	6 Mths %	1 Year %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Investment Portfolio	+1.7%	+6.7%	+5.7%	+14.4%	+3.8%	+14.1%	+17.6%
S&P/ASX All Ordinaries Accumulation Index	+3.7%	+1.4%	-0.2%	+4.6%	-3.0%	+7.9%	+7.1%
Outperformance	**-2.0%**	**+5.3%**	**+5.9%**	**+9.8%**	**+6.8%**	**+6.2%**	**+10.5%**

NTA figures

The following Net Tangible Asset (NTA) figures are before the payment of a fully franked final dividend of 5.5 cents per share payable on the 28 September 2012. The figures below have not been adjusted for the 106,742,768 options on issue with an exercise price of $1.60 per share.

NTA before tax	**161.59c***
NTA after tax and before tax on unrealised gains	**161.35c**
NTA after tax	**157.81c**

*After the payment of 0.79 cents per share of tax during the month.

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Placement
On 31 July 2012, shareholders approved the placement of up to 15% of issued capital (16,026,915 ordinary shares) with attaching options on a one for one basis. The placement is available to retail investors and existing shareholders and will be via a prospectus at an issue price of $1.6159 being the pre-tax net tangible assets (NTA) per share as at 31 July 2012. The offer will have no dilution to the NTA backing per share for existing shareholders.

The Prospectus and application form can be found on our website www.wamfunds.com.au. Alternatively, you may call us on (02) 9247 6755 and we will post a copy out to you.

The placement has arisen as a response to demand from interested parties. The Board considers the placement to be a positive initiative for WAM and does not expect the placement to have an impact on the Board's dividend policy.

The offer will open at 10am 3 August 2012 and will close at 5pm 24 August 2012.

It is intended that proceeds from the placement will be invested in accordance with the Company's disciplined investment process using the Research Driven and Market Driven strategies. We will maintain our focus of investing in growth companies that have strong earnings, trade on low price to earnings multiples, have an experienced management team and are well positioned in their industry. If we cannot find acceptable risk/return investment opportunities using our two investment processes, we will hold cash until the right opportunities present themselves. The cash holding is a reflection of the Manager's ability to find acceptable investment opportunities and not purely our view of the stock market. The money that is raised from the placement will be invested on a pro rata basis as we find new investment opportunities. We invest the Fund's money as a percentage of assets i.e. 1%, 2%, 3%.

The benefits of the placement include:
- A reduction in the administrative expenses ratio as the Company's expenses are spread across a larger pool of assets;
- An increase in the liquidity of the Company's shares which will make it easier for shareholders to buy and sell; and
- An increase in the size of the Company, thereby making it more relevant in the market and potentially improving the coverage by research firms, dealer groups and financial advisors.

Dividends – 5.5 cents per share fully franked final
On 23 July 2012, the Board announced a fully franked FY2012 final dividend of 5.5 cents per share. This was a 10% increase on the previous year's final dividend.

➢ Dividend ex date	17 September 2012
➢ Dividend record date	21 September 2012
➢ DRP election date	21 September 2012
➢ Dividend payment date	28 September 2012
➢ Last day for Option holders to exercise options in order to be eligible for the dividend	14 September 2012

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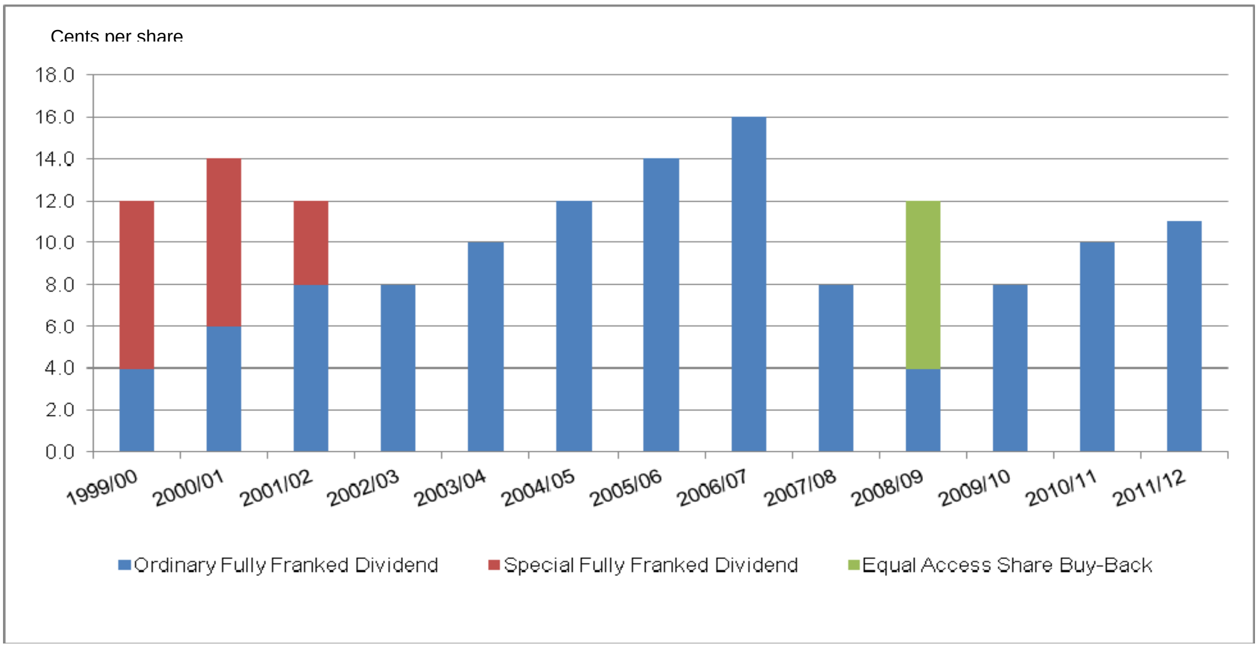
Dividends (continued)

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. 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, cash holdings and available franking credits.

The dividend re-investment plan will operate at a 2.5% discount to the weighted average market price of shares sold on the ASX on the books closing date (21 September 2012) and the three trading days preceding that date.

To participate in the dividend re-investment plan, please send your election form to our share registrar no later than 21 September 2012. Option holders are required to exercise their options by Friday 14 September to participate in the 5.5 cent final fully franked dividend.



Option issue – 1 for 1 bonus 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. The options were allotted to shareholders on 3 May 2012. 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 are currently trading on the ASX under the code WAMO.

As at 31 July 2012, 77,186 options have been exercised for a total consideration of $123,498 with a remaining balance of outstanding options being 106,742,768.

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Market outlook

The S&P/ASX All Ordinaries Accumulation Index finished up 3.7% in July, its best month since January 2012. Expectations of further stimulus from the US Federal Reserve and European Central Bank (ECB) gave equity markets a significant boost. This was further reinforced by strong comments from ECB president, Mario Draghi saying they would do whatever it takes to preserve the Euro. On this news, world equity markets surged higher while bond yields on European sovereign debt declined considerably. We have seen previous rallies on the back of positive news from Europe, but these are becoming shorter and shorter. Further developments will be closely watched and have the potential to significantly effect both equity and bond markets.

During August a large portion of ASX listed companies will report. Profit guidance for FY13 will be limited given the high level of uncertainty in the Australian economy. We believe that analysts' earnings estimates for FY13 are currently too high and will need to be revised down. The reporting season will provide us with opportunities to visit several companies and establish how they are tracking. We will be looking to hear if there has been any change in trading conditions over recent weeks in response to the latest interest rate cuts.

Although we have become more conservative in our outlook for equity markets in 2013, volatile equity markets can provide profitable opportunities. Thus we continue to research thoroughly and meet with company management teams to identify such opportunities.

Portfolio structure

As at 31 July 2012, listed securities made up 60.6% of the portfolio with fixed interest and cash making up the remaining 39.4%. 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 companies that meet this profile, and carry out over 800 company visits a year.

	As at 30 June 2012		As at 31 July 2012	
Investment Type	**$m**	**%**	**$m**	**%**
Listed Equities	94.8	54.0%	106.3	60.6%
Fixed Interest and Cash	80.8	46.0%	69.2	39.4%
Long Portfolio	**175.6**	**100.0%**	**175.5**	**100.0%**
Short Portfolio	**(2.5)**	**(1.4%)**	**(0.9)**	**(0.5%)**
Total Fund Size	**$173.1m**		**$174.6m**	
	No.		**No.**	
Total ordinary shares on issue	106,863,028		106,897,140	
Total options on issue	106,776,880		106,742,768	

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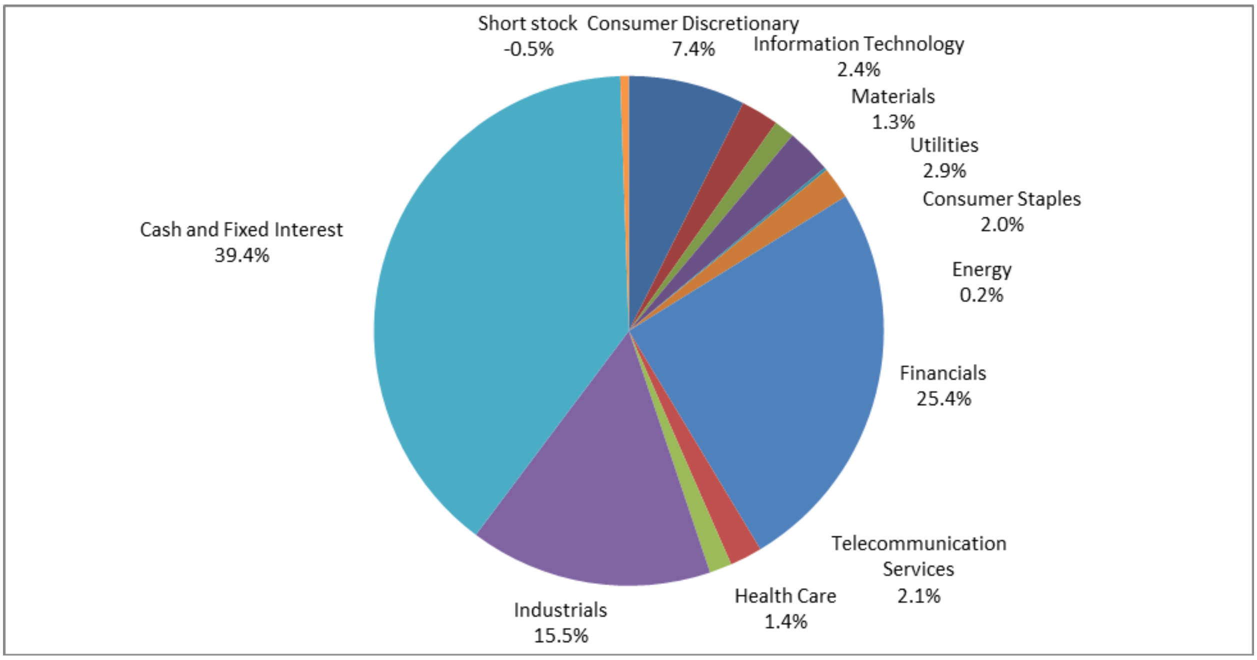
Portfolio structure (continued)
As at 31 July 2012 the major securities held in the portfolio were as follows.

Code	Company	Market Value $	Market Value as % Gross Assets
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	6,405,001	3.7%
ALS	Alesco Corporation Limited	5,354,817	3.1%
ELI	Emerging Leaders Investments Limited	4,401,101	2.5%
IBC	Ironbark Capital Limited	4,074,142	2.3%
BRG	Breville Group Limited	3,402,007	1.9%
TWO	Talent2 International Limited	3,293,104	1.9%
CCQ	Contango Capital Partners Limited	2,971,898	1.7%
CYG	Coventry Group Limited	2,598,209	1.5%
CYA	Century Australia Investments Limited	2,576,552	1.5%
MMS	McMillan Shakespeare Limited	2,503,301	1.4%
INA	Ingenia Communities Group	2,479,532	1.4%
RHG	RHG Limited	2,404,854	1.4%
SDG	Sunland Group Limited	2,394,621	1.4%
EPX	Ethane Pipeline Income Fund	2,340,250	1.3%
AMM	Amcom Telecommunications Limited	2,101,796	1.2%
CIF	Challenger Infrastructure Fund	2,052,617	1.2%
RKN	Reckon Limited	1,988,917	1.1%
LWB	Little World Beverages Limited	1,987,615	1.1%
WEB	Webjet Limited	1,977,810	1.1%
FRI	Finbar Group Limited	1,940,270	1.1%

Portfolio structure – sector allocation



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

Set out below is the performance of WAM's investment portfolio since listing to 31 July 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	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	+1.7%	+3.7%	**-2.0%**

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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**					**Since inception**	
Investment Portfolio*	-2.2%	+0.5%	+1.7%						+719.1%
S&P/ASX All Ord Accum	-6.9%	+0.3%	+3.7%						+145.3%

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

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