



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

WAM Capital Limited (WAM) is an investor in listed Australian equities. WAM 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 - its strong performance against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The performance relates to investments and excludes expenses, fees and taxes.

Performance as at 30 June 2012	1 Mth %	6 Mths %	1 Year %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Investment Portfolio	+0.5%	+6.6%	+4.2%	+16.8%	+3.5%	+13.5%	+17.5%
S&P/ASX All Ordinaries Accumulation Index	+0.3%	+2.9%	-7.0%	+5.9%	-4.1%	+7.1%	+6.9%
Outperformance	+0.2%	+3.7%	+11.2%	+10.9%	+7.6%	+6.4%	+10.6%

NTA figures

The following Net Tangible Asset (NTA) figures are after the payment of a fully franked interim dividend of 5.5 cents per share paid on the 23 March 2012. The figures below have not been adjusted for the 106,776,880 options on issue with an exercise price of \$1.60 per share.

NTA before tax	159.93c
NTA after tax and before tax on unrealised gains	159.20c
NTA after tax	156.04c

Placement

On 19 June 2012, the Board announced its intention to undertake a placement of up to 15% of issued capital (16,026,915 ordinary shares) with attaching options on a one for one basis to retail investors and existing shareholders. The placement will be via a prospectus at an issue price equivalent to the pre-tax net tangible assets (NTA) per share as at 31 July 2012 with no dilution to the NTA backing per share for existing shareholders.

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 placement will be subject to receipt of shareholder approval for the purposes of ASX Listing Rule 7.1. The general meeting of shareholders will be held at 11am (Sydney time) on 31 July 2012 at Royal Australian Historical Society, History House, 133 Macquarie Street, Sydney NSW 2000. The ASX listing rules state that existing shareholders who intend to participate in the placement are not entitled to vote on the resolution. Our preferred position is that shareholders can vote on everything, but in this case the ASX Listing Rules require us to include the voting exclusion statement in the notice of the meeting ie a person who participates in the placement can't vote on the resolution. We understand the ASX policy behind the voting exclusion is to balance the interest of shareholders who do not elect to take up the offer against those who do.

The offer is expected to open on 2 August 2012 and to close on 24 August 2012.

It is intended that proceeds from the proposed capital raising 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 funds money as a percentage of assets i.e. 1%,2%,3%.

The benefits of the placement include:

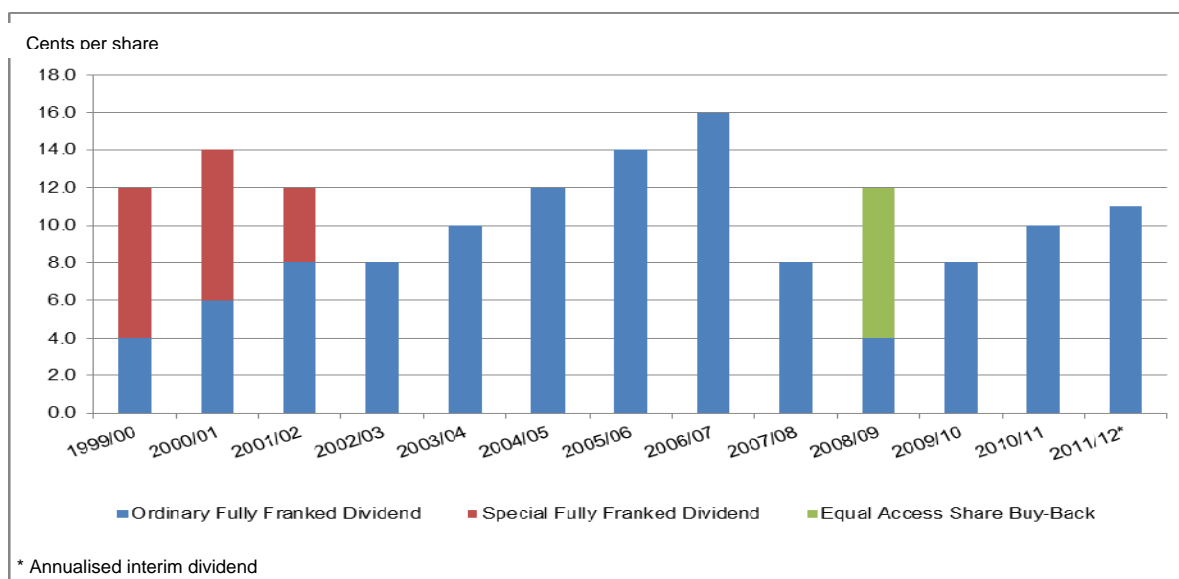
- A reduction in the administrative expenses ratio as the Company's administrative expenses are spread across a larger pool of assets;
- An increase in the liquidity of the Company's shares which will make it easier for shareholders to buy and sell the Company's shares; and
- An increase in the size 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 interim

On 23 March 2012, the Company paid a fully franked interim dividend of 5.5 cents per share. This was a 10% increase on the previous year's interim dividend.

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.



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 13 July 2012, 51,246 options have been exercised for a total consideration of \$81,994 with a remaining balance of outstanding options being 106,768,708.

Market outlook

With a last minute sprint for the finish line, June scraped into positive territory with the S&P/ASX All Ordinaries Accumulation Index up 0.25%. However the index was down 7.0% for the financial year. This marks the third time in the last five financial years the market has finished down.

A raft of profit downgrades and discounted capital raisings were announced during June. The cast included some big names: Boral, Billabong, Ten Network Holdings, and Qantas. Given these downgrades and the weak economic environment, we believe that analysts' earnings estimates for FY13 remain too optimistic and will need to be revised downwards. We expect this to occur over the coming months as full year results for most companies are released and analysts update their models and forecasts. The 0.25% interest rate cut in June should ultimately be a positive for

Market outlook (continued)

industrial companies as it will help stimulate economic activity. Unfortunately, feedback from the companies we meet is that they have not seen any flow-on effects or a change in consumer behaviour from the recent interest rate cuts. Since the current loosening cycle commenced in November 2011, we have seen a 1.25% reduction in the cash rate.

Moving offshore, concerns about the Greek election results and the continuing European sovereign debt crisis drove government bond yields lower during June - to multi-century lows in some cases. After the Greek election and the actions from the latest EU summit on the crisis, concerns dissipated somewhat and yields retreated from record low levels. These low Government bond yields imply a low growth environment, which is concerning for the future growth in company earnings.

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

Portfolio structure

As at 30 June 2012, listed securities made up 54.0% of the portfolio with fixed interest and cash making up the remaining 46.0%. 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 companies that meet this profile, and carry out over 800 company visits a year.

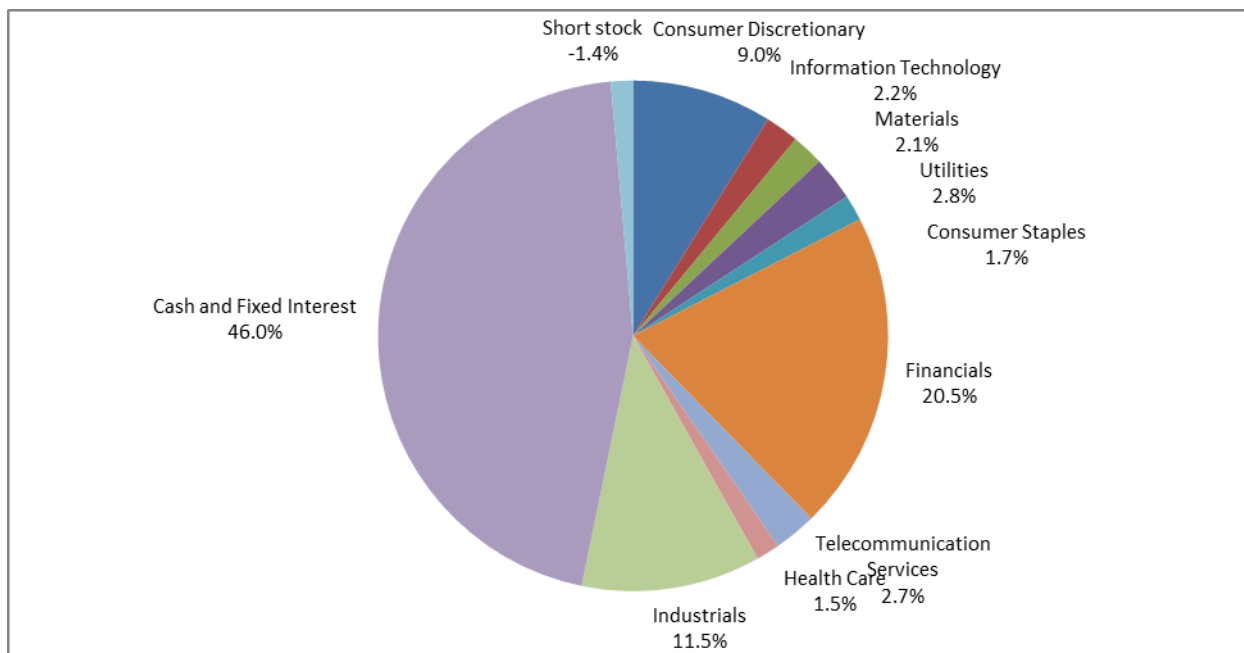
Investment Type	As at 31 May 2012		As at 30 June 2012	
	\$m	%	\$m	%
Listed Equities	98.8	56.6%	94.8	54.0%
Fixed Interest and Cash	75.7	43.4%	80.8	46.0%
Long Portfolio	174.5	100.0%	175.6	100.0%
Short Portfolio	(2.2)	(1.3%)	(2.5)	(1.4%)
Total Fund Size	\$172.3m		\$173.1m	
	No.		No.	
Total ordinary shares on issue	106,845,504		106,863,028	
Total options on issue	106,794,404		106,776,880	

Portfolio structure (continued)

As at 30 June 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	5,103,200	2.9%
ELI	Emerging Leaders Investments Limited	4,430,247	2.6%
IBC	Ironbark Capital Limited	3,952,269	2.3%
CCQ	Contango Capital Partners Limited	2,971,898	1.7%
BRG	Breville Group Limited	2,957,963	1.7%
MMS	McMillan Shakespeare Limited	2,836,315	1.6%
TWO	Talent2 International Limited	2,534,834	1.5%
SDG	Sunland Group Limited	2,530,679	1.5%
CYA	Century Australia Investments Limited	2,473,721	1.4%
CYG	Coventry Group Limited	2,266,670	1.3%
EPX	Ethane Pipeline Income Fund	2,260,582	1.3%
RHG	RHG Limited	2,201,987	1.3%
AIX	Australian Infrastructure Fund	2,067,360	1.2%
SKE	Skilled Group Limited	2,005,236	1.2%
CIF	Challenger Infrastructure Fund	1,999,203	1.2%
INA	Ingenia Communities Group	1,979,371	1.1%
RKN	Reckon Limited	1,960,904	1.1%
AMM	Amcom Telecommunications Limited	1,923,678	1.1%
FXL	FlexiGroup Limited	1,895,093	1.1%
WEB	Webjet Limited	1,847,707	1.1%

Portfolio structure – sector allocation



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 30 June 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 Company's investment portfolio has performed 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%

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						Since inception	
Investment Portfolio *	-2.2%	+0.5%							+705.7%
S&P/ASX All Ord Accum	-6.9%	+0.3%							+136.5%

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

For more information

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