

Investment Update & Net Tangible Assets Report

AS AT 31 MAY 2014



Performance

| Performance at 31 May 2014 | 1 Mth | 6 Mths | Fin YTD | 1 Yr | 3 Yrs %pa | 5 Yrs %pa | 10 Yrs %pa | Since Inception %pa (Aug-99) |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------------------|
| WAM Investment Portfolio ¹ | 0.7% | 3.8% | 19.0% | 18.5% | 14.1% | 19.3% | 13.9% | 18.1% |
| S&P/ASX All Ordinaries Accumulation Index | 0.6% | 5.1% | 19.3% | 16.2% | 9.3% | 12.2% | 9.2% | 8.6% |
| Outperformance | +0.1% | -1.3% | -0.3% | +2.3% | +4.8% | +7.1% | +4.7% | +9.5% |

¹Investment performance and Index returns are before expenses, fees and taxes.

Net Tangible Assets (NTA) figures

| | |
|--|----------------------------|
| NTA before tax | 179.39c |
| NTA after tax and before tax on unrealised gains | 179.31c¹ |
| NTA after tax | 175.02c¹ |

¹Includes 2.7 cents of tax assets resulting from the merger with Premium Investors.

Market overview

The S&P/ASX All Ordinaries Accumulation Index ('Index') continued its upward trajectory in May rising 0.6%. This was the Index's first positive performance for the month of May since 2009. The Index's increase disproved the well-known market adage, 'sell in May and go away'. Australian equities lagged global markets which continued to rally. During the month the MSCI All-Country Index, which measures the performance of international equities, reached a record high in response to news that the European Central Bank would once again lower interest rates. United States equity markets edged higher defying mixed macroeconomic data and continued tapering of the Federal Reserve's Quantitative Easing program. The local Index closed up 19.3% for the financial year to date and up an astonishing 47.9% since its last low in June 2012.

Despite Australia's better-than-expected employment figures out earlier in the month, the Federal Budget announced on 13 May has had a negative impact on consumer and business confidence. The Abbott Coalition Government's first budget will have a contractionary impact. We estimate the impact on the nation's economic growth will be negative 0.5% next financial year and approximately negative 2.0% over the coming four years. In our view, last week's first quarter GDP figure painted an overly optimistic picture of the economy boosted by coal and iron ore exports. Based on our research, we expect the second quarter figures will reflect the challenging conditions currently facing the economy. We are cautious in our short term outlook for Australian equities with the investment portfolio holding higher than average levels of cash. Our current cash reserves ensure the Company is well positioned to seize on opportunities in the market when they arise.

WAM Capital Limited

| | |
|--|--------------------|
| ASX Code | WAM |
| Listed | Aug 1999 |
| Gross assets | \$612.9m |
| Market cap | \$654.0m |
| Share price | \$1.92 |
| NTA before tax | \$1.79 |
| Shares on issue | 340,603,969 |
| Fully franked annualised interim dividend (FY2014) | 13.0c |
| Dividend yield | 6.8% |

Investment objectives

- Deliver investors a rising stream of fully franked dividends
- Provide capital growth
- Preserve capital

Company overview

WAM Capital Limited (ASX: WAM), one of Australia's leading Listed Investment Companies, is managed by Wilson Asset Management. Listed in August 1999, WAM provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange. WAM also provides exposure to relative value arbitrages and market mispricing opportunities.

Investment & Management Team

Geoff Wilson

Chairman/Portfolio Manager

Kate Thorley

Chief Executive Officer/
Company Secretary

Chris Stott

Chief Investment Officer/
Portfolio Manager

Martin Hickson

Senior Equity Analyst/Dealer

Matthew Haupt

Senior Equity Analyst

Mark Tobin

Equity Analyst

Meredith Hemsley

Corporate Affairs

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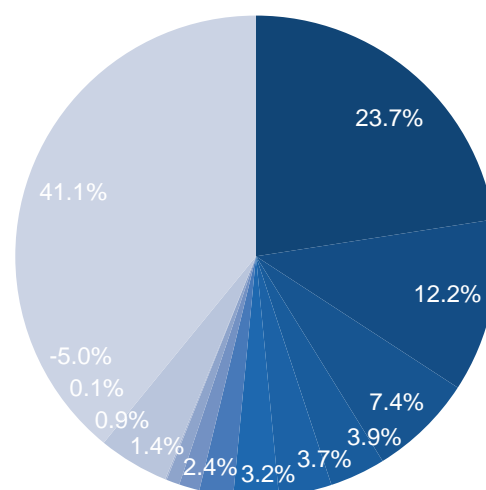
Diversified portfolio

| Investment Type | April 2014 | | May 2014 | |
|-----------------------|-------------|--------|-------------|--------|
| | \$m | % | \$m | % |
| Listed Equities | 364.9 | 58.8 | 379.0 | 58.9 |
| Fixed Interest & Cash | 255.9 | 41.2 | 264.4 | 41.1 |
| Long Portfolio | 620.8 | 100.0% | 643.4 | 100.0% |
| Short Portfolio | (11.9) | (2.0) | (30.5) | (5.0) |
| Gross Assets | \$608.9m | | \$612.9m | |
| Total shares on issue | 340,603,969 | | 340,603,969 | |

Top holdings

| Code | Company | Market Value as % Gross Assets |
|-------|---|--------------------------------|
| CBAPA | CBA Perpetual Exc Resale Listed Sec - PERLS V | 3.8% |
| CYA | Century Australia Investments Limited | 2.3% |
| WBCPB | WBC Stapled Preferred Security II | 1.7% |
| FXJ | Fairfax Media Limited | 1.7% |
| WIC | Westoz Investment Company Limited | 1.7% |
| ANZPB | ANZ Convertible Preference Share – CPS1 | 1.6% |
| IPE | IPE Limited | 1.6% |
| MQA | Macquarie Atlas Roads Group | 1.5% |
| DLX | DuluxGroup Limited | 1.5% |
| SGH | Slater & Gordon Limited | 1.4% |
| IIN | iiNet Limited | 1.4% |
| HIL | Hills Limited | 1.4% |
| TGR | Tassal Group Limited | 1.4% |
| AAD | Ardent Leisure Group | 1.4% |
| TNE | Technology One Limited | 1.2% |
| DJS | David Jones Limited | 1.2% |
| AHE | Automotive Holdings Group Limited | 1.2% |
| CGF | Challenger Limited | 1.1% |
| SFW | SFG Australia Limited | 1.1% |
| MTU | M2 Group Limited | 1.1% |

Sector allocation



- Financials: 23.7%
- Consumer Discretionary: 12.2%
- Industrials: 7.4%
- Information Technology: 3.9%
- Materials: 3.7%
- Telecommunication Services: 3.2%
- Consumer Staples: 2.4%
- Health Care: 1.4%
- Utilities: 0.9%
- Energy: 0.1%
- Short stock: -5.0%
- Cash and Fixed Interest: 41.1%

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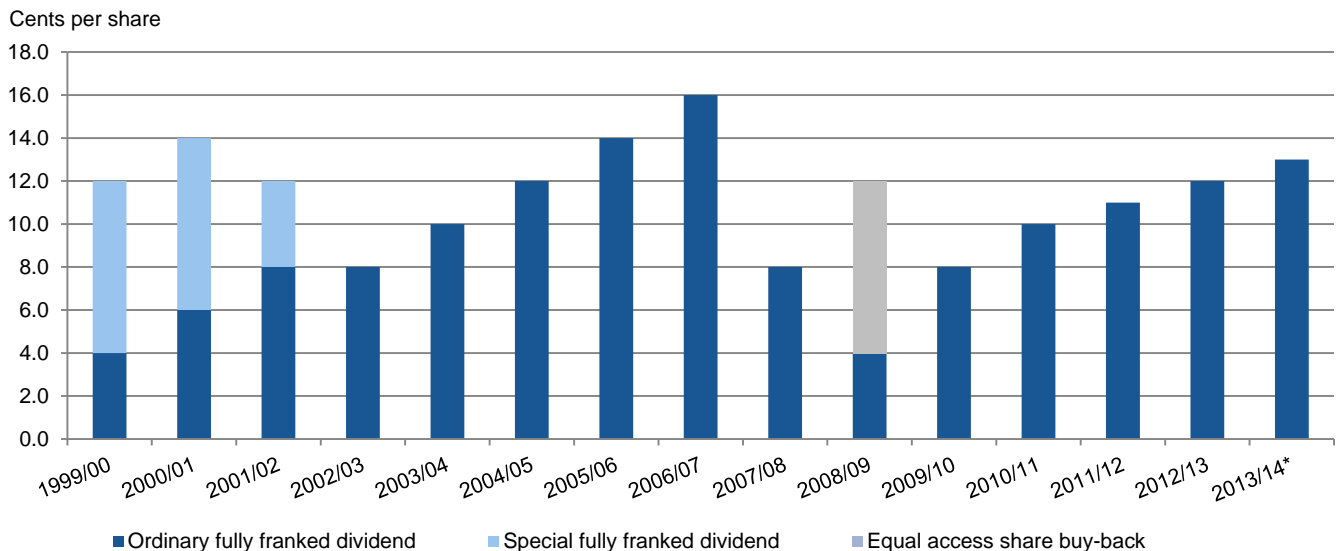
Dividend growth

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

On 31 March 2014, the Company paid a fully franked interim dividend of 6.5 cents per share. This was an increase of 8.3% on the previous corresponding.

As at 31 May 2014, the Company's estimated profit reserve is 22.5 cents per share and the franking account has a balance of \$360,208. The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax. The franking balance does not include the current tax liability and tax to be paid on unrealised investment gains recognised as deferred tax liability.

WAM Capital dividends since inception



*Annualised interim dividend

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Every week we share our investment team's market insights with our shareholders in a Weekly Investor Update. The email by our Chief Investment Officer Chris Stott includes topical market news, views on macroeconomic trends, our current outlook, latest news on companies in the investment portfolio, recent articles we have written and upcoming media appearances.

To sign up, go to the 'subscribe here' button on our website www.wamfunds.com.au.