



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

WAM Capital Limited (WAM) is an investor in listed Australian equities. The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital. WAM concentrates on identifying undervalued growth company's, these are generally found in the small to medium size industrial companies sector.

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 674.3% compared to a 141.9% increase in the S&P/ASX All Ordinaries Accumulation Index.

Performance as at 31 October 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Year %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Capital*	+2.6%	-3.7%	+0.1%	+7.2%	+19.9%	+8.2%	+15.3%	+18.2%
S&P/ASX All Ordinaries Accumulation Index	+7.2%	-8.9%	-4.9%	-4.0%	+7.6%	+0.1%	+7.5%	+7.5%
Outperformance	-4.6 %	+5.2%	+5.0%	+11.2%	+12.3%	+8.1%	+7.8%	+10.7%

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

The portfolio is currently defensively positioned with 32% in cash and fixed interest and 20% in stocks subject to takeovers which were predominantly purchased during the month. As a result of this, in September the fund was down only 0.8% while the market fell 6.3%. With the market rebound in October, the portfolio did not keep pace. Over the last 2 months the fund gained 1.8% against a 0.9% increase in the S&P/ASX All Ordinaries Accumulation index and resulting in an outperformance of +0.9%. Since 30 June 2011 the fund has increased 0.1% while the broader market has fallen 4.9%. This has been achieved with significantly less risk and volatility than the market.

The following NTA figures are after the payment of a fully franked final dividend of 5.0 cents per share paid on the 15 September 2011.

NTA before tax	161.48c
NTA after tax and before tax on unrealised gains	162.01c*
NTA after tax	157.68c**

* Includes tax assets of 0.53 cents per share

** Includes the net effect of 0.53 cents of tax assets and 4.33 cents of deferred tax liabilities

Market Outlook

October saw the bulls return in force with the S&P/ASX All Ordinaries Index Accumulation Index up 7.2%. Europe remained the focus for investors with speculation of a bailout package driving the market higher during the month. News of European bank recapitalisations and the European Financial Stability Facility (EFSF) instilled confidence with investors that an end was in sight to the debt situation.

Locally, economic data remains weak, reflecting recessionary type conditions in some sectors. Early November has seen the Reserve Bank produce the first interest rate cut for over two and a half years. The driver behind their decision, apart from weak economic data, was that the outlook for inflation has improved significantly since the start of 2011. We see this initial cut as a positive for equity markets, however we believe a succession of rate cuts will be needed to stimulate the domestic economy. As always we continue to research heavily for individual stock opportunities.

Dividends

On 15 September 2011, the company paid a fully franked final dividend of 5.0 cents per share. This brought the FY2011 dividend to 10.0 cents per share fully franked.

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. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits.

Providing the company is deemed solvent by the Board, WAM should always be in a position to pay dividends.

Portfolio Structure

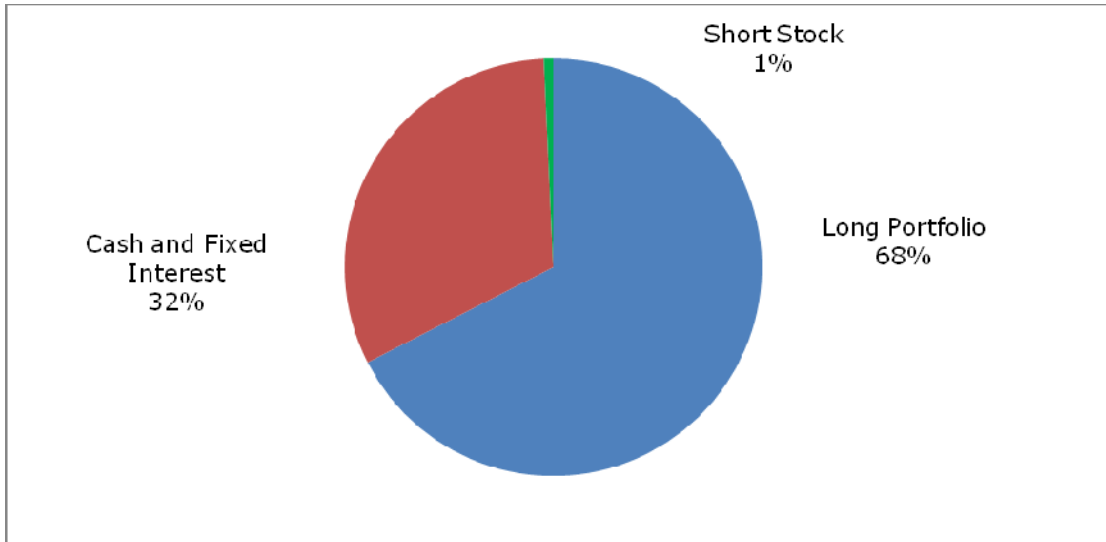
As at 31 October 2011, listed securities made up 68.0% of the portfolio, while fixed interest and cash made up the remaining 32.0%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research heavily in an attempt to identify companies that meet this profile, with over 700 company visits a year.

Investment Type	As at 30 September 2011		As at 31 October 2011	
	\$m	%	\$m	%
Listed Equities	82.6	49.0%	117.6	68.0%
Fixed Interest and Cash	85.2	51.0%	55.4	32.0%
Long Portfolio	167.8	100.0%	173.0	100.0%
Short Portfolio	(0.0)		(1.3)	
Total Fund Size	\$167.8m		\$171.7m	
	No.		No.	
Total ordinary shares on issue	105,899,497		105,899,497	

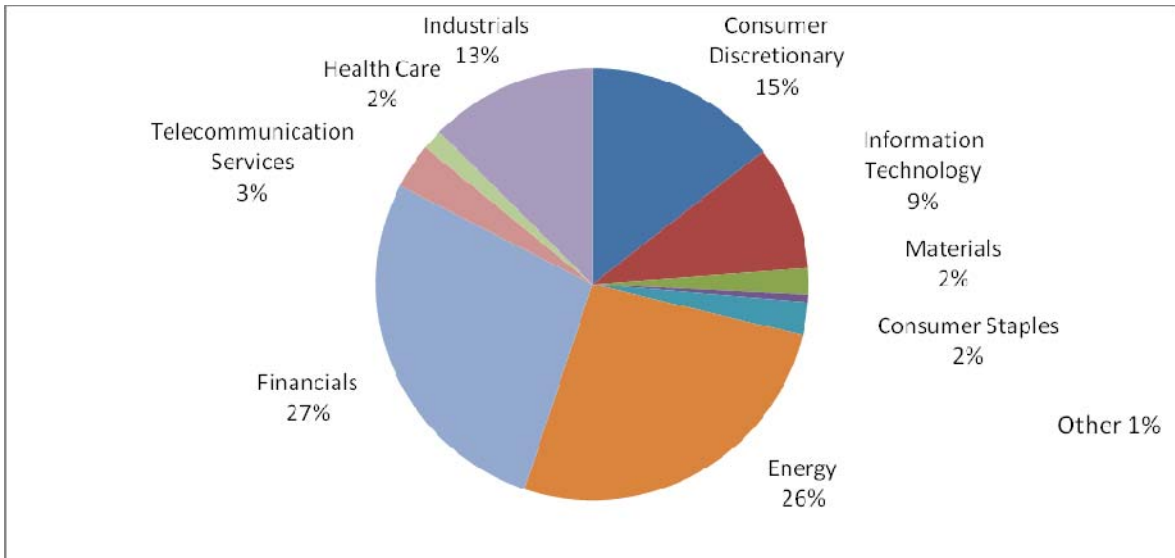
At 31 October 2011 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
CNA	Coal & Allied Industries Limited	17,246,007	10.1%
HUN	Hunnu Coal Limited	10,767,888	6.3%
RKN	Reckon Limited	7,577,094	4.4%
SGI	Signature Capital Investments Limited	6,292,985	3.7%
ELI	Emerging Leaders Investments Limited	4,402,231	2.6%
MMS	McMillan Shakespeare Limited	4,004,802	2.3%
MYS	Mystate Limited	2,738,824	1.6%
CCQ	Contango Capital Partners Limited	2,633,237	1.5%
BRG	Breville Group Limited	2,498,729	1.5%
NHC	New Hope Corporation Limited	2,201,500	1.3%
SOE	Souls Private Equity Limited	2,086,995	1.2%
VBA	Virgin Blue Holdings Limited	1,942,500	1.1%
SDG	Sunland Group Limited	1,929,189	1.1%
MAQ	Macquarie Telecom Group Limited	1,834,292	1.1%
FGL	Foster's Group Limited	1,814,332	1.1%
DJS	David Jones Limited	1,756,020	1.0%
JBH	JB Hi-Fi Limited	1,744,313	1.0%
MYR	Myer Holdings Limited	1,738,260	1.0%
SGN	STW Communications Group Limited	1,630,493	1.0%
RCR	RCR Tomlinson Limited	1,624,944	0.9%

Portfolio Structure – Gross Asset Allocation



Long Portfolio Structure – Sector Allocation



Performance

Set out below is the performance of WAM since listing to 31 October 2011 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to how 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	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%
2010/2011	+17.9%	+12.2%	+5.7%
YTD 2011/2012	+0.1%	-4.9%	+5.0%

Monthly Performance Table

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00	Apr 00
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%	-5.7%
All Ordinaries 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
Gross Portfolio *	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%	+0.1%	+1.7%
All Ordinaries 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
Gross Portfolio *	-0.2%	-3.7%	+3.9%	+6.7%	+6.9%	-1.0%	+4.6%	-2.9%	+8.6%
All Ordinaries 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
Gross Portfolio *	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%	-0.4%	+0.7%	-2.2%	-3.0%
All Ordinaries 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
Gross Portfolio *	+3.9%	-1.1%	+1.1%	+1.6%	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%
All Ordinaries 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
Gross Portfolio *	+1.5%	+3.5%	+3.6%	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%
All Ordinaries 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
Gross Portfolio *	+2.7%	+0.1%	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%
All Ordinaries 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
Gross Portfolio *	+3.3%	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries 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
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%	+2.1%
All Ordinaries 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
Gross Portfolio *	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%	+6.1%	+3.8%
All Ordinaries 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
Gross Portfolio *	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%	-4.2%	+1.7%	+3.1%
All Ordinaries 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
Gross Portfolio *	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%	+1.7%	+2.3%	-7.9%	-1.6%
All Ordinaries 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
Gross Portfolio *	+1.7%	-5.3%	-9.2%	-5.6%	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%
All Ordinaries 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
Gross Portfolio *	+3.6%	+4.1%	+8.2%	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%
All Ordinaries 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
Gross Portfolio *	-0.5%	+3.7%	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4%
All Ordinaries 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
Gross Portfolio *	+2.3%	+3.7%	+1.4%	+2.1%	+0.1%	+1.2%	-1.4%	-2.4%	+0.2%
All Ordinaries 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	Since inception
Gross Portfolio *	-1.8%	-0.8%	+2.6%						+674.3%
All Ordinaries Accum.	-2.0%	-6.3%	+7.2%						+141.9%

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

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