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WAM Capital's net profit falls

But portfolio and dividends rise

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Listed investment company (LIC) WAM Capital has posted a net profit of \$18.9 million for the six months to December 2010.

The result is 31 per cent worse than last year's, when the group posted profits of \$27.3 million, WAM Capital said yesterday.

However, the LIC raised its dividend by 25 per cent to 5 cents per share.

"The profit was down on the prior period's comparative figure because the change in the portfolio in dollar terms was less than the prior period," WAM Capital said.

"In the six months to December 2009 the fund increased 30.1 per cent, while in the six months to December 2010 the fund increased 16.8 per cent."

Commenting on the market outlook for 2011, WAM Capital chairman Geoff Wilson said that China, which has been the engine for above average world growth during 2010, may not provide such a buoy for the Australian economy and resources this year.

"In recent months, the Chinese government has been forced to lift interest rates and restrict lending practices to try and cool the economy," he said.

"These measures have failed to have an immediate impact and inflationary pressures have emerged."

As a result China will be forced to keep raising interest rates, which should eventually ease inflationary pressures and ratchet down economic growth from over 10 per cent to possibly as low as 7 per cent, he said.

"In turn, the much loved Australian resources sector, may find it difficult to repeat its stellar performance of last year," he said.

Wilson said that industrials, especially those with exposure to the US economy could perform strongly as the US economy likely continues to recovery in 2011.

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