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## Dear shareholder

Welcome to our latest Investor Newsletter for the year to 30 June 2010. Our newsletters along with our bi-annual roadshows, monthly NTA announcements and regular audio casts posted on our website are designed to provide our shareholders with additional insights on some of our investments and the stock market in general. One of our main objectives for the coming year is to increase communication levels with our shareholders through regular emails and audio casts. We encourage you to register or update your email address at [info@wami.com.au](mailto:info@wami.com.au)

We trust you enjoy this current edition and always welcome your feedback and comments.

Regards,

A handwritten signature in black ink, appearing to read 'Geoff Wilson', with a long horizontal flourish extending to the right.

**Geoff Wilson, Chairman**  
**WAM Active Limited**

# The Board's vision for the future

WAM Active has enjoyed a strong start to its life as a Listed Investment Company and the Board is pleased with the progress in terms of Fund performance.

The primary objective of delivering an absolute return to its investors has been achieved since listing in January 2008. Co-incidentally, the company has also been able to outperform the Australian share market at a time when volatility and uncertainty has been the order of the day. The Board and Management are hopeful that with the company's flexible investment approach and ability to take advantage of many varying trading situations, investors will continue to see a positive return. In addition, the Board views the payment of a growing stream of fully franked dividends as a key objective.

In last year's Investment Newsletter we outlined the Board's vision for the company and the desire to grow the market capitalisation from its current levels of around \$16 million towards \$100 million within a period of 5 years. We believe that with \$100 million of funds the management team can continue to perform strongly, while the shareholders receives the added benefit of a reduction in cost as a percentage of assets. In addition, the shareholders would benefit from increased liquidity.

The approach to growing the company has been carefully considered by the Board. It has been our stated objective that we would like to grow the company. Up until now we have stated that we would grow the company through a series of option issues. We currently have a 1 for 1 option issue that is exercisable at \$1.15 option expiring in April 2011.

More recently however, the Federal Government has changed the law in regards to companies paying dividends. Previously, companies had to pay dividends from retained earnings and/or reported profits. This has been changed to allow companies to pay dividends based on the company being solvent. This means a Listed Investment Company like WAM Active, which is solvent, should be able to pay a dividend every six months.

Under this environment it is the Board's objective to pay a fully franked dividend every six months assuming we have sufficient franking credits. The Board understands that many WAM Active shareholders rely on regular dividend payments.

With the changes in the dividend laws the Board is exploring the most effective means of growing the company while dividends rise into the future. This approach has not been finalised, however, it could see a combination of altering the dividend re-investment plan and/or initiating regular light rights issues. All of these approaches will be considered along with the merits of further option issues.

## Market wrap

This half has been marked by volatility for the Australian share market, with the S&P/ASX All Ordinaries Index trading in a 700 point range between 5023 and 4325.

Since reaching its high on 15 April 2010, the market has been in a downward trend, seeing the Australian market close below its May 2010 lows at the conclusion of the first half.

We are of the view that this recent sell off is not simply a correction in a bull market but rather the market will continue to struggle in the coming months. While we can expect to see some sharp rallies, these are unlikely to be sustained and the downward trend of the overall market will continue into the second half of 2010.

We are also cautious of potential catalysts that could spook the market and send it lower; the most pertinent being the uncertainty surrounding the US recovery and fears of deflation.

In the US, consumer confidence data has been weak with consumers and small businesses maintaining their reluctance to spend. The big risk for the US is a deflationary environment, and with the April Consumer Price Index number of -0.1% and May -0.2% the likelihood of this occurring is increasing. With interest rates close to zero, fiscal policy is the only means of stimulating the US economy. The US has openly stated it will continue with its current policy of economic stimulus and will not implement any form of restrictive fiscal policy to reign in spending like what is occurring in Europe and the UK.

China's economy which is showing signs of softening after its strong stimulus fuelled recovery last year is another risk for our market. Industrial production and other key indicators show the pace of growth is slowing in China, however it is slowing from a very strong level with the World Bank still predicting 9.5% growth for this year and 8.5% for 2011. The effects of an appreciation of the yuan also remain to be seen. It is expected that China will aim to increase domestic demand to substitute any reduction in export volumes from this appreciation.

The third major risk is the European sovereign debt crisis and surrounding austerity measures. While the problems in Greece have been well publicised, there is also the risk that other countries in the Eurozone may fall to the same fate. The most likely of these is Spain due to its high unemployment level (currently above 20%) and the weak growth prospects of its fragile economy. At the time of writing, Moody's was reviewing Spain's AAA rating. To combat these risks the European Central Bank has implemented a series of measures aimed at reducing the volatility and improving liquidity. However, interest and insurance rates on Greek bonds have both hit record highs since the announcement showing the market is still not comfortable with the outlook for Greece.

On the home front, the biggest news item affecting the market was no doubt the controversial proposed Resource Super Profit Tax (RSPT). Over May and June this got a lot of media coverage and was no doubt a contributing factor to the change in leadership and ousting of Kevin Rudd as Prime Minister. While our focus is predominantly industrials not resources, the knock on affect to resource service companies which we invest in, is undoubtedly negative. We believe the tax is an opportunistic tax grab at a sector that has been a strong driver of Australia's economic growth over the past decade. We believe the tax will also result in government revenue becoming a lot more cyclical. There will be high inflows when global growth and resource prices are high and minimal inflows when global growth and resource price are low.

The half also saw the impact of the six interest rate rises and the cycling of the government stimulus package which was distributed in the first half of 2009. The most affected sector was retail which had very soft numbers over the period, clearly showing that consumers were feeling the pinch and were holding back on spending.

*“We are of the view that this recent sell off is not simply a correction in a bull market but rather the market will continue to struggle in the coming months.”*

In late July and August we will enter the Australian reporting season where companies report their results and provide outlook statements for the financial year ahead. We are of the opinion that the outlook statements are likely to be below analyst's expectations which may lead to them downgrading FY11 numbers which we believe are too high. While we see the market moving lower in the short term, we believe this will present investors with opportunities to establish positions in quality stocks on low multiples. While it will be hard to pick the bottom and this strategy may experience short term pain we believe it will put investors in a good position going forward when the market does eventually turn around.

## Dividends

On 21 July 2010 the Board announced a 50% increase in the final dividend of 3.0 cents per share fully franked to be paid 24 September 2010.

The shares will trade ex dividend 13 September 2010. This brings the full year dividend to 6.0 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. Newly introduced government legislation now enables companies to pay dividends if the

company is deemed solvent. Dividend payments will not be reliant on reported profit as it was previously. Rather it will be with consideration to cashflow, cash holdings and available franking credits.



## Investment Objectives & Process

*“These strategies are undertaken from detailed monitoring of both primary and secondary market activity, in particular monitoring new capital raisings and corporate activity.”*

The investment objectives of WAM Active Limited (WAA) are as follows:

- Preserve capital over most periods of time;
- Provide investors with a positive return, after fees, over most periods of time; and
- Deliver investors a regular income stream in the form of fully franked dividends.

To achieve these objectives, the company aims to take advantage of relative short term arbitrages and mispricings in the Australian equities market, rather than investing in any individual companies or portfolio of companies for a prolonged period of time. This is referred to as our “Market Driven process.”

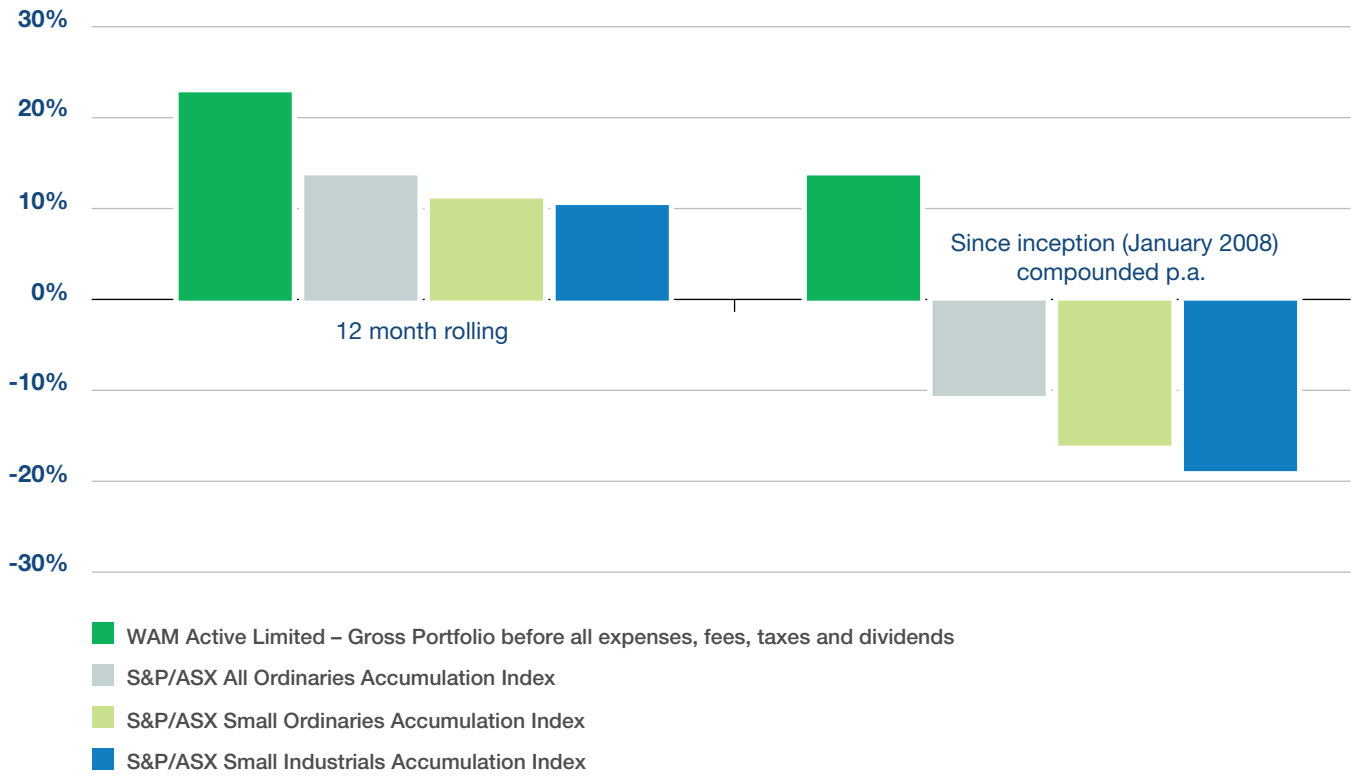
WAA has contracted MAM Pty Limited as Manager to achieve these objectives. The various strategies employed by MAM Pty Limited to fulfil its mandate include:

- Participating in initial public offerings, placements, rights issues and underwritings where the immediate valuation upside appears favourable;

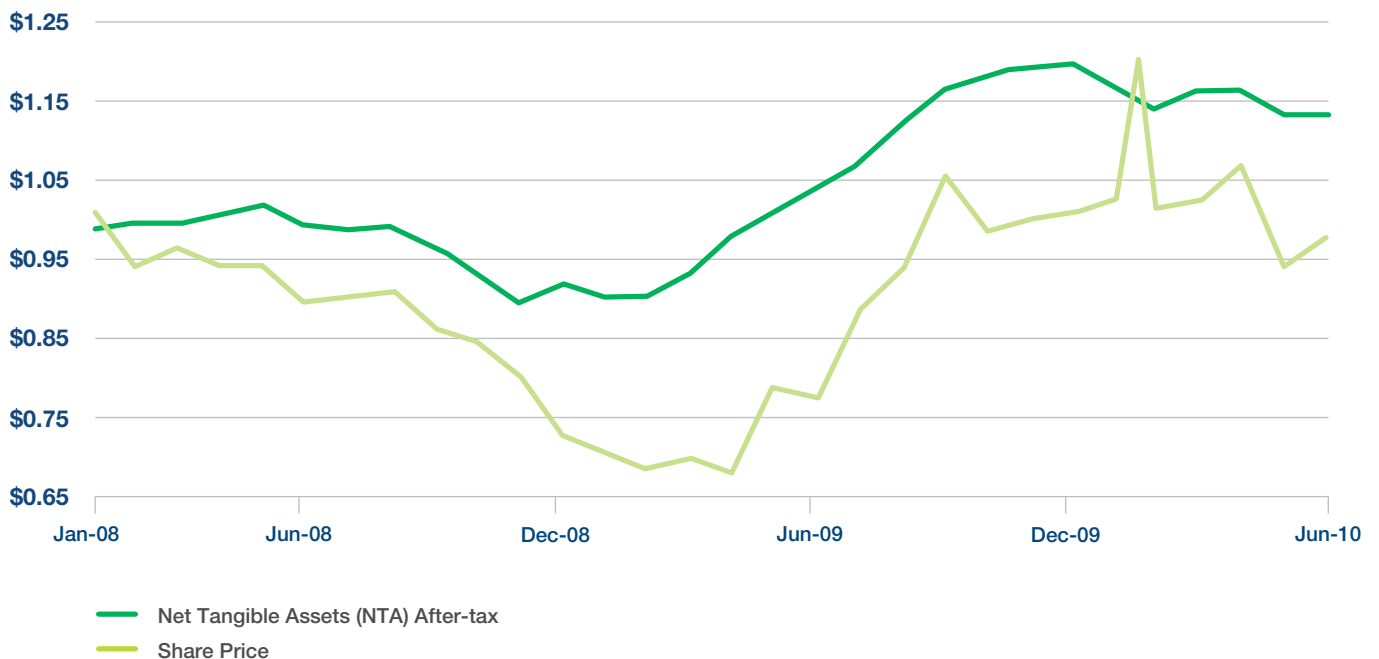
- Participating in block trades which are below market values because of time constraints;
- Participating in takeovers, mergers, schemes of arrangement and corporate spin-offs which appear favourably priced;
- Trading oversold positions;
- Short selling and option trading opportunities;
- Taking advantage of Listed Investment Company discount arbitrages; and
- Trading opportunities which will deliver acceptable risk adjusted return.

These strategies are undertaken from detailed monitoring of both primary and secondary market activity, in particular monitoring new capital raisings and corporate activity. In addition, the manager undertakes regular research, meetings and discussions with various companies listed on the Australian Securities Exchange to identify opportunities.

### WAM Active Limited vs S&P/ASX All Ordinaries Accumulation Index, S&P/ASX Small Ordinaries Accumulation Index and S&P/ASX Small Industrials Accumulation Index to 30 June 2010



### NTA & Share Price History



# Performance

This is our third year of operation and as an absolute return fund we are pleased to deliver another positive result for FY2010. During the year the gross value of the investment portfolio appreciated by 22.7%, a strong result given the S&P/ASX All Ordinaries Accumulation Index was up 13.8%.

The first half of calendar year 2010 proved to be a volatile period for the Australian share market, with the market in a general downward trend. WAM Active's performance was robust over this period with before tax net tangible asset backing (including the 3 interim dividend paid in February) decreasing by 6.8% compared to a decrease of 9.7% for the S&P/ASX All Ordinaries Accumulation Index. The cash level of the Fund was 77.6% at 30 June 2010 up from 43.3% at 31 December 2009. During the period the Fund benefited

from a number of short positions which proved to be profitable as the market fell.

With close to \$100 billion in equity raised by companies in 2009, we believed the half would be a strong half for M&A activity. This proved to be the case with the number of mergers and takeovers increasing significantly. The Fund participated in a number of these including Ammtec Limited, Ausmelt Limited, Challenger Kenedix Japan Trust and Corporate Express Limited. In contrast the six month period to

30 June 2010 saw equity capital raisings down heavily with issuance of just \$8.4 billion, the lowest half-year volume seen in seven years. This reduced the amount of discounted capital raisings available for the Fund to participate in. In the first 6 months of 2010 we participated in 49 capital raisings, compared to 122 in the second half of 2009. During June 2010 we further reduced the amount of capital raisings which we participated in, due to the volatility of the market. With the reduction in capital raising participations and difficulty finding quality stocks to invest in, the last 2 months of the half saw an increase in cash levels, and trading of the larger capitalised stocks.

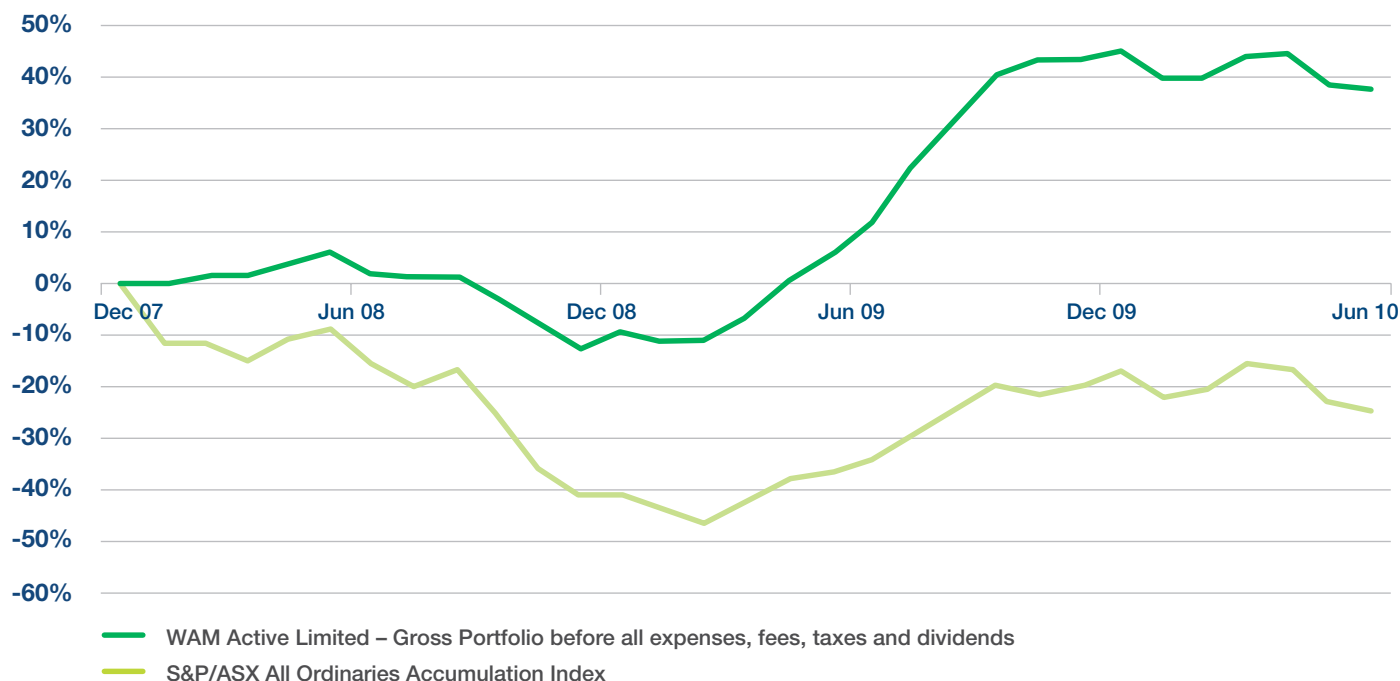
Going into the 2nd half of 2010 the cash levels in the Fund were 77.6%, the highest since February 2009. As at 30 June 2010 five short positions were held, the most since the inception of the Fund. We believe the current asset allocation puts the portfolio in a good position should there be any further moves to the downside. As we have done this half, we will continue to look for any short term bounces and will try to trade around these.

## Attribution Analysis

Trade Type	Contribution to Total Performance	Return on Capital Deployed
1. Block trades at a discount	4.3%	17.6%
2. IPO/Capital Raising	29.2%	8.4%
3. Takeovers	2.5%	6.3%
4. Oversold position/trading/asset allocation	23.1%	2.6%
5. Short Selling	10.2%	15.3%
6. LIC Arbitrage	-0.2%	-0.8%
7. Valuation (low P/E, discount to NTA)	30.75%	15.5%
	<b>Total 100%</b>	

The performance above is based on the FY2010 year.

## Performance



# What is a Listed Investment Company?

A Listed Investment Company (LIC) is a closed end pool of capital that invests in the stock market.

By closed end we mean that if an investor wants to leave the fund, he or she sells shares to another investor coming into the company rather than withdrawing money from the fund. Effectively, no money leaves the fund and only the shareholding changes.

We believe that a closed end fund is a superior structure to managed fund/unit trust structures. With closed end funds or LIC's, the manager of the fund does not have to sell stocks in the portfolio to raise cash for a departing investor. That means investment decisions are based on the fundamentals of the companies the manager invests in, rather than money flow via redemptions.

Most other funds, like managed funds and mutual funds, are open ended. This means that when an investor wants to leave the fund the manager is

forced to liquidate stocks to finance the redemption. This places pressure on the manager who has to put fundamental investing to the side while he or she manages the cashflows.

Invariably, most investors depart a fund when stocks have fallen significantly, which historically has proven to be the best time to buy. This means the manager may have to sell companies which they believe represent good value.

At the other end of the scale, most money pours into the market and open end funds, when stock prices are soaring in a bull market. The manager may then be forced to buy companies at inflated prices. This type of momentum investing can cause a serious destruction of capital when the bull market ends.

As a LIC is a closed end fund it does not have any of these problems which can be of significant advantage and benefit to the investor.

LIC's are unique investment vehicles because they can trade at a discount or premium to the assets that they own. When investors want to take their money out of LIC's, selling may result in the share price falling below the value of its assets (or NTA). We refer to this as trading at a discount to NTA. This can provide a great buying opportunity. On the other hand, when investors are buying shares in LIC's, the share price may trade higher than the value of the assets it owns (or NTA). This is referred to as trading at a premium to NTA. This can provide a selling opportunity.

## What we offer to shareholders

### Style

- A flat structure that delivers quick decision making
- A nimble investment process due to the relatively small funds under management
- A broad coverage of a range of industries, especially at the small to medium end of the market
- An aversion to risk with above average cash positions
- Over 50 years of experience in the Australian share market with a high degree of street smarts
- A very active Market Driven approach

### Structure

- Closed end funds avoiding the problem of being forced sellers and buyers at inappropriate times
- An active research driven approach that involves staying very close to the market and an in depth analysis of investee companies

# A step back in time – markets moving in lockstep with the mid 1970's

By Andrew McCauley

As we enter the third year of the current bear market there is a growing chorus of investors and commentators aggressively arguing that investors should get used to much lower returns from the share market compared to the golden period running up to November 2007.

Low single digit returns is the best you can hope for given the current global economic environment. Investors, beaten up by significant negative returns over the past 3 years are easily convinced of this unexciting world we are now entering. But should past performance be the best guide to future performance? It certainly wasn't a good guide as we looked into the future in 2007. Ironically, a more accurate way of assessing what lies ahead is to trawl back through history and see what actually happens in these troubled times. Before the current bear market the worst period for Australian shares was the 59 per cent decline from January 1973 through to December 1974.

It has been 34 months and a 34% decline since the Australian share market peaked in late 2007. In what is a remarkable consilience, the move for Australian Equities, from the January 1973 peak moving forward 33 months to October 1975, was also negative 34%. The Australian Bank Index, S&P 500, and to a lesser extent the Australian Materials Index, also partake in this concurrence.

In an effort to get a handle on what may happen next it is worth perusing the Time Magazine archive to garner a real time snapshot of the prevailing sentiment approximately 2 to 3 years post the 1973 peak.

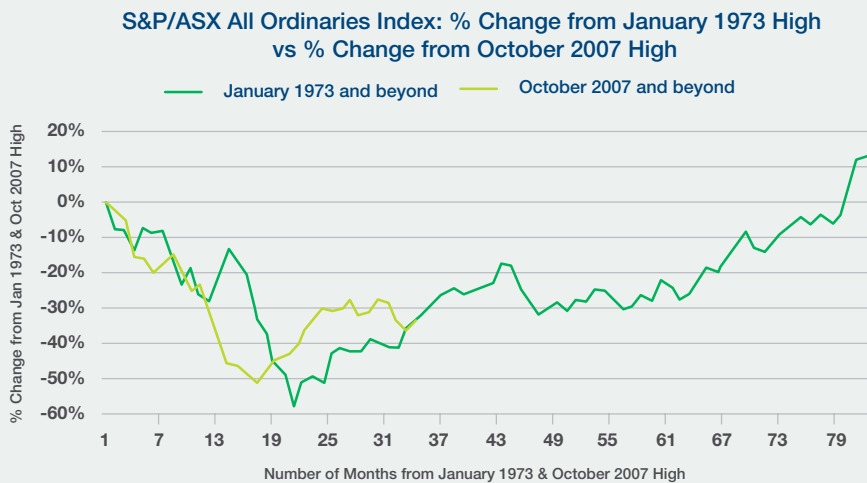
The extract below is from an article in the Time Magazine Archive, Monday April 7 1975, titled, The Budget: \$100 Billion Guessing Game.

**“Washington these days is playing a confusing guessing game that might be called What's Our Deficit? or perhaps Can You Top This? Ever since President Ford submitted his budget in February, estimates of the likely red-ink figure for fiscal 1976, which begins July 1, have been escalating at something like a billion-dollar-a-day pace. The President initially proposed a \$51.9 billion deficit; six weeks later the Administration upped the figure to \$55.5 billion. Earlier this month, Treasury Secretary William Simon warned that the deficit could hit \$80 billion.**

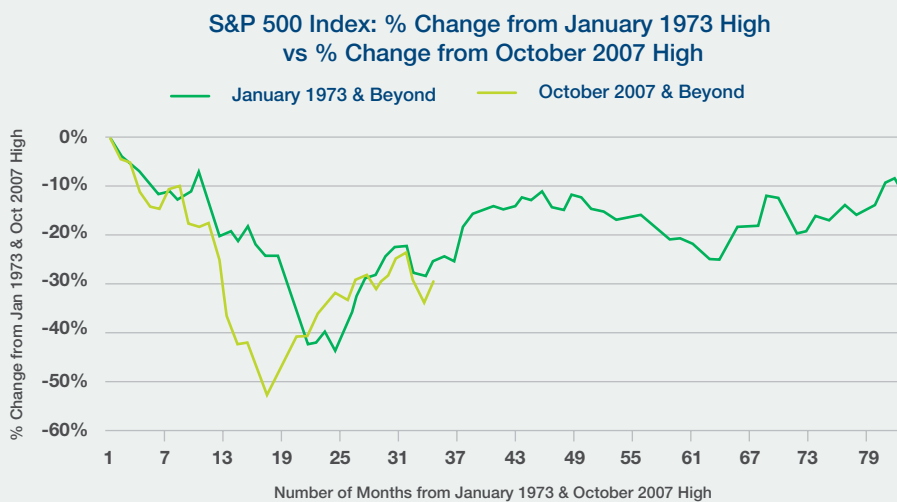
**Shock Effect. Last week the House Budget Committee estimated \$72 billion, but the Office of Management and Budget calculated that if Congress passes every proposal now before it, the figure would grow to \$100 billion or more. If that report was meant to shock Congress, it had the desired effect. The next day Maine Democrat Edmund Muskie, chairman of the Senate Budget Committee, warned his fellow Senators that “Congress is going to have to exercise great restraint to avoid overshooting the mark as we try to get our economy moving again.”**

Sounds familiar? Sentiment for the most part is similar now. So does that necessarily mean there are bad times ahead? Possibly for the economy, but not necessarily for the share market. In 1975, at the same time period of the equity market recovery (34 months from peak), US & Australian Equities recorded broad index gains of 15% plus over the next 12 months, despite the uncertain economic backdrop. The following chart of the S&P/ASX All Ordinaries Index is evidence of this remarkable consilience.

“In 1975, at the same time period of the equity market recovery (33 months from peak), US & Australian Equities recorded broad index gains of 15% plus over the next 12 months, despite the uncertain economic backdrop.”

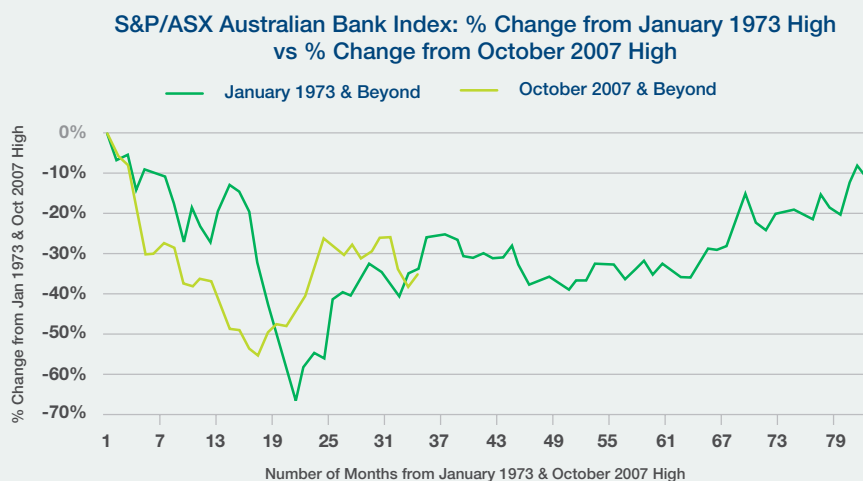


The US equity market also appears to be tracing out the mid 1970's pattern. From the December 1974 low US equity investors had to wait over 5 years to see the levels that were reached the previous high in January 1973. I note that the S&P 500 late 1974 low was never retested & I suspect that the February / March 2009 low will not be breached either.

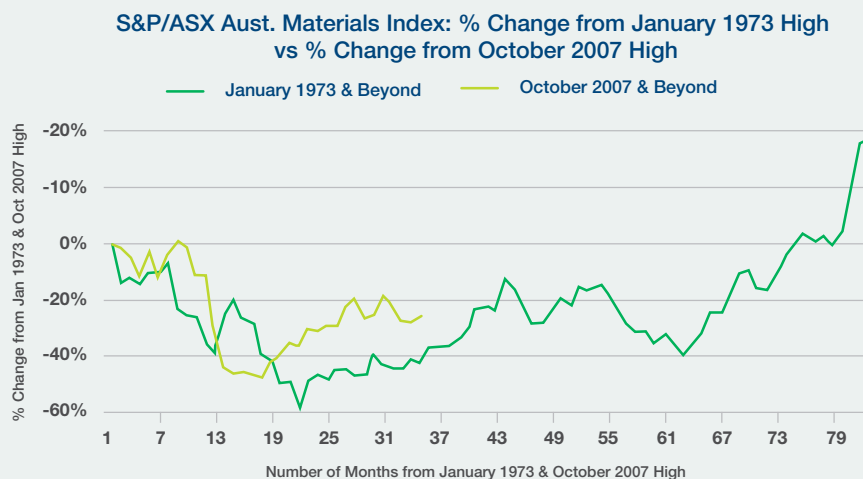


It is interesting to note that with all the talk of the worst economic climate since the Great Depression, Australian Banks in terms of share price performance, fared much worse in the mid 70's than in the recent Global Financial Crisis. However, 34 months post the respective 1973 and 2007 peaks, the performance is very similar. I note that the Bank Index from the September 1974 low took almost 6 years to move past its January 1973 level.

“Looking at the output of Time Magazine over the past year suggests that history may not repeat but at times certainly rhymes.”



I note that the Australian Materials Index was nowhere near a record high in January 1973. By that time Materials had already declined by 50% from its December 1969 high. From the 1969 peak to the trough of September 1974 the decline was 80%. You can be assured that in 1969 investors didn't see that kind of decline unfolding. **It's always the way though, the market has a tendency to provide an outcome that is contrary to what was, or might have been expected.** It can be readily observed from the following graph, that post the September 1974 low it took the Materials Index (Resources) 54 months (March 1979, 4.5 years) to better the level achieved in January 1973.



Looking at the output of Time Magazine over the past year suggests that history may not repeat but at times certainly rhymes. At times like these I'm reminded of the story of Panurge, a character from Rabelais's Gargantua & Pantagruel novels. Panurge influenced a flock of sheep to jump off a ship by throwing the lead ram overboard.

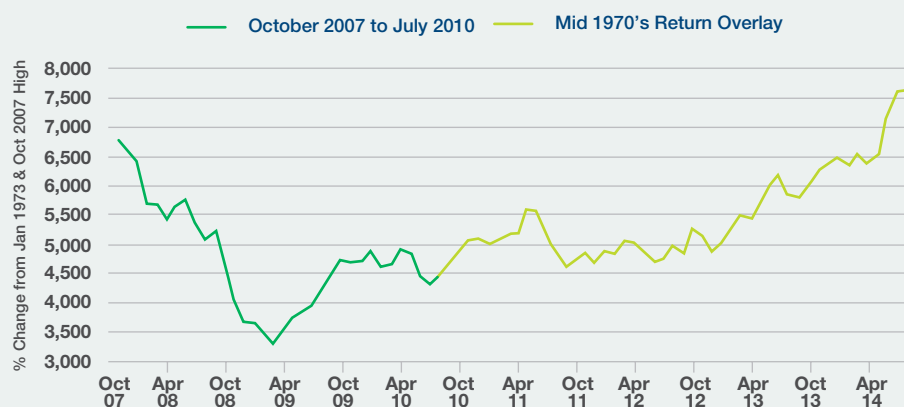
**“Suddenly, I do not know how it happened, I did not have time to think, Panurge, without another word, threw his sheep, crying and bleating, into the sea. All the other sheep, crying and bleating in the same intonation, started to throw themselves in the sea after it, all in a line. The herd was such that once one jumped, so jumped its companions. It was not possible to stop them, as you know, with sheep, it's natural to always follow the first one, wherever it may go.”**

Francois Rabelais, Pantagruel, Book IV, chapter VIII

Following the lead ram and the current media fancy is not always optimal. So what do we take from this? Be aware of the current underlying sentiment but try not to be a victim of retrospective form – look forward from these events, not back.

The chart below overlays the mid 1970's return profile of the All Ordinaries Index onto the current price level 4 years forward (5 years post Low). Our market will see record highs again, however, if we follow the mid 1970's experience, new highs are approximately 4 to 5 years away.

### S&P/ASX All Ordinaries Index: Price Forecast – Based on Mild 1970's Return Profile



If the market maintains its 1973 posture stocks are headed towards 5,200 for the S&P/ASX 200 & 1,260 for the S&P 500 within the next 12 months. After this you would expect a pullback, then a whipsaw consolidation and eventually, new highs by approximately 2014. *This roughly equates to a little over 10% per annum compound return.* Not so bad, given what we have witnessed over the last three years. In the coming years and again based on the 1973 experience, Australian equities should do a little better than US equities, with the Australian Materials Index outperforming its Banking counterpart. It seems a long way back to the top – but I guess it's better than where we have been.

It is always easy to fall into the trap of believing that the recent trend of subpar global economic output will persist indefinitely. Conditions do change and companies adapt. I think the Scottish economist Sir Alec Cairncross said it best, **“A trend is a trend is a trend. But the question is – will it bend? Will it alter its course through some unforeseen force and come to a premature end?”** Ten per cent per annum compound over the next 5 years is the calm after the storm. The trend is always changing – don't get caught behind the form. Stick with investment managers that adapt.

Andrew McCauley is Head of Quantitative & Evidence Based Research at Veritas Securities Limited.

## *A closer look at two of our holdings*

### Virgin Blue Holdings

Virgin Blue Holdings Limited (ASX Code: VBA) is a group of three airline carriers competing predominately at the discount end of the market.



We arranged to meet with Virgin Blue management in April 2009 at their head offices in Brisbane. The idea being that Virgin shares which had peaked in February 2007 at \$2.40 were now trading below \$0.30, the company was being priced to go broke. The idea which was generated from our weekly ideas meeting was to visit the company and see if the company had a long term future. At this point the market had rallied off its March 2009 lows by 15% and there were early signs the Australian economy was recovering.

After meeting with the Virgin Blue management team we realised it was a make or break scenario for the company. At the time it had a market capitalisation of just over \$200m against a net debt position of \$1.2bn (comprising mostly of aircraft leases), something had to give. A few months later the company launched a highly dilutive one for one rights issue to raise \$231m at \$0.20. This is when WAM Active established a position in the stock.

We classed the holding as a "trading" stock given our view that airlines are extremely volatile and tough businesses to invest in from a longer term perspective. They are highly cyclical in nature and their earnings can fluctuate significantly throughout the cycle.

We continued to own the stock through the Christmas period of 2009 and watched the share price rally to peak in March 2010 at \$0.80. In April 2010 broker analyst forecasts were revised downwards from the previous consensus of circa \$125m to the bottom end of the companies stated guidance at their half yearly result in February 2010 of \$80-\$110m. In early 2010 it also became apparent that the Australian economy was slowing. The Reserve Bank had delivered six rate hikes in an eight month period and commentary from cyclical companies was that there had been a significant slowdown in sales from February onwards. It was also apparent that the new domestic market entrant Tiger Airways was aggressively driving

down prices for domestic airfares, severely impacting on Virgin Blue's profitability. Not helping was that Virgin had extra planes coming on to meet the company's forecast increase in passenger numbers which did not eventuate. Prices were being driven down and extra capacity was coming on. This along with an increasing oil price at the time almost created a perfect storm for Virgin Blue. This nervousness around the economy and other factors mentioned were all drivers of our decision to fully exit the stock at an average price of \$0.65.

The company then announced in late May that they would not meet their previous earnings guidance and would earn between \$20-\$40m net profit before tax, a 62% earnings downgrade at the midpoint of the range compared to previous guidance. The stock at the time of writing trades at \$0.30. We will continue to monitor and assess the company's progress.

## David Jones Limited

(ASX Code: DJS) From time to time we look for stocks to short sell. The objective here is to profit from a decline in a company's share price.

## DAVID JONES

WAM Active is a trading fund that has the ability to short stocks. Shorting allows an investor to make a profit if a stock falls in price. To carry out a short the investor must borrow the specific stock from a stock lender, usually a major shareholder, through a stock broker. Once the stock is borrowed the investor can sell the stock on market, settling the trade with the borrowed stock. When the investor closes the trade he buys the stock in the market and returns the borrowed stock to the lender.

In April 2010, WAM Active took out a short position in up market department store group David Jones. The average sale price was approximately 4.67 a share. The reason for shorting the stock was twofold. The first and major reason was that we believed conditions in the Australian retail market had deteriorated in early 2010 after being extremely robust in 2009.

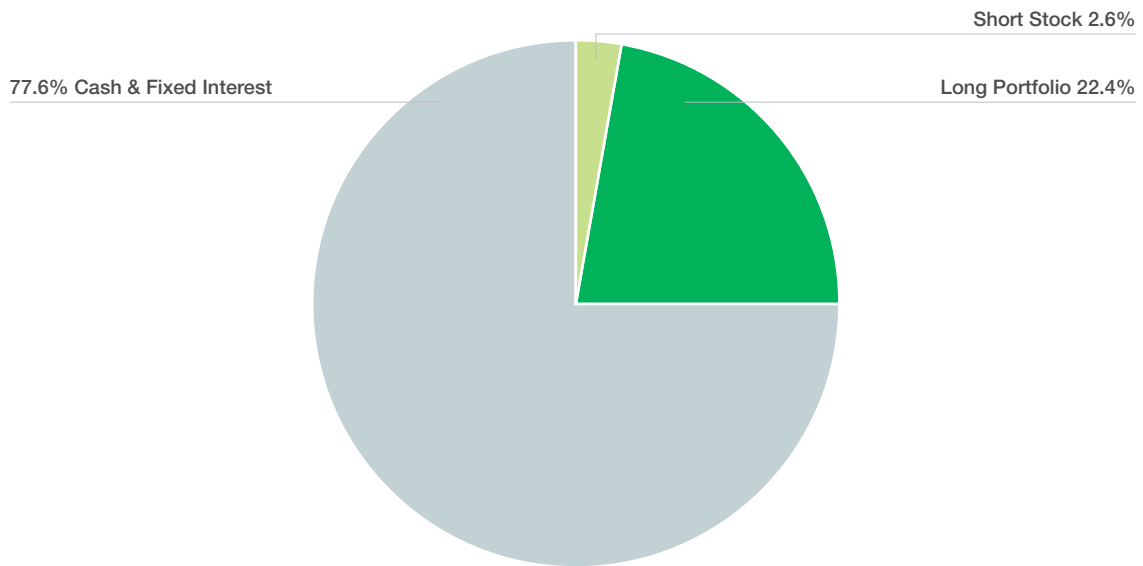
This decline in the retail market coincided with a lift in official interest rates and the removal of government stimulus initially implemented to help the Australian economy through the global financial crisis. At the time we decided to short a range of discretionary retailers who could suffer from these softer conditions. One of the stocks chosen was David Jones. The second reason for selecting David Jones was the fact that it was trading on a price to earnings multiple of around 14 times, some 3 points above the average for the discretionary retail market. In other words investors buying David Jones shares were happy to pay a hefty 14 times 2010 financial year earnings.

We held the short position open for approximately 6 weeks before we bought back the stock at an average price of \$4.27 a share. This resulted in a profit of around 8.5 per cent. The decision to buy back the stock and

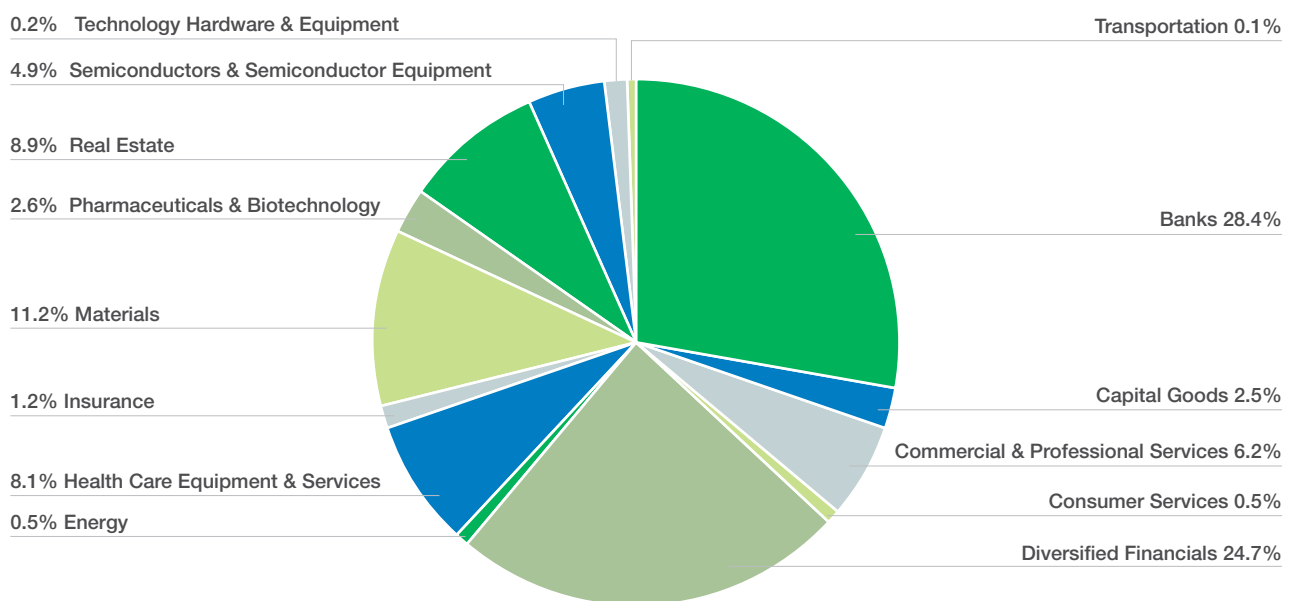
close out the position was taken for several reasons. Firstly the company announced that while trading conditions were difficult it would still manage to achieve its earnings forecast growth of between 5 to 10 per cent for the second half of financial year 2010. Secondly, we believed the overall market had become aware of the soft environment in retail and future gains were limited. In other words the whole sector had been de-rated by investors. Finally, David Jones share price had fallen to a level where people were now only paying 12.5 times 2010 earnings for the stock.

# Portfolio Summary as at June 2010

## Portfolio Asset Allocation



## Long Portfolio Sector Allocation



## Top 10 Holdings as at 30 June 2010

ASX Code	Company Name	Sector	Market Value \$m	% of Gross Assets
RHG	RHG Limited	Banks	0.7	3.6%
NAB	National Australia Bank Limited*	Banks	0.6	3.0%
VTP	Van Eyk Three Pillars Limited	Diversified Financials	0.4	2.2%
HSP	Healthscope Limited	Health Care Equipment & Services	0.4	1.9%
PXUPA	PaperlinX SPS Trust Preference Share	Diversified Financials	0.3	1.7%
DYE	Dyesol Limited	Semiconductors & Semiconductor Equipment	0.2	1.1%
WIC	Westoz Investment Company Limited	Diversified Financials	0.2	1.0%
CXP	Corporate Express Australia Limited	Commercial & Professional Services	0.2	1.0%
DVN	Devine Limited	Real Estate	0.1	0.6%
SRX	Sirtex Medical Limited	Pharmaceuticals & Biotechnology	0.1	0.6%

\*Options written against holding.

## Best Performing Stocks year to 30 June 2010

ASX Code	Company Name	Sector	Unrealised/ Realised Gains
MCP	McPherson's Limited	Consumer Durables & Apparel	\$445,924
VBA	Virgin Blue Holdings Limited	Transportation	\$337,470
FKP	FKP Property Group	Real Estate	\$302,474
FXL	Flexigroup Limited	Diversified Financials	\$288,040
TPM	TPG Telecom Limited	Telecommunication Services	\$263,652
NAB	National Australia Bank Limited	Banks	\$213,183
OKN	Oakton Limited	Software & Services	\$211,126
CCP	Credit Corp Group Limited	Diversified Financials	\$162,516
NWT	Newsat Limited	Telecommunication Services	\$132,670
PBG	Pacific Brands Limited	Retailing	\$131,996

## Worst Performing Stocks year to 30 June 2010

ASX Code	Company Name	Sector	Unrealised/ Realised Losses
CPR	Clive Peeters Limited	Retailing	(\$119,736)
MQG	Macquarie Group Limited	Diversified Financials	(\$79,615)
MVU	MatrixView Limited	Software & Services	(\$68,521)
PIH	Prime Infrastructure Group (previously BBI)	Utilities	(\$68,139)
AAD	Ardent Leisure Group	Real Estate	(\$62,203)
BAU	Bauxite Resources Limited	Materials	(\$55,003)
WOR	WorleyParsons Limited	Energy	(\$53,097)
VTP	Van Eyk Three Pillars Limited	Diversified Financials	(\$53,037)
CQO	Charter Hall Office REIT	Real Estate	(\$51,817)
BLY	Boart Longyear Limited	Energy	(\$50,770)



**WILSON**  
ASSET MANAGEMENT

Wilson Asset Management is an independently owned boutique investment manager established in November 1997 by Geoff Wilson and joined by Matthew Kidman in mid 1998. Wilson Asset Management is based in Sydney, Australia.

The Wilson Asset Management Group (WAM Group) employs four investment professionals who have a total investment experience of over 50 years.

At June 2010, the WAM Group was the manager of three listed investment companies with funds under management of approximately \$310 million. The group also manages an unlisted fund.

In August 1999 the first of the three listed companies, WAM Capital Limited (WAM), was established and has grown from \$21.5 million to approximately \$170 million today. WAM focuses on investing in small to medium sized companies listed on the Australian Securities Exchange for the short to medium term.

In August 2003 the second Listed Investment Company, Wilson Investment Fund Limited (WIL), was established with approximately \$161 million raised. WIL focuses on investing in small to medium sized companies listed on the Australian Securities Exchange.

WAM Active Limited (WAA) is the most recent addition to the group which was listed in January 2008 with approximately \$15 million raised. WAA is an active investor with high turnover and a focus on absolute returns.

#### CONTACT US

**Mr Geoff Wilson  
Portfolio Manager**

T (02) 9247 6755  
M 0412 242 712

**Chris Stott  
Head of Research**

T (02) 9258 4906  
M 0404 099 402

**Martin Hickson  
Analyst/Dealer**

T (02) 9258 4994  
M 0416 312 987

**Mr Matthew Kidman  
Portfolio Manager**

T (02) 9258 4938  
M 0417 069 578

**Kate Thorley  
CFO & Investor Relations**

T (02) 9247 6755  
M 0405 115 644

**Mary-Ann Parker  
Executive Assistant**

T (02) 9247 6755  
M 0412 579 713

Level 11, 139 Macquarie Street, Sydney NSW 2000  
T (02) 9247 6755 | F (02) 9247 6855 | E [info@wami.com.au](mailto:info@wami.com.au)  
[www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au)

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