



**CHAIRMAN'S ADDRESS  
ANNUAL GENERAL MEETING**

**Wednesday 17<sup>th</sup> November 2010 – 2.45pm  
Lyceum Theatre, Wesley Centre  
220 Pitt Street, Sydney NSW 2000**

**Introduction**

Good afternoon, welcome to the third Annual General Meeting of WAM Active Ltd (WAA). Thank you for your attendance and support since we listed in January 2008.

My name is Geoff Wilson, I am Chairman of the Board of Directors and I will be chairing the meeting today. I would like to introduce the other members of the Board – Matthew Kidman, Chris Cuffe, Ron Walker and John Abernethy.

**Operating Profit Result**

On behalf of the Directors, I am pleased to report that your company produced a strong result for shareholders during the year.

For the year to 30 June 2010 the Company's operating profit before tax was \$2.86 million, and operating profit after tax was \$2.12 million. This compared to an operating profit before tax of \$825,647, and an operating profit after tax of \$641,196 in the previous financial year. The result reflected the strong performance of the investment portfolio over the last 12 months.

**Dividends**

The company paid a total of 6.0 cents per share fully franked for the financial year to 30 June 2010.

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. The government legislation introduced in June this year enabling companies to pay dividends on a solvency basis is extremely positive for all investors. It will allow WAM Active to pay a consistent stream of dividends in all market environments.

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In line with our dividend policy and in the current environment the board is anticipating an increase in dividends for this year.

**Net Asset Backing (NTA)**

As a result of the strong performance of the investment portfolio during the financial year, the pre-tax NTA increased to 116.1 cents per share from 104.3 cents per share (adjusted for 5.0 cents per share paid in dividends during the financial year).

Since balance date, the portfolio has continued to improve and as at 31 October 2010, the pre-tax NTA has increased to 114.0 cents per share (after the payment of a fully franked dividend of 3.0 cents per share in September 2010).

Our goal is to have the share price trading close to NTA. We believe this will be achieved by performance, payment of a growing stream of fully franked dividends, a strong and growing dividend yield and continued marketing and communication of the WAM Active to investors.

**Capital Management**

The company currently has options on issue which trade on the Australian Securities Exchange and have an exercise price of \$1.15 per option. They can be exercised any time up until the expiry date of 30 April 2011.

The reason behind this option issue is the Board's vision to grow the market capitalisation of WAA to at least \$100m over the next 5 years while continuing to generate strong investment results.

**Total Portfolio Return and Total Shareholder Return**

For the 12 months to 30 June 2010 WAM Active's gross portfolio increased 22.7%, while the S&P/ASX All Ordinaries Accumulation Index increased by 13.8%.

Over the same period the after tax NTA increased 14.2%, this is adjusted for dividends and excluding tax assets and the share price rose 34%, adjusted for dividends.

**Structural Change**

Recently two significant events have occurred that I believe will be very positive for WAA and the Listed Investment Company (LIC) sector in Australia.

The first of these is the recent changes in dividend legislation which allows LIC's and other listed companies to pay dividends based on the solvency position of the company rather than from reported profits and retained earnings. This will be a benefit to investors as it will increase the level of fully franked dividends paid to investors and it will increase WAM Active's ability to pay dividends year in and year out. It is estimated there are over

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\$100 billion franking credits available for distribution from Australian companies. These changes will continue to lead to strong dividend growth for the market which for the current year 2009/10 was 11.2% and is estimated to be 20% over the next 2 years.

The second event is the Ripoll Review which proposes the removal of commissions on managed funds from 1 July 2012. This will provide a level playing field between LIC's and managed funds. Another benefit from this review will be the introduction of a statutory fiduciary duty on financial advisors in relation to their clients. I believe these events will increase the interest in LIC's as an attractive investment option.

**Outlook**

In the year ahead we envisage trading opportunities will continue to be focused around capital raisings and corporate activity. In 2009/10 we participated in 169 raisings and already 79 in the first 4 months of this financial year. The continued strength in commodity prices will continue to provide trading opportunities.

Corporate balance sheets are under geared after the \$109 billion of capital raised in 2009 and we believe this will lead to further corporate activity. The company's portfolio is well positioned to take advantage of all opportunities as they present themselves.

**Board's Vision for the Future**

WAA has enjoyed a strong start to its life and the Board are pleased with the progress of the fund's performance. The primary objective going forward continues to be achieving an absolute return to its investors. The board is still focussed on growing the market capitalisation towards \$100 million. This would result in a reduction in costs as a percentage of assets and increased liquidity.

**Appreciation**

In conclusion I would like to thank the team at Wilson Asset Management for their considerable efforts. I would also like to thank my fellow Board members for their valued contributions and finally thank our 620 loyal shareholders for their continuing interest and support of WAM Active Limited.