

# WAM ACTIVE LIMITED

ABN 49 126 420 719



24 January 2011

## MEDIA RELEASE

### **"33% INCREASE IN DIVIDEND"**

**WAM ACTIVE LIMITED  
RESULTS SUMMARY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

- Gross portfolio increased by 12.2% for the 6 months to 31 December 2010
- Profit before tax \$1.45m for the 6 months to 31 December 2010
- A 33% increase in the interim fully franked dividend to 4.0 cents a share
- After tax net tangible assets increased 9.3%\* to 116.39 cents per share

\*adjusted for dividends paid

## **WAM ACTIVE LIMITED**

WAM Active Limited (WAA) today announced an operating profit before tax for the six months to 31 December 2010 of \$1,446,764, and an after tax profit of \$1,172,250.

Since listing three years ago WAA has delivered strong absolute returns with an annualised performance of 15.5% versus the S&P/ASX All Ordinaries Accumulation Index which has given a -4.9% annualised return over the same 3 year period.

It has also delivered a growing stream of fully franked dividends and preserved the capital company through some very volatile equity markets.

During this period the gross value of the portfolio increased by 12.2% while the S&P/ASX All Ordinaries Accumulation Index increased 14.5%. *"This was a pleasing result given our average equity exposure over the 6 months was 40.6%."* said Geoff Wilson, Chairman of WAM Active.

As at 31 December 2010, 65.4% of the portfolio was invested in equities while 34.6% was invested in cash and fixed interest. Over the last six months the average equity holding was 40.6% versus an average equity holding of 71.8% in the same period last year. In the six month period the equity portion of the portfolio was turned over 3.8 times.

*"We expect the major trading opportunities in the next twelve months will be focussed on corporate activity, capital raisings and short selling."* said Geoff Wilson, Chairman of WAM Active.

### **DIVIDENDS**

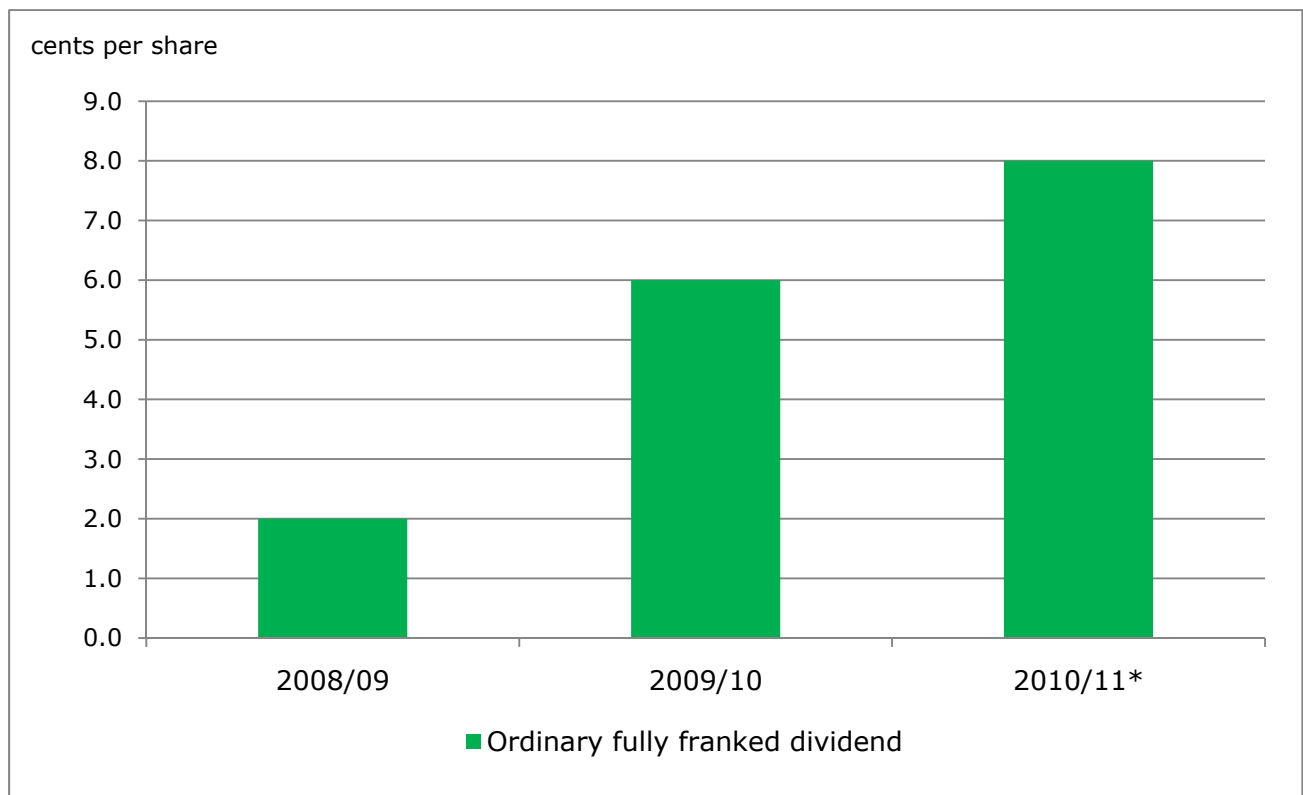
The Directors of WAA have declared a fully franked interim dividend of 4.0 cents per share. This is a 33% increase on last year's interim dividend to be paid as follows.

Ex Date:	17 March 2011
Record Date:	23 March 2011
Payment Date:	31 March 2011

## **DIVIDENDS CONTINUED**

The dividend re-investment plan will be operating at no discount. The current share price (\$1.07 being closing price 21 January 2011) is a 9.8% discount to the estimated 31 December 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 23 March 2011.

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. Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather it will be with consideration to cash flow, cash holdings and available franking credits. Essentially, WAM Active will always be in a position to pay dividends providing it is solvent.



\* annualised interim dividend

## **OPTION ISSUE**

WAA currently has 15,482,170 options on issue, which trade on the Australian Securities Exchange under the code WAAO, have an exercise price of \$1.15 per option and can be exercised any time up until the expiry date of 30 April 2011. One of the reasons behind the option issue is the Board's vision to grow the market capitalisation of WAA to \$100m over the next 4 years and to continue to generate strong results.

## **NET ASSET BACKING**

The net tangible assets (NTA) on listing in January 2008 was 98.4 cents a share. Below is a table of the Company's position as at 31 December 2010. This after the payment of 8.0 cents a share fully franked dividends since listing.

NTA before tax	118.67c
NTA after tax and before tax on unrealised gains	119.75c*
NTA after tax	116.39c**

\*Includes tax assets of 1.08 cents per share.

\*\*This includes the net effect of 1.08 cents of tax assets and 3.36 cents of deferred tax liabilities

## **PERFORMANCE**

The gross portfolio increased 12.2% for the 6 months to 31 December 2010. The equity holding averaged 40.6% over the 6 months with the remaining money held in fixed interest and cash.

<b>Annualised Performance as at 31 December 2010</b>	<b>6 Months</b>	<b>1 Year</b>	<b>2 Years</b>	<b>Since Inception (Jan-08)</b>
WAM Active Limited*	+12.2%	+6.4%	+30.5%	+15.5%
S&P/ASX All Ordinaries Accumulation Index	+14.5%	+3.3%	+20.1%	-4.9%
<b>Outperformance</b>	<b>-2.3%</b>	<b>+3.1%</b>	<b>+10.4%</b>	<b>+20.4%</b>

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

## **PERFORMANCE CONTINUED**

Set out below is the performance of WAA since listing to 31 December 2010 on a financial year basis from 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX All Ordinaries Accumulation Index which is a before tax and expenses measure.

<b>Financial Year</b>	<b>Gross Portfolio*</b>	<b>S&amp;P/ASX All Ordinaries Accumulation Index</b>	<b>Outperformance</b>
2007/2008	+2.2%	-15.2%	+17.4%
2008/2009	+9.6%	-22.2%	+31.8%
2009/2010	+22.7%	+13.8%	+8.9%
YTD 2010/2011	+12.2%	+14.5%	-2.3%

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

## **PORTFOLIO STRATEGY**

Our trading strategy during the period has benefited from takeover arbitrages, capital raisings and short selling opportunities. Over the last 6 months the fund participated in 96 capital raisings. We traded 10 positions in stocks which were under takeover offer. We short sold stocks on 20 occasions. Our total number of stocks we traded in the 6 months was 160. We believe that the portfolio is well positioned to perform in the current challenging market environment and the trading opportunities will again focus on capital raisings, takeover opportunities and short selling.

## **MARKET OUTLOOK**

Calendar year 2010 proved to be another strong year for capital raisings in the Australian market. Over the year \$56 billion of equity was raised by Australian companies. This added to the \$109 billion raised in 2009, leading to a significant deleveraging of Australian companies balance sheets. Companies will need to deploy this capital to earn an adequate return for their shareholders. With subdued organic revenue growth, we believe companies will try and 'buy growth' resulting in an increase in mergers and acquisitions this year. This will benefit WAM Active as mergers and acquisitions often provide opportunities for the fund to generate solid risk adjusted returns.

## **MARKET OUTLOOK CONTINUED**

Over the 6 month period the fund participated in 96 capital raisings (88 placements and 8 IPO's). In this period the S&P/ASX Small Resources Index was up a colossal 46.7% which supported a plethora of capital raisings by junior mining companies as they took advantage of their strong share prices to raise funds. While there will continue to be opportunities to participate in capital raisings, we believe the volume of these in the year ahead will be down on 2010 levels.

In November 2010, we saw QR National the largest IPO since Telstra successfully listed on the ASX. On the back of this successful listing, we believe there will be an increase in the number of large IPO's this year. Analysts are predicting over \$8 billion of raisings from IPO's.

Heading into the new calendar year we remain cautious despite the rally in equities since July 2010. We remain concerned about a bubble forming in the mining sector, primarily smaller resource stocks. In recent months, the Chinese Government has been forced to lift interest rates and restrict lending practices to try and cool the economy. Any slowdown in China could materially effect commodity prices. If this occurs it will provide resource short selling opportunities.

We expect the major trading opportunities in the next twelve months will be focussed on corporate activity, capital raisings and short selling.

## **PORTFOLIO STRUCTURE**

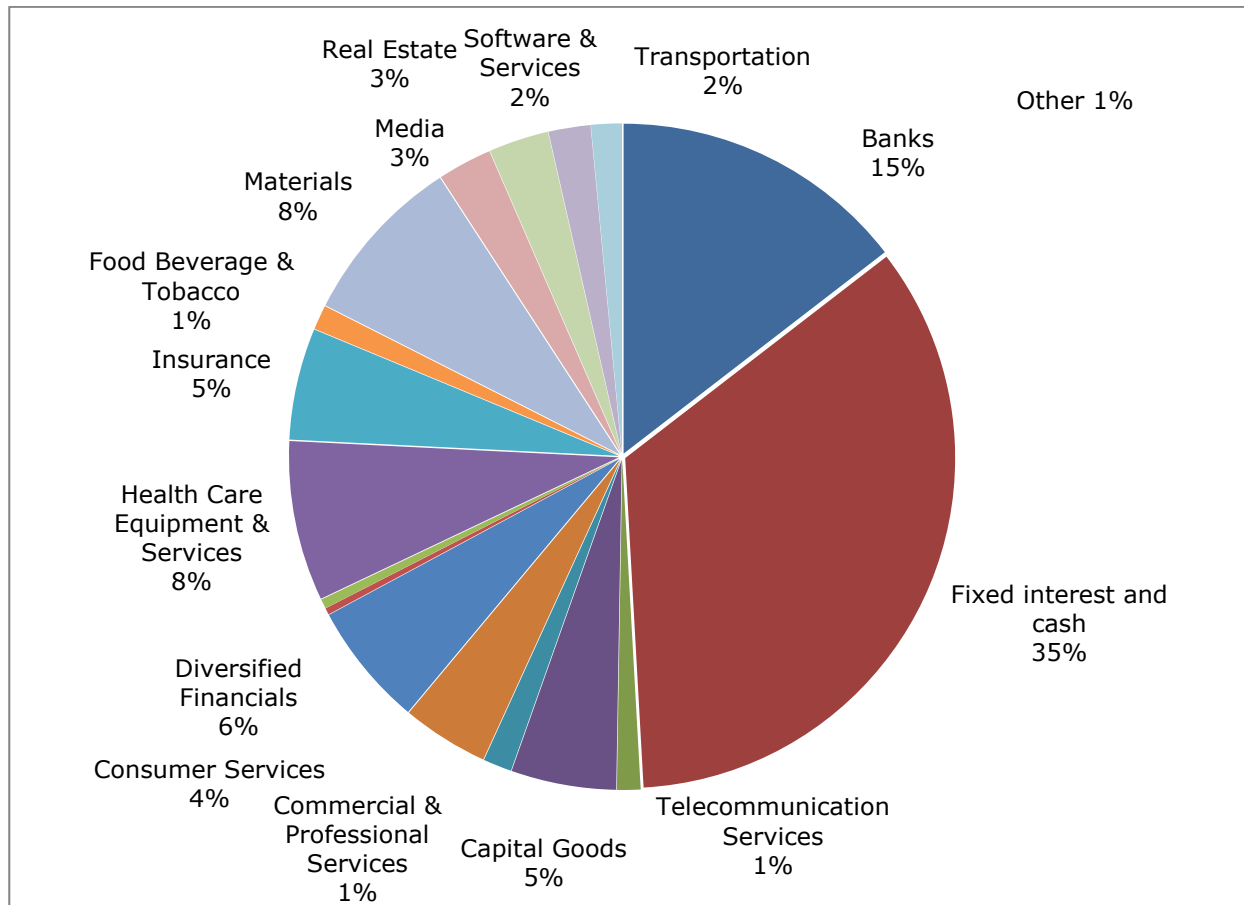
<b>Investment Type</b>	<b>As at 30 June 2010</b>		<b>As at 31 Dec 2010</b>	
	<b>\$m</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
Listed Equities	4.39	22.4%	12.67	65.4%
Fixed Interest and Cash	15.18	77.6%	6.69	34.6%
<b>Total Long Portfolio</b>	<b>19.57</b>	<b>100.0%</b>	<b>19.36</b>	<b>100.0%</b>
<b>Total Short Portfolio</b>	<b>(0.66)</b>		<b>(0.27)</b>	
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	15,604,808		15,682,838	
<b>Total options on issue</b>	15,486,719		15,482,170	

## **PORTFOLIO STRUCTURE CONTINUED**

At 31 December 2010 the major securities held in the portfolio were:

<b>Code</b>	<b>Company</b>	<b>Market Value \$</b>	<b>Market Value as % Gross Assets</b>
RHG	RHG Limited	1,211,078	6.3%
TAL	Tower Australia Group Limited	1,058,983	5.5%
PRY	Primary Health Care Limited	830,652	4.3%
JHX	James Hardie Industries Se	719,690	3.8%
CSR	CSR Limited	710,640	3.7%
FLT	Flight Centre Limited	631,890	3.3%
CBA	Commonwealth Bank of Australia	389,914	2.0%
NAB	National Australia Bank Limited	379,200	2.0%
SYM	Symex Holdings Limited	374,714	2.0%
ANZ	Australia and New Zealand Banking Group Limited	373,600	2.0%
WBC	Westpac Banking Corporation	373,128	2.0%
NWS	News Corporation	360,900	1.9%
RMD	ResMed Inc.	328,409	1.7%
INQ	Investorfirst Limited	283,333	1.5%
KSC	K & S Corporation Limited	250,112	1.3%
CCP	Credit Corp Group Limited	243,600	1.3%
CCQ	Contango Capital Partners Limited	242,347	1.3%
EFG	Everest Financial Group Limited	238,621	1.2%
WFM	Webfirm Group Limited	235,385	1.2%
MSF	Maryborough Sugar Factory Limited (The)	233,837	1.2%

## **PORTFOLIO STRUCTURE – SECTOR ALLOCATION**



We would like to thank our investors for their continued support throughout the year. We look forward to seeing you at our shareholder presentation in May where we will give you a further update on the company's performance and the broader equity markets.

For further information please contact Geoff Wilson, Kate Thorley, Matthew Kidman, Chris Stott or Martin Hickson on (02) 9247 6755

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