



8 February 2010

MEDIA RELEASE

WAM ACTIVE LIMITED

ABN 49 126 420 719

RESULTS SUMMARY

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

- **Gross portfolio increased by 29.4% for the 6 months to 31 December 2009.**
- **Gross portfolio increased by 60.2% for the 12 months to 31 December 2009.**
- **Profit before tax \$3.97m for the 6 months to 31 December 2009.**
- **Profit after tax \$2.87m for the 6 months to 31 December 2009.**
- **Interim fully franked dividend of 3.0 cents per share.**
- **Pre tax net tangible assets 127.79 cents per share.**
- **After tax net tangible assets 119.76 cents per share.**

WAM ACTIVE LIMITED

WAM Active Limited (WAA) today announced an operating profit before tax for the six months to 31 December 2009 of \$3,972,915, and an after tax profit of \$2,868,002. During the half year the gross value of the portfolio increased by 29.4% while the S&P/ASX All Ordinaries Accumulation Index increased 26.1%. In the twelve months to 31 December 2009 WAA's portfolio increased 60.2% and outperformed the S&P/ASX All Ordinaries Accumulation Index by 20.6%.

As at 31 December 2009, 43.3% of the portfolio was held in cash and fixed interest while 56.7% was invested in equities. Over the last six months the average cash holding was 28.2%. In the six month period the equity portion of the portfolio was turned over 4.4 times.

A fully franked interim dividend of 3.0 cents per share has been declared by the Board and will be paid on 26 February 2010.

NET ASSET BACKING

The net tangible asset backing (NTA) on listing in January 2008 was \$0.984 per share. Below is a table of the company's position as at 31 December 2009:

NTA before tax	127.79c
NTA after tax and before tax on unrealised gains	125.06c
NTA after tax	119.76c

This is after the payment of 2.0 cents per share in a fully franked dividend.

DIVIDENDS

A fully franked dividend of 2.0 cents per share has been paid in the period to 31 December 2009 and an interim fully franked dividend of 3.0 cents per share has been declared by the Board and will be paid on 26 February 2010.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders over time. Any amounts paid are at the director's discretion and will be governed by the Company having sufficient profits.

OPTION ISSUE

The Directors of WAA have today announced a 1 for 1 bonus issue of options to its shareholders. The options will be allotted at no cost to shareholders. The options will have an exercise price of \$1.15 per option and can be exercised any time up until the expiry date of 30 April 2011.

PERFORMANCE

The gross portfolio increased 29.4% for the 6 months to 31 December 2009, while the S&P/ASX All Ordinaries Accumulation Index increased by 26.1% and the S&P/ASX Small Industrials Accumulation Index increased 27.8%.

Since inception in January 2008 WAA's gross portfolio has increased 44.9% compared to a 16.8% decline in the S&P/ASX All Ordinaries Accumulation Index.

PERFORMANCE TABLE

	6 month	12 month	18 month	Since inception
WAA	29.4%	60.2%	41.8%	44.9%
S&P/ASX All Ords Accum Index	26.1%	39.6%	-1.9%	-16.8%
Outperformance	3.3%	20.6%	43.6%	61.7%

Start/end dates: 10 Jan 2008/31 Dec 2009

WAA portfolio performance is before all expenses, fees and tax

Benchmark when calculating outperformance is the S&P/ASX All Ords Accumulation Index

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
Gross Portfolio **	+0.3%	+1.2%	+0.5%	+1.6%	+2.4%	-3.7%	-1.1%
All Ords Accum.	-11.2%	+0.3%	-4.1%	+4.6%	+2.5%	-7.3%	-5.2%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
Gross Portfolio **	+0.1%	-3.8%	-5.3%	-5.2%	+3.4%	-1.9%	+0.6%
All Ords Accum.	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%	-4.9%	-4.3%
	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sep 09
Gross Portfolio **	+4.5%	+7.6%	+5.0%	+6.2%	+9.6%	+7.5%	+6.2%
All Ords Accum.	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%	+6.5%	+6.0%
	Oct 09	Nov 09	Dec 09				Since Inception
Gross Portfolio **	+2.1%	+0.3%	+1.0%				+44.9%
All Ords Accum.	-1.9%	+1.9%	+3.7%				-16.8%

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

PORTFOLIO STRATEGY

The fund enjoyed a tremendous rebound in equity prices during 2009. Multiple trading opportunities presented themselves through heavily discounted capital raisings and oversold stocks due to investor fear and panic. As we enter the current half the trading environment has changed significantly with the quality of the capital raisings declining and stock valuations no longer compellingly cheap. While trading opportunities will always present themselves we have gradually moved the fund's cash levels higher and tried to avoid companies that are highly illiquid. We have repositioned the portfolio towards cheaper industrial stocks that we expect to produce strong earnings on the back of an economic recovery. We would expect to rotate out of these stocks once their earnings profiles are revealed. Among these stocks are airline Virgin Blue Holdings Limited (VBA), transport group Toll Holdings Limited (TOL) and media play Fairfax Media Limited (FXJ). The fund has also taken positions in companies trading below their net tangible asset backing such as RHG Limited (RHG) and Macquarie Office Trust (MOF). We have moved out of the financial sector which has seen a significant re rating following the global financial crises of 2008.

Our belief is that now is the time to be cautious given the 50 per cent rally from the lows experienced in March 2009. As mentioned above there will always be trading opportunities but investments will not be supported by a surging market. Instead the environment will be more volatile and we have adjusted our approach. Over the next 12 months we are looking to profit from an increase in corporate activity as companies look to employ the capital they raised in 2009.

MARKET OUTLOOK

The share market sits in a precarious position as we move deeper into 2010. Following a stellar rebound in 2009 which saw the benchmark S&P/ASX All Ordinaries Index rocketing almost 60 per cent higher from its March lows, it is difficult to see why the market should rise unabated. In Australia, official interest rates are moving higher and are predicted to do so right throughout calendar 2010. Investors do not like higher interest rates for several reasons. Firstly, tighter monetary policy will eventually slow economic activity and put pressure on earnings growth. Secondly, investors can get a competitive return without taking any risk by depositing their cash with the bank.

In addition to the impact of higher rates, we have to assume the crucial world economies of China and the US will have to gradually remove the stimulus injected by their respective governments during the collapse of financial markets in 2008 and 2009. China will be the first to move towards tighter policy settings followed later in 2010 by the USA. These moves will also create a strong headwind for local equities.

While this sounds like doom and gloom we should make it clear that we are not advocating a share market collapse that was experienced in 2008. However, it would not be surprising if markets around the globe, including Australia, finish calendar year 2010 lower than where they started. We believe that when interest rates have moved from historical lows to more normal settings then equity markets will begin to enjoy a new bull market. This is unlikely to take place until 2011/2012.

The direction of the market will continue to provide WAA trading opportunities as they present themselves over the course of the coming months.

PORTFOLIO STRUCTURE

	As at 30 June 2009		As at 31 December 2009	
Investment Type	\$m	%	\$m	%
Listed Equities	11.76	71.0%	12.15	56.7%
Fixed Interest and Cash	4.80	29.0%	9.28	43.3%
Total Long Portfolio	16.56	100.0%	21.43	100.0%
Total Short Portfolio	(0.10)		(0.58)	
	No.		No.	
Total no. of ord shares on issue	15,400,101		15,489,219	

At 31 December 2009 the major securities held in the portfolio were:

CODE	COMPANY	MARKET VALUE \$	MARKET VALUE as % of Long Portfolio	MARKET VALUE as % of Gross Assets
MCP	McPherson's Limited	964,811	7.9%	4.6%
VBA	Virgin Blue Holdings Limited	523,053	4.3%	2.5%
TOL	Toll Holdings Limited	520,030	4.3%	2.5%
FXL	Flexigroup Limited	465,016	3.8%	2.2%
WES	Wesfarmers Limited	451,852	3.7%	2.2%
QAN	Qantas Airways Limited	406,640	3.3%	2.0%
RHG	RHG Limited	401,656	3.3%	1.9%
TEN	Ten Network Holdings Limited	387,940	3.2%	1.9%
MTS	Metcash Limited	379,950	3.1%	1.8%
TLS	Telstra Corporation Limited	361,899	3.0%	1.7%
AAD	Ardent Leisure Group	357,848	2.9%	1.7%
FXJ	Fairfax Media Limited	354,960	2.9%	1.7%
CUS	Customers Limited	351,002	2.9%	1.7%
FBU	Fletcher Building Limited	350,336	2.9%	1.7%
		TOTAL	51.5%	30.1%

LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION

