



WAM CAPITAL LIMITED
ABN 34 086 587 395
CHAIRMAN'S ADDRESS

Delivered by Geoffrey Wilson at the Annual General Meeting of shareholders held at Lyceum Theatre, Wesley Centre, Sydney on Wednesday 16 November 2011.

Introduction

Good morning, welcome to the thirteenth Annual General Meeting of WAM Capital Ltd (WAM). Thank you for your attendance and for your support since WAM Capital listed in August 1999.

My name is Geoff Wilson, I am the Chairman of the Board of Directors and I will be chairing the meeting today. Before I commence today's proceedings I would like to introduce the other members of the Board – Matthew Kidman, Paul Jensen and James Chirnside.

Also joining us to address questions regarding the Financial Statements are our auditors, Jenelle Webster and Sylvia Wallace from Moore Stephens.

Financial Performance

On behalf of the Directors, I am pleased to report your company produced a solid result for shareholders while navigating difficult and volatile markets.

WAM's operating profit before tax, for the year to 30 June 2011 was \$24.8 million, and operating profit after tax was \$20.4 million. The result reflected the strong performance of the investment portfolio over the year. Under accounting standards, unrealised gains and losses are added to or reduced from operating profit. This can lead to variations in reported profits from one year to the next. The Board and the Manager believe the most appropriate performance measures are as follows:

Portfolio Investment Return

The first measure of performance is used to show how the Investment Manager has performed. This measure is a before all tax and costs and can be compared to an index which is also a before tax and costs measure. For the year to 30 June 2011, WAM's gross portfolio increased 17.9%, while the S&P/ASX All Ordinaries Accumulation Index increased by 12.2%, the S&P/ASX Small Ordinaries Accumulation Index increased 16.4% and the S&P/ASX Small Industrials Accumulation Index increased 15.7%. WAM outperformed each index by 5.7%, 1.5% and 2.2% respectively.

Net Asset Return

The second measure of performance is the movement in underlying net assets (NTA) after taxes and all costs. This performance shows the change in the value of the assets which belong to the shareholders over the 12 month period. Corporate tax, being 30%, is the most significant item of difference between the gross and the net asset performance. The franking credits attached to this corporate tax paid, are available to be distributed to shareholders through fully franked dividends along with franking credits received from dividend income. WAM's after tax NTA, adjusted for dividends, increased 12.6% for the year to 30 June 2011.

Share Price Return

The third measure of performance is the share price return. The share price, adjusted for dividends paid to shareholders during the course of the year, rose 41.9% for the year to 30 June 2011. This significantly outperformed the NTA performance due to the closing of the share price discount to NTA.

The above performance measures of WAM Capital were achieved while having on average 57% invested in equities, with the balance of 43% being held in cash and term deposits with Australian banks. The return on our equity portion of the portfolio was 27.1%, while the return on our cash was 5.6%.

Of greater significance is the longer term performance of WAM Capital. The gross investment performance of WAM, since inception in August 1999, has generated 18.2% p.a. which is a 10.7% p.a. outperformance of the S&P/ASX All Ordinaries Accumulation Index. This return has enabled us to pay an annualised fully franked dividend yield on the initial public offering price of 10.7% p.a. over the last 12 years.

Set out below is the performance of WAM since listing to 31 October 2011. The performance data is before all expenses, fees and taxes and is used as a guide to how the company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index, which is also a before tax and expenses measure.

Gross Performance	WAM Capital	S&P/ASX All Ordinaries Accumulation Index	Outperformance
1 Year	+7.2%	-4.0%	+11.2%
3 Years	+19.9%	+7.6%	+12.3%
5 Years	+8.2%	+0.1%	+8.1%
10 Years	+15.3%	+7.5%	+7.8%
Since Inception	+18.2%	+7.5%	+10.7%

Note: The figures in the above table represent annualised performance.

For the 4 months to October 2011, the portfolio increased 0.1% versus a decline in the S&P/ASX All Ordinaries Accumulation Index of 4.9%, giving an outperformance of 5.0%.

Dividends

The Board's policy of paying a growing stream of fully franked dividends continued during the financial year with a 25% increase in the full year dividend to 10.0 cents per share fully franked. This consisted of a fully franked 5.0 cents per share interim dividend and a fully franked 5.0 cents per share final dividend.

Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits. Providing the company is deemed solvent by the Board, WAM should always be in a position to pay dividends. WAM currently has franking credits which allow it to pay a dividend equivalent to 7.0 cents per share.

Remuneration Report

Executive remuneration has been a heavily debated topic this AGM season and is at the forefront of many investors minds with the introduction of the Two Strikes Rule. We believe the new rule encourages shareholder engagement and holds Boards accountable to their shareholders. Some recent research shows that companies that receive a "strike" on average underperform the ASX200 -1.5% one week after and -3.1% one month after a strike.

In terms of the Remuneration Report for WAM, I draw your attention to the fact that it relates to four directors. The fees range between \$10k and \$30k per annum. The reason for the increase this year is to bring a retiring executive in line with the other non-executive directors (NED). This is the second time fees have been increased since the fund floated in 1999.

Outlook

We believe that equity markets around the world will continue to be influenced by a decade of deleveraging. This will result in lower growth expectations and lower price earnings ratios.

Themes emerging from the latest reporting season were negative and included a weakening consumer environment, rising cost pressures, the impact of the higher Australian dollar, and increasing regulatory risk as can be seen by the introduction of the Resource Rent Tax and the Carbon Tax. In this environment, we believe the risk of earnings expectations not being achieved in the current year is high.

With this difficult domestic environment and significant global uncertainty, the short term outlook for equities looks bleak. In these difficult times significant opportunities usually present themselves. WAM's portfolio currently holds equities of 68% with the remaining 32% in cash on deposit with Australian

banks. This provides us with considerable flexibility to invest as opportunities arise.

In the year ahead, we envisage Research Driven opportunities to continue to present themselves as valuations are at low levels. The challenge will be the correct forecasting of earnings growth. The Market Driven opportunities will be focused around takeovers, short selling, earnings surprises both positive and negative and relative value arbitrages.

We continue to focus on growth companies with an emphasis on identifying stocks that are under researched and undervalued. These companies tend to be small to medium sized industrial companies listed on the ASX. This strategy has served us well throughout our 12 year history.

Our investment philosophy will continue to be applied as the dedicated team at Wilson Asset Management strives to achieve the funds stated objectives of a high real rate of return, comprising both income and capital growth, within the risk parameters acceptable to the Directors, whilst preserving the capital of the Company. We look forward to the future challenges and opportunities.

Appreciation

On behalf of the shareholders, Board and the staff at Wilson Asset Management, we would like to take this opportunity to thank Matthew Kidman for his invaluable contribution at Wilson Asset Management over the last 13 years. We wish him every success in his future endeavors and look forward to continuing to work with him in his capacity as Director.

I would also like to thank the team at Wilson Asset Management for their considerable efforts and my fellow Board members for their valued contributions.

Finally, I extend my thanks to our loyal shareholders for their continuing support.