



CHAIRMAN'S ADDRESS

WAM CAPITAL LIMITED ABN 34 086 587 395 ANNUAL GENERAL MEETING

Wednesday 18th November 2009 – 2.00pm

**Lyceum Theatre, Wesley Centre
220 Pitt Street, Sydney NSW 2000**

1. INTRODUCTION

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

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, James Chirnside and Paul Jensen.

2. MISSION

WAM is an investment company whose mission is to provide superior returns to its investors over the medium to long term. WAM is managed by Wilson Asset Management (International) Pty Limited.

3. PERFORMANCE

We are pleased to report on the company's performance in its tenth year of operation. Over the period, on average approximately 53.9% of total assets were held in cash and fixed interest. In the year to June 2009 the Gross Portfolio decreased 3.0% while the All Ordinaries Accumulation Index fell 22.2% and the Small Industrials Accumulation Index fell 26.3%. Since inception in August 1999 to June 2009 the portfolio, before all fees and taxes, has significantly outperformed the All Ordinaries Accumulation Index. The portfolio has increased 406.2% while the All Ordinaries Accumulation Index has increased approximately 99.3%.

For the 2009 year WAM made an operating loss before tax of \$7.2 million and an operating loss after tax of \$4.1 million. A 4.0 cent fully franked dividend was paid in July.

Now, I would like to discuss how we positioned the portfolio over the last 18 months and what we are planning on doing this year.

When the bull market ended in November 2007, we had a healthy cash balance (approx 33%). As the market fell, we increased our cash levels and sold the companies whose business models we believed would find it difficult in this changed environment. We selectively short sold few companies as we didn't want to get our "arms ripped off" when the inevitable rally occurred.

While the market was falling in late 2008, we decided on a two-pronged approach – buying very low risk plays – companies that were trading below their cash or assets (ie. EFG, RHG) and buying extremely high risk plays. Companies that had high levels of debt which, if they survived, would provide significant leverage (ie. Pacific Brands, McPhersons). We were also waiting for the market to turn and we decided the best leverage plays were larger cyclical stocks in the financials, building materials, retail and transport sectors. As the market started rallying we significantly increased our exposure.

In February 2009, we were 70.3% cash and by May 2009 that was down to 35.7%. We have played this rally well while holding cash and aggressively participating in over 138 capital raising since March 2009. Now a few warning signs are starting to present themselves. Over the last 2 months the quality of the companies looking to raise money has declined significantly. We think the significant arbitrage opportunities from the capital raisings are nearing an end. Through this period, we have continued searching for companies that rate on our research rating system (managed by Chris Stott) and buying the ones that have catalysts which will lead to a re-rating by the market.

Our view over the next twelve months is it will be a challenging market. The easy money has been made. The next 44% increase required to get back to our previous high of 1 November 2007 could take 3 to 5 years. We will stick to our bread and butter of finding those small and medium sized companies that rate on our system. These companies will be found from the 700 plus meetings we have with company management each year.

The trading opportunities will be through corporate activity as the capital that has been raised over the last 6 months gets put to work. We would expect 2010 will be a busy year for takeovers.

We are currently holding more than 30% of the portfolio in cash. We are prepared to increase this level as the market moves higher. We will stick to our strategies which have served us well.

4. NTA & SHARE PRICE

Our goal is to have the share price trading at a slight premium to NTA. We believe this will be achieved with performance and the payment of fully franked dividends delivering a high dividend yield.

5. PORTFOLIO

The manager continues to refine the portfolio. The structure of the portfolio has changed over the last 12 months. In October 2008, 64% of the portfolio was held in cash and fixed interest, and 36% was invested in equities. At 31 October 2009, 30% was held in cash and fixed interest, and 70% was invested equities.

6. TOTAL RETURN

Since floating in August 1999 at \$1.00 shareholders have received 110.0 cents in fully franked dividends, an equal access Buy-Back equivalent to 8.0 cents a share and three free options, the first exercisable at \$1.20, the second exercisable at \$1.55 and the third exercisable at \$1.80. Since inception to October 2009, the gross portfolio has had an average annual increase of 19.9% p.a. The increase was 12.7% p.a. for the last 5 years, 7.2% for the last 3 years and 43.2% for the last 12 months to June 2009.

7. GOAL

Our goal is to deliver a return of 15-20% per annum for our shareholders. This would ideally be achieved with a portfolio of 25 to 30 companies that are growing earnings at 15-25% per annum, trading on a low price earnings multiple, are well managed and have a strong position in a growth industry. The problem is, companies with all these characteristics are hard to find. We will always be looking. Along the way we see numerous opportunities that aren't purely research based and when we believe the risk reward is in our favour, we invest.

8. DIVIDEND POLICY

The board is committed to paying dividends when profitability allows.

In July we paid a fully franked dividend of 4.0 cents a share. It is the board's intention to pay an increasing stream of dividends. The ability to pay these dividends will depend on profitability and franking credits.

9. CONCLUSION

In conclusion I would like to thank the staff, directors and shareholders of WAM for their continuing support. We look forward to an exciting future ahead together. We believe there are always opportunities and we look forward to the current year.