



20 July 2011

**WAM CAPITAL LIMITED (WAM)
ABN 34 086 587 395
MEDIA RELEASE
YEAR TO 30 JUNE 2011 RESULTS**

“25% INCREASE IN DIVIDEND”

Key Highlights

- A 25% increase in the fully franked full year dividend to 10.0 cents per share. A 25% increase in the fully franked final dividend to 5.0 cents per share representing a fully franked yield of 6.3%.
- The gross portfolio increased 17.9% for the 12 months to 30 June 2011, while the S&P/ASX All Ordinaries Accumulation Index increased by 12.2%. This was an outperformance of +5.7%.
- This outperformance was achieved with an average cash weighting of 43% for the year. Small and mid cap value stocks will always provide significant opportunities. WAM's investment philosophy is to invest predominately in industrial companies with an emphasis on stocks that exhibit strong growth, are under researched and mispriced, a situation that has preponderance in the small to medium end of the market as measured by market capitalisation.
- The Fund experienced a re-rating amongst a number of its positions which drove the funds outperformance. We continue to find select opportunities to add into the portfolio with the research driven holdings increasing to 33 stocks, up from 20 at the same time last year. Our focus has always been on stock selection and we believe that we are well positioned to perform in the current challenging market environment.

Performance as at 30 June 2011	1 Yr %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception (Aug-99) %pa
WAM Capital Limited	+17.9%	+14.0%	+10.4%	+16.3%	+18.7%
S&P/ASX All Ordinaries Accumulation Index	+12.2%	-0.2%	+2.6%	+7.4%	+8.2%
Outperformance	+5.7%	+14.2%	+7.8%	+8.9%	+10.5%

WAM CAPITAL LIMITED

WAM Capital Limited (WAM Capital) today announced an operating profit before tax for the year to 30 June 2011 of \$24.8 million, and an operating profit after tax of \$20.4 million. The result reflected the solid performance of the investment portfolio over the last 12 months.

"The strong result was pleasing given the volatility in the equity market over the past year." said Geoff Wilson, Chairman of WAM Capital.

The Board's policy of paying a growing stream of fully franked dividends when possible was continued with a fully franked final dividend of 5.0 cents per share having been declared by the Board. This brings the full year ordinary dividend to 10.0 cents per share fully franked. This is a 25% increase on the prior year. The dividend reinvestment plan will be operating at a 2.5% discount.

"The company is extremely well positioned for what we believe will be a challenging year ahead." said Geoff Wilson, Chairman of WAM Capital.

Dividends

A fully franked final dividend of 5.0 cents per share has been declared by the Board and will be paid on 15 September 2011. The shares will trade ex dividend on 2 September 2011. This brings the full year fully franked dividend to 10.0 cents per share, a 25% increase on the prior year's dividend.

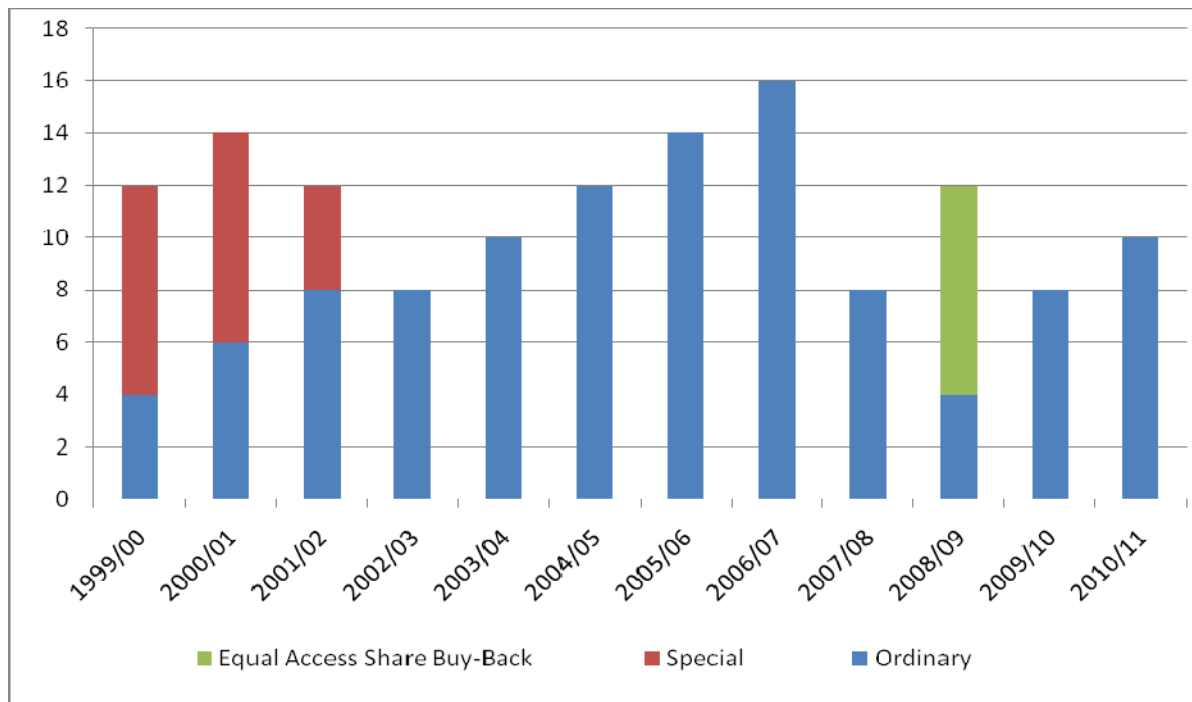
The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis.

Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits. Essentially, WAM Capital will always be in a position to pay dividends providing it is solvent.

The dividend re-investment plan will operate at a 2.5% discount to the weighted average market price of shares sold on the ASX on the books closing date (8 September 2011) for the relevant dividend and the three trading days preceding that date.

To participate in the dividend re-investment plan, please send your election form to our share registrar no later than 8 September 2011. The current share price (\$1.58 being the closing price 19 July 2011) is 6.0% discount to the 30 June 2011 pre-tax NTA.

Dividends (continued)



Net Asset Backing

The net tangible assets (NTA) on listing in August 1999 were 98.0 cents a share. Below is a table of the company's position as at 30 June 2011.

NTA before tax (cents per share)	168.11
NTA after tax and before tax on unrealised gains (cents per share)	167.34
NTA after tax (cents per share)	162.73

The above figures are after the payment of 123.0 cents a share in fully franked dividends and an equal access share buy-back equivalent to 8.0 cents a share.

Performance

- The gross portfolio increased 17.9% for the 12 months to 30 June 2011, 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%.
- The return on our cash holdings was 5.6% while the return on our equity portion was 24.0%.
- The after tax NTA, adjusted for dividends, increased 12.6%.
- The share price, adjusted for dividends rose 41.9% for the 12 months to 30 June 2011.

These performance results were achieved while holding an average of 42.9% in cash during the year.

Performance (continued)

Set out below is the investment performance of WAM Capital since listing to 30 June 2011. The performance data before all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX All Ordinaries Index which is also a before tax and expenses measure.

Financial Year	WAM Capital Gross Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
1999/2000	+33.3%	+11.3%	+22.0%
2000/2001	+30.2%	+8.9%	+21.3%
2001/2002	+32.7%	-4.5%	+37.2%
2002/2003	+12.3%	-1.1%	+13.4%
2003/2004	+27.3%	+22.4%	+4.9%
2004/2005	+13.9%	+24.8%	-10.9%
2005/2006	+27.4%	+24.2%	+3.2%
2006/2007	+44.1%	+30.3%	+13.8%
2007/2008	-23.0%	-12.1%	-10.9%
2008/2009	-3.2%	-22.2%	+19.0%
2009/2010	+29.8%	+13.8%	+16.0%
2010/2011	+17.9%	+12.2%	+5.7%

Investment Strategy

We see the greatest opportunity for superior risk adjusted returns in the small to mid cap industrial sector. Small to mid cap companies are generally under researched, in a growth phase and have greater upside potential than larger cap stocks. We have a defined investment process to identify and rate companies with the best business fundamentals, valuations and potential for growth.

WAM Capital has a two-fold investment process:

Research Driven: where we undertake extensive research and involves over 700 company visits a year with management. It includes understanding the company's ability to generate free cash flow, rating the company's management, earnings growth potential, valuation, industry position and identifying a catalyst that will change the market's valuation of the company.

Market Driven: where we scour the market for trading opportunities. These could include participating in initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangements), corporate spin-offs, restructurings, arbitrage opportunities, LIC discount arbitrages, relative value arbitrages and trading market themes and trends. This part of the portfolio is traded actively.

Portfolio Structure

Investment Type	As at 30 June 2010		As at 30 June 2011	
	\$m	%	\$m	%
Listed Equities	75.1	44.7%	94.2	52.5%
Fixed Interest and Cash	93.1	55.3%	85.2	47.5%
Long Portfolio	168.2	100.0%	179.4	100.0%
Short Portfolio	(2.9)		(0.8)	
Total Fund Size	\$165.3m		\$178.6m	
Total ordinary shares on issue	No. 103,931,192		No. 105,063,158	

At 30 June 2011 the top 20 securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
RKN	Reckon Limited	6,709,470	3.8%
SGI	Signature Capital Investments Limited	5,122,516	2.9%
ELI	Emerging Leaders Investments Limited	4,723,903	2.6%
MMS	McMillan Shakespeare Limited	4,356,582	2.4%
AUN	Austar United Communications Limited	3,772,187	2.1%
MYS	Mystate Limited	2,873,483	1.6%
ISF	Isoft Group Limited	2,815,128	1.6%
TLS	Telstra Corporation Limited	2,609,092	1.5%
SGN	STW Communications Group Limited	2,490,252	1.4%
BRG	Breville Group Limited	2,484,497	1.4%
MAQ	Macquarie Telecom Group Limited	2,300,579	1.3%
ARP	ARB Corporation Limited	1,891,077	1.1%
MSF	Maryborough Sugar Factory Limited (The)	1,886,247	1.1%
SKE	Skilled Group Limited	1,813,096	1.0%
CCQ	Contango Capital Partners Limited	1,811,166	1.0%
NVT	Navitas Limited	1,762,827	1.0%
SAI	SAI Global Limited	1,679,230	0.9%
CIW	Clime Investment Management Limited	1,653,929	0.9%
SYM	Symex Holdings Limited	1,628,543	0.9%
AAD	Ardent Leisure Group	1,615,095	0.9%

Market Outlook

In the year to 30 June 2011 the Australian sharemarket followed a similar path to the previous financial year posting a 12% gain and falling away in the last few months. The decline in the fourth quarter was driven by global macroeconomic concerns. Debt concerns in Europe and soft economic data in the US continued to worry investors. We see these themes continuing over the next year. We expect global equity markets to trade sideways to down over the next 12 months with these macroeconomic concerns lingering. Domestically we are fighting the head winds of high interest rates, increased cost pressures and sluggish domestic demand.

With regards to the Australian sharemarket, we believe analyst's earnings forecasts are too high for FY2012. Costs are growing at a fast pace for many companies while revenue is only growing modestly on the back of high interest rate and slowing consumer demand. While equities are reasonably priced on a historical P/E basis, we believe the upcoming reporting season FY2011 will see a downward revision in analyst's estimates. Consumer sentiment in Australia has recently declined to levels not seen since the GFC on the back of uncertainty resulting from the European and US debt worries and confusion about the impact of the proposed carbon tax. We note bond markets are now pricing in interest rate cuts over the next 12-18 months, a scenario we agree with and believe is needed to stimulate the broader economy (ex mining). A drop in interest rates will help stimulate economic activity, lead to an expansion in price earnings ratios and move money away from term deposits into higher risk assets, namely equities. This scenario will provide a more positive outlook for equities. We remain cautious as we watch events unfold and will continue to research heavily to identify individual stock opportunities.

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

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