

WAM CAPITAL LIMITED

(WAM)

A.B.N. 34 086 587 395



Presentation

May / June 2010

What is WAM Capital (WAM)



- An dynamic investor in listed Australian equities
- Two distinct styles:
 1. Research Driven (700+ company meetings per annum)
 2. Market Driven (participated in 168 capital raisings in last 10 months)
- Concentrates on small to medium industrial companies

Objectives

- To preserve capital
- To deliver a rising stream of fully franked dividends
- To provide capital growth

What WAM Delivers

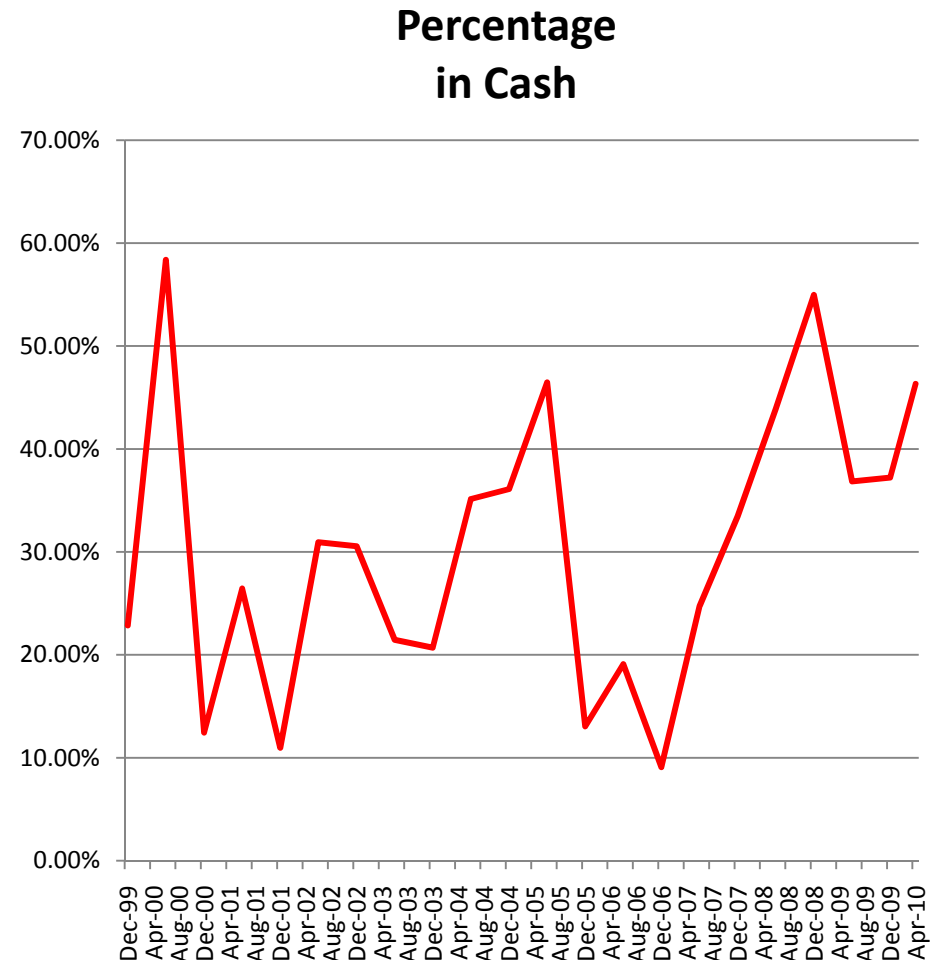


- Quick decision making
- Bottom up approach
- Staying very close to the market and investee companies
- Strong risk adjusted returns
- Significant market experience
- Closed end fund avoiding being forced seller and buyer at inappropriate times

Risk Profile – Low



- Average net cash position of 27.4% over the last 11 years
- Cash was 29.1% in Aug 2009, cash 46.3% at April 2010
- Closed end fund – avoids major redemptions when market is falling
- Highly diversified with purchased positions of 3%, 2% or 1%
- It has a low exposure to the resources sector
- Have the capability to short
- No bank debt – no intentions at this stage to take on bank debt

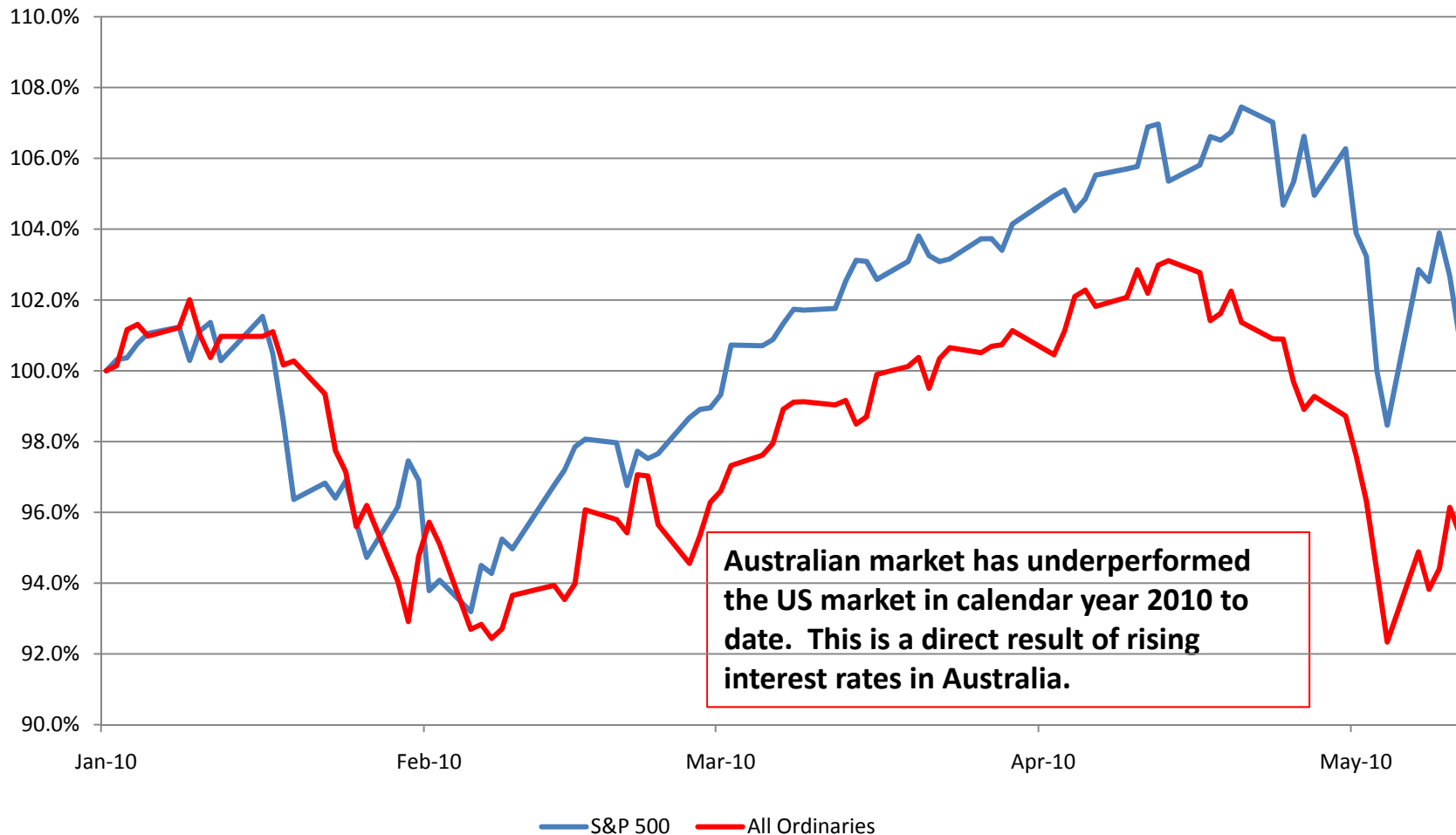




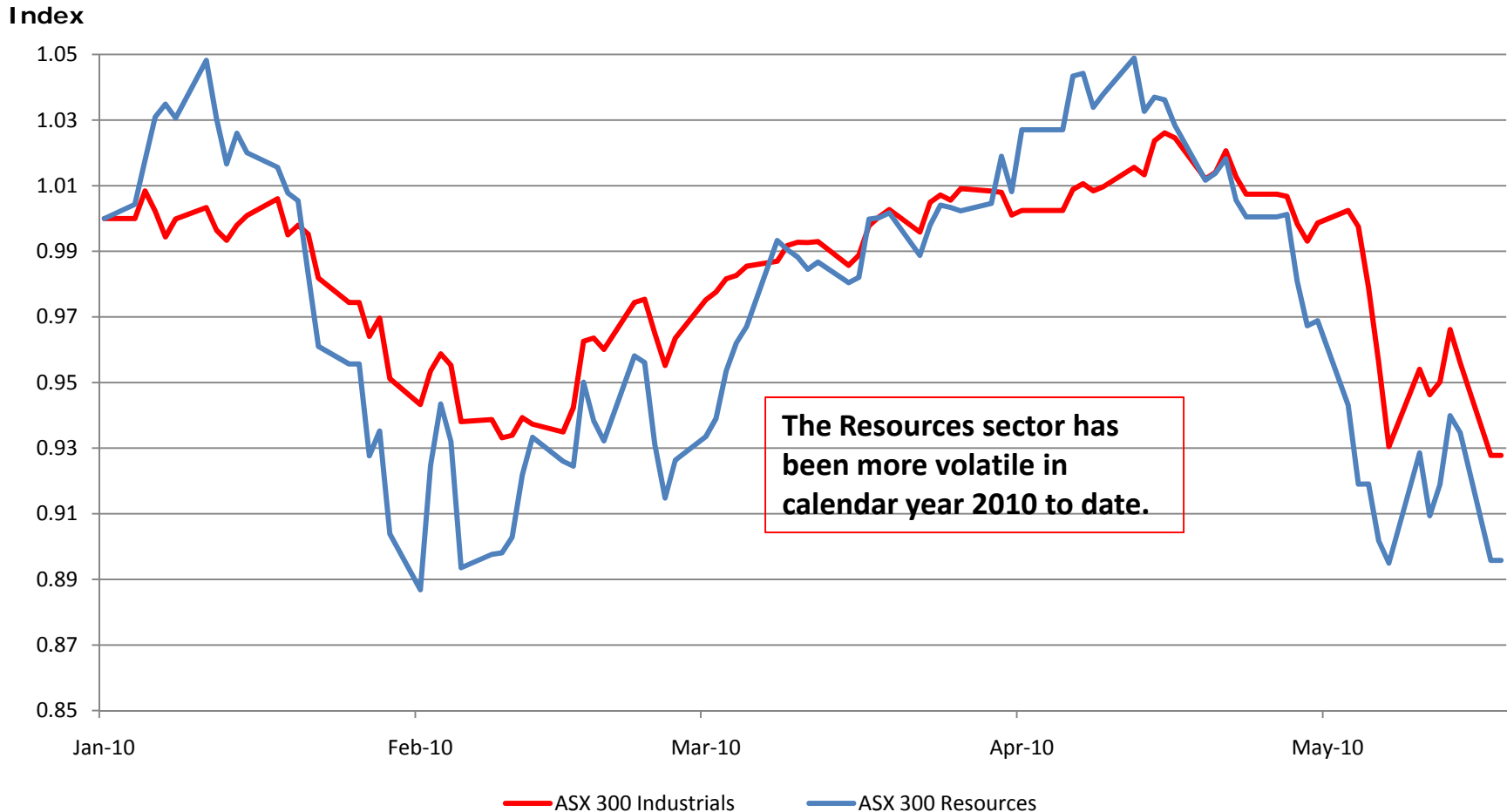
Markets

S&P/ASX All Ordinaries Index

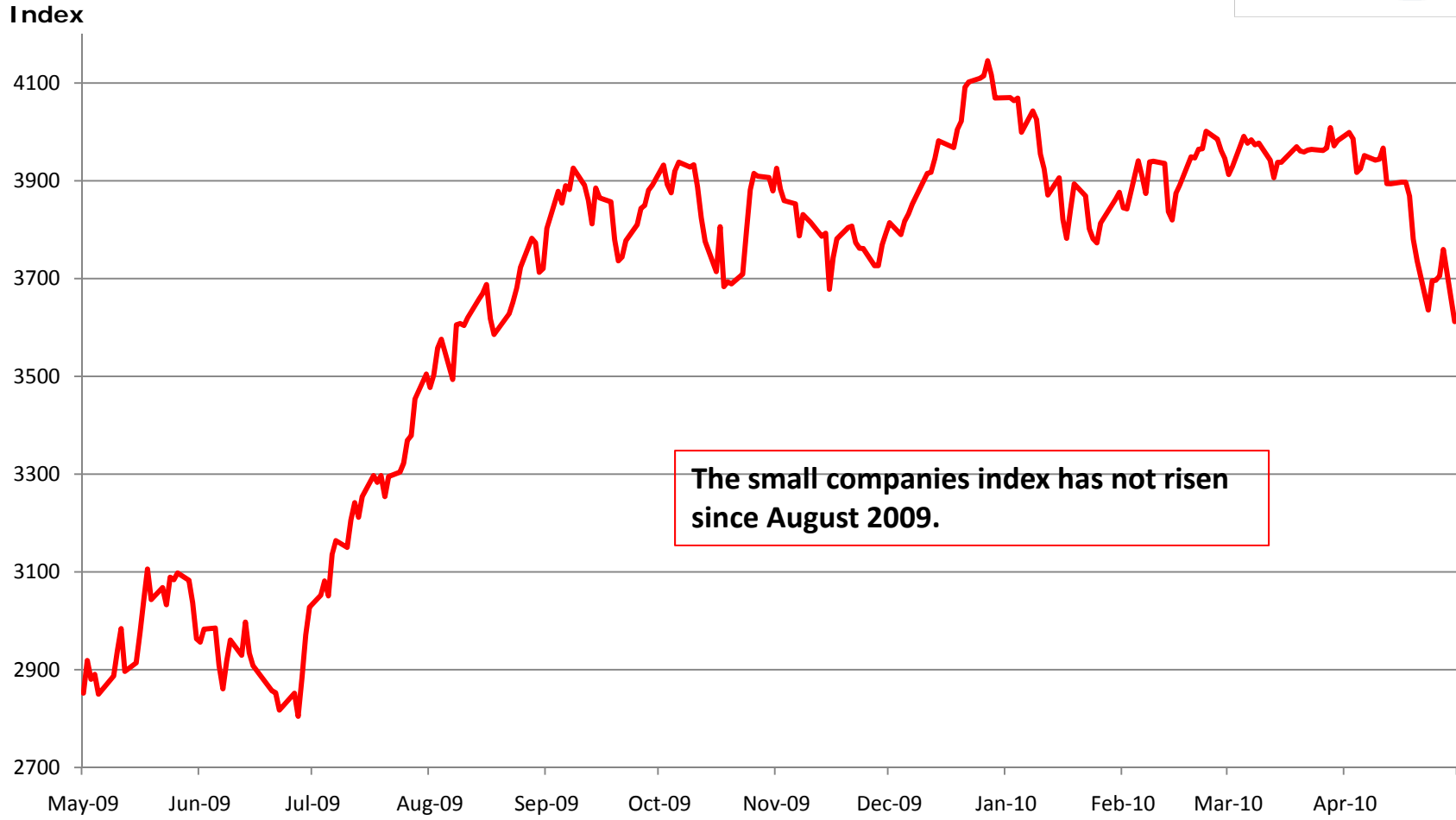
S&P 500 Index



S&P/ASX 300 Industrials Index vs S&P/ASX 300 Resources Index



S&P/ASX Small Ordinaries Index



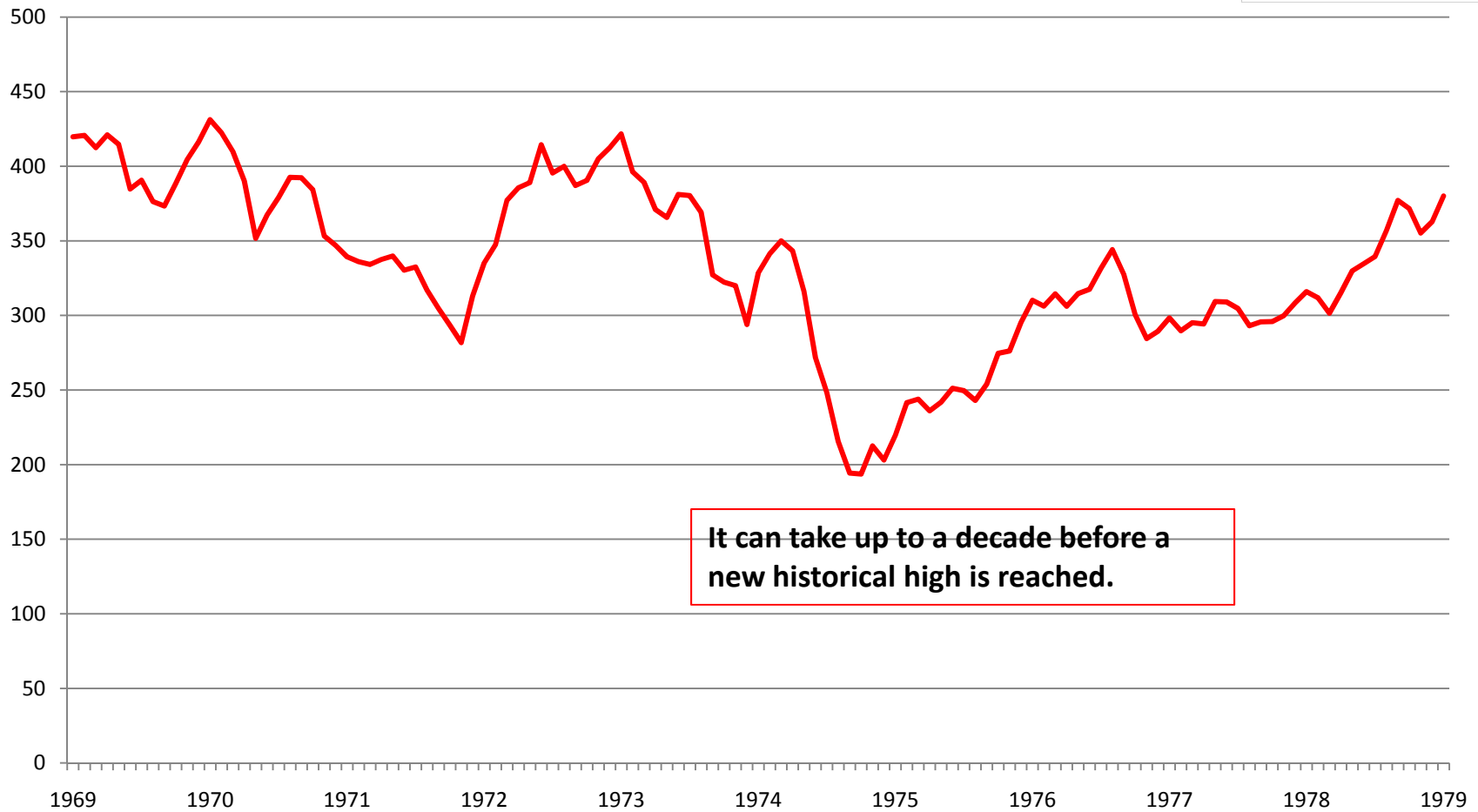
S&P/ASX All Ordinaries Index 1985 - 1994



S&P/ASX All Ordinaries Index 1969 - 1979



Index



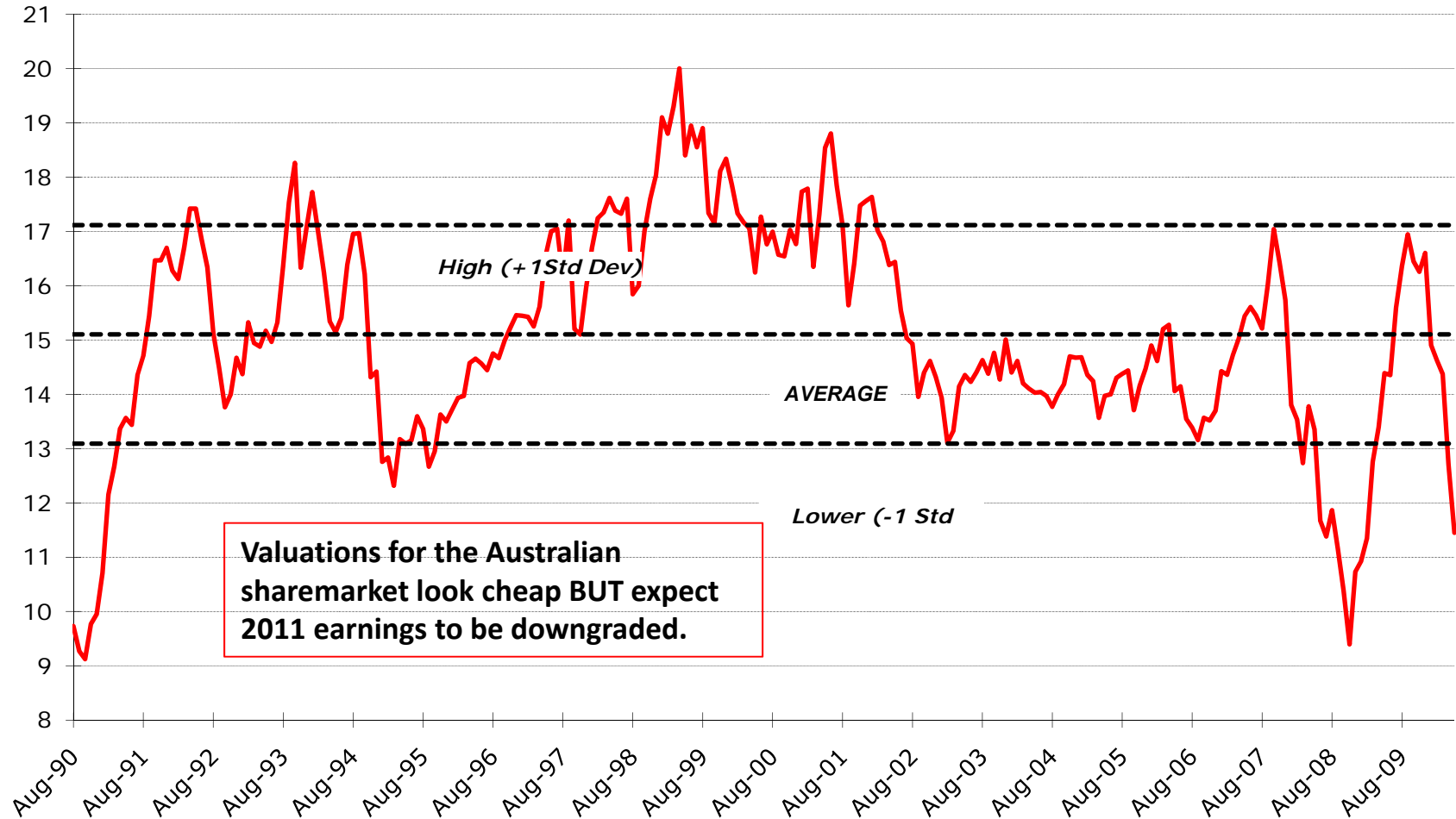
S&P/ASX All Ordinaries Index from 2005 to date



S&P/ASX 300 Prospective per valuation



Price to earnings ratio

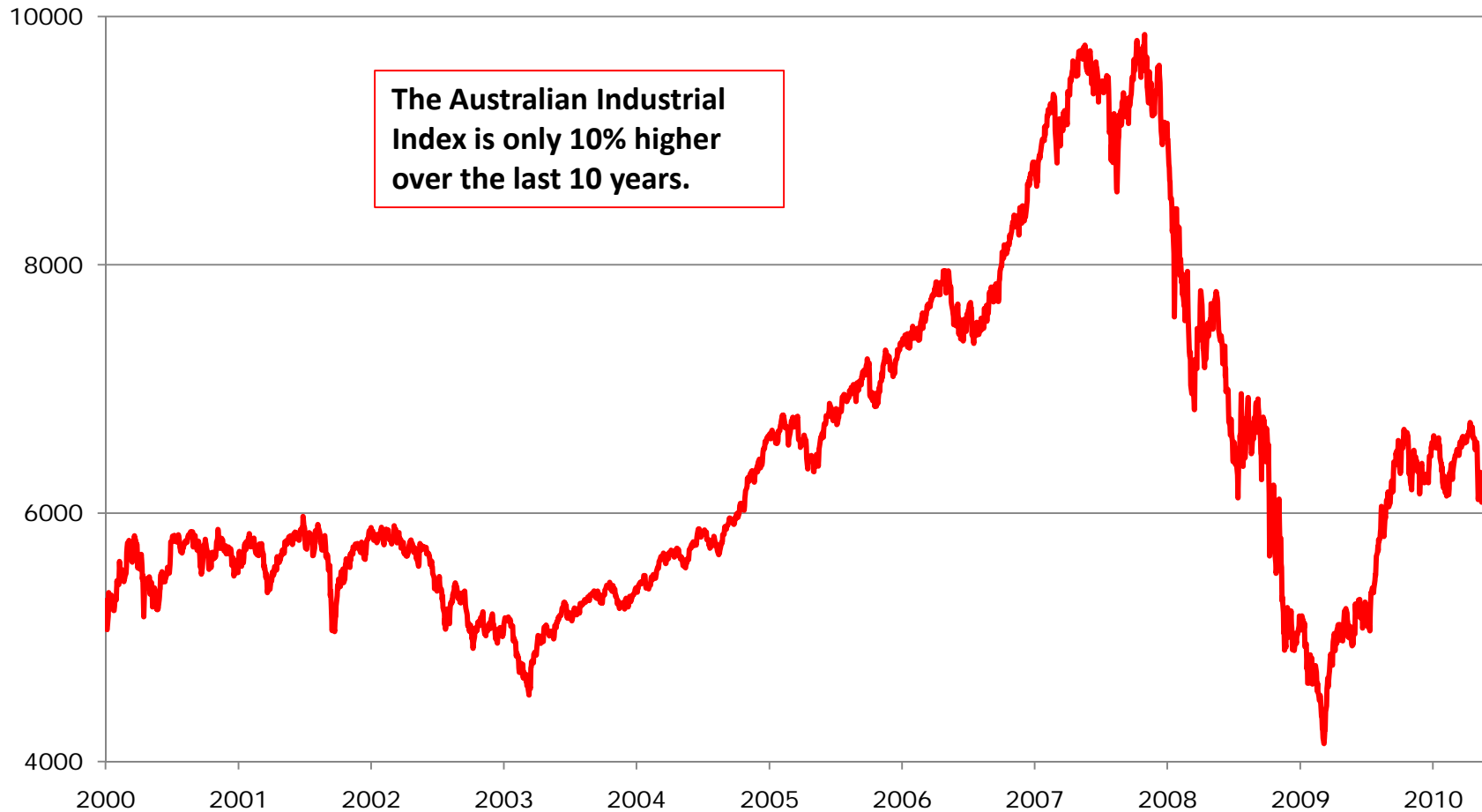


Valuations for the Australian sharemarket look cheap BUT expect 2011 earnings to be downgraded.

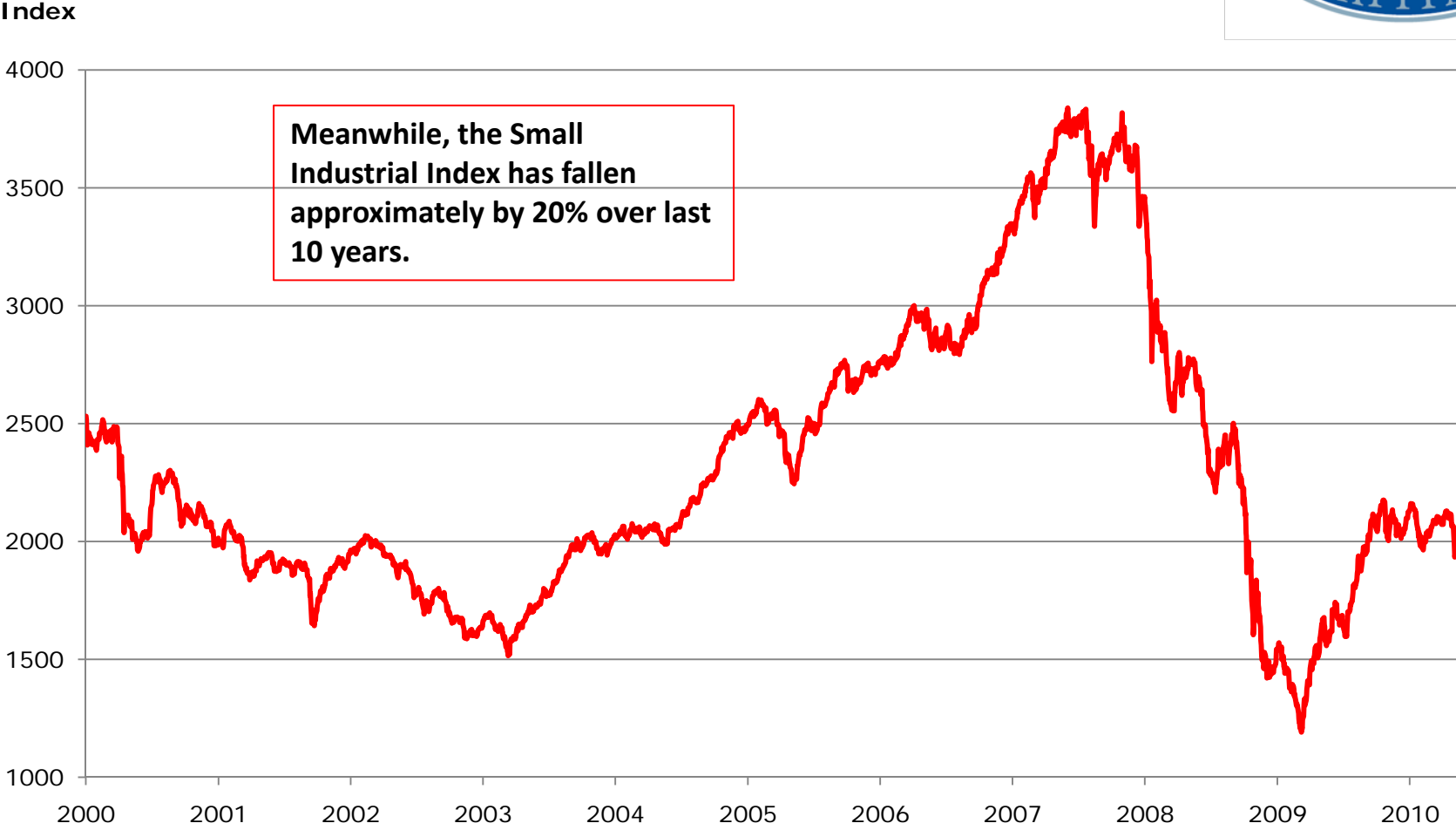
S&P/ASX 300 Industrials Index



Index



S&P/ASX Small Industrials index





Financial Highlights

Financial Year to 30 April 2010



	2010
Total Income	\$43.1m
Operating profit after tax	\$28.7m
Operating profit per share	27.6c

Performance at 30 April 2010



Annualised performance	Gross Portfolio*	S&P/ASX All Ords. Accumulation Index	Outperformance
1 year	+42.3%	+34.2%	+8.1%
3 years	+2.1%	-3.7%	+5.9%
5 years	+13.2%	+8.6%	+4.6%
7 years	+15.6%	+11.7%	+3.9%
Since inception	+19.3%	+9.0%	+10.3%

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

Portfolio Structure



	As at 30 April 2010	
Investment Type	\$m	%
Listed Equities	91.8	53.7%
Term Deposits and Cash	79.3	46.3%
Total Long Portfolio	171.0	100.0%
Short Portfolio	(2.0)	100.0%
	No.	
Ordinary Shares on issue	103,931,192	



Dividends

Dividends



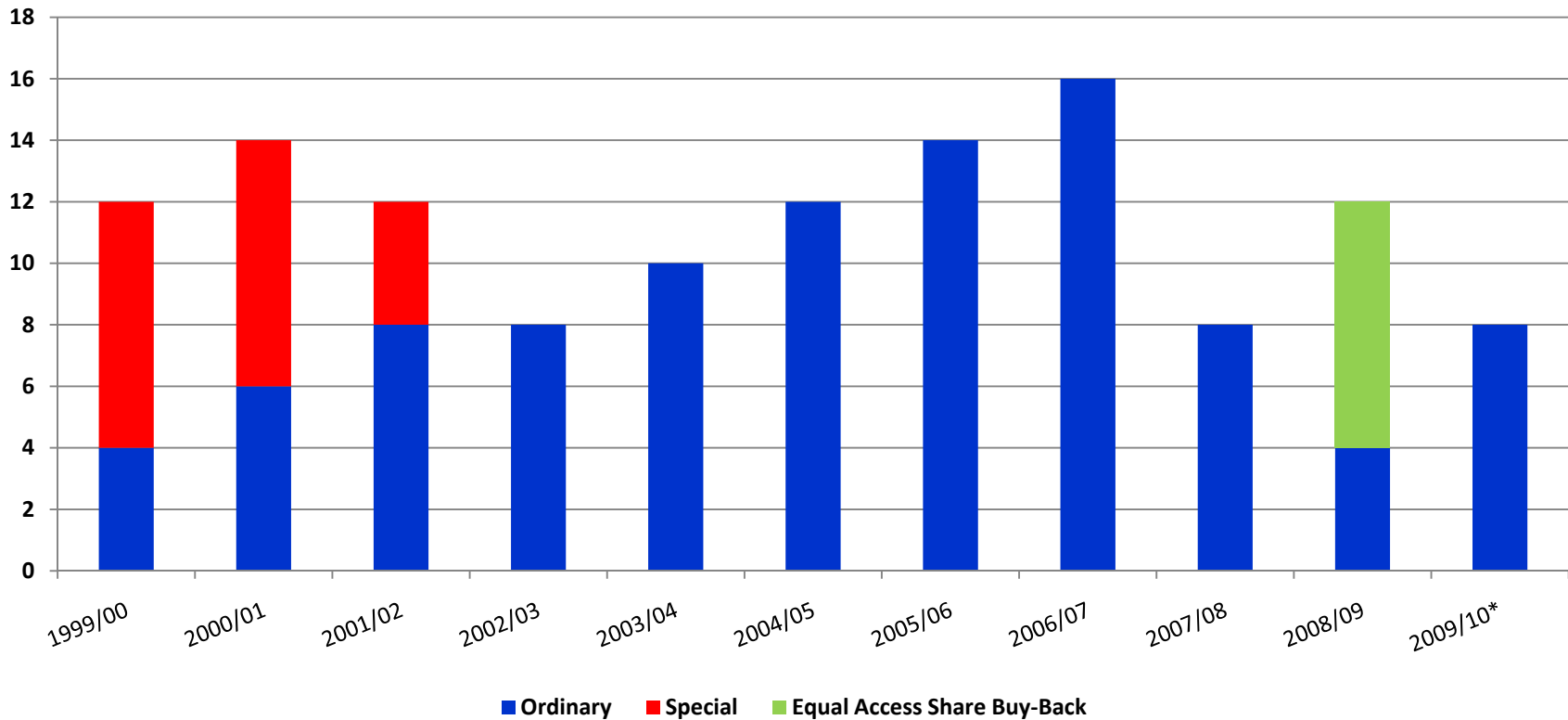
- Government reform due June 2010 - will change the way dividends are paid
- Dividends will no longer be affected by unrealised movements in value of the portfolio
- Dividends can be paid if the company is solvent
- WAM has franking credits which allows it to pay a 5.8c per share as at 30 April 2010

Dividends



Minimum annual yield of 8% over last 11 years

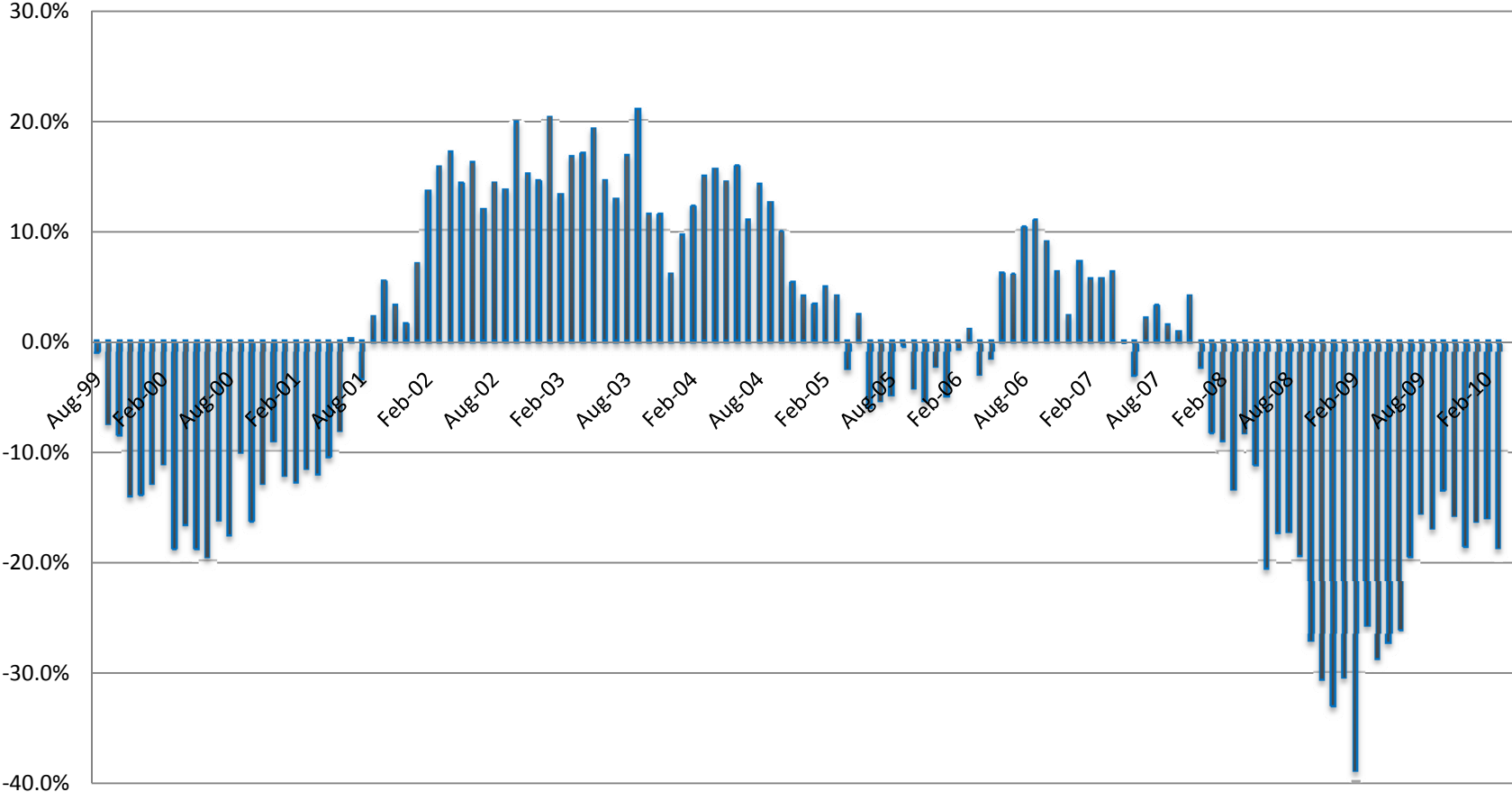
Cents per Share



* Annualised interim dividend

Source: ASX

WAM Capital Premium/Discount to NTA





Stock Selection

Top 10 Stocks

as at 30 April 2010



Code	Company	FY10 P/E Ratio*	Market Value \$m	% of Gross Assets	% Change Average Cost
RKN	Reckon Ltd	15.8	9.1	5.4%	129.7%
REA	REA Group Ltd	30.4	3.8	2.2%	92.0%
MCP	McPherson's Ltd	8.3	3.4	2.0%	186.5%
RHG	RHG Ltd	^	3.1	1.8%	80.8%
ORL	OrotonGroup Ltd	12.5	2.9	1.7%	121.5%
MCU	Mitchell Communication Group Ltd	14.2	2.9	1.7%	-15.4%
MYS	MyState Ltd	10.5	2.6	1.5%	30.9%
AHE	Automotive Holdings Group Ltd	11.0	2.4	1.4%	72.5%
MMS	McMillan Shakespeare Ltd	9.6	2.3	1.4%	38.0%
IRE	Iress Market Technology Ltd	18.2	2.2	1.3%	10.7%

^ NTA 80c as at 31 December 2009

* WAM estimates

Best Performing Stocks

10 months to 30 April 2010



Code	Company	Unrealised/Realised Gains	%
RKN	Reckon Ltd	\$4.3m	+84%
ORL	OrotonGroup Ltd	\$2.2m	+122%
MCP	McPherson's Ltd	\$2.1m	+89%
REA	REA Group Ltd	\$1.8m	+109%
AHE	Automotive Holdings Group Ltd	\$1.6m	+78%

Worst Performing Stocks

10 months to 30 April 2010



Code	Company	Unrealised/Realised Losses	%
ALS	Alesco Corporation Ltd	(\$0.7m)	-23%
BOL	Boom Logistics Ltd	(\$0.6m)	-30%
PBP	Probiotec Ltd	(\$0.5m)	-20%
CPR	Clive Peeters Ltd	(\$0.4m)	-53%
MVU	MatrixView Ltd	(\$0.4m)	-89%

Stock Stories



- Primary Health Care Ltd (PRY)
- Vision Group Holdings Ltd (VGH)
- Skilled Group Ltd (SKE)



Structural and Regulatory Change

Regulatory Update



Henry Review

- Resource super profits tax (RSPT)
- Superannuation levy from 9% to 12% by 2020
- Company tax rate reduced to 28% by 2014
- No change to tax concessions applying to the Not For Profit sector: positive for McMillan Shakespeare
- No change to dividend imputation

Positive Structural change for Listed Investment Co's (LICs)



- Banning of commissions and volume based payments to financial planners from 2012 (Ripoll Review)– very positive for LICs
- LICs will have a level playing field from 2012
- LICs are very attractive investment vehicles compared to managed funds
- Currently LICs can be bought below what their portfolio is worth (Ripoll – statutory fiduciary duty for financial advisors)

Our Submission to Treasury

- Lodged in support of proposed amendment to Section 254T of the *Corporations Act 2001* for dividends to be paid on a “solvency” test rather than a “profit” test
- Potential for LIC's classed as “traders” to provide a more steady stream of dividends

Outlook



- Increase in M&A Activity
- Increase in short selling opportunities
- Participation in discounted capital raisings
- Position for extreme valuation opportunities
- Defensive

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Questions?

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