

**WAM CAPITAL LIMITED**

**(WAM)**

A.B.N. 34 086 587 395



**PRESENTATION**

**NOVEMBER/DECEMBER 2009**

# Summary



WAM invests in Australian equities. It has a unique investment style broadly separated into 50% longer term research investments and 50% trading positions.

The company's main objective is to preserve capital and deliver a rising stream of fully franked dividends to its shareholders.

WAM's portfolio experiences frequent turnover and concentrates on small to medium sized industrial companies. The board's objective is to grow the company.

# Management's Competitive Advantage



The Wilson Asset Management team offers investors the following advantages:

1. A flat structure that delivers quick decision making;
2. A nimble investment process due to the relatively small funds under management;
3. Closed end funds avoiding the problem of being forced sellers and buyers at inappropriate times;
4. A precise bottom up approach that involves staying very close to the market and the investee companies;
5. A broad coverage of a range of industries, especially at the small to medium end of the market;
6. An aversion to risk with above average cash positions; and
7. Almost 50 years of experience in the Australian share market with a high degree of street smarts.

# Objectives



- ❖ High Real Rate of Return
- ❖ Preserve Capital
- ❖ Strong Dividend Flow

# Performance

## at 31 October 2009



	<b>WAM Capital*</b>	<b>All Ords Accum</b>	<b>Outperformance</b>	<b>Small Ords Accum</b>	<b>Outperformance</b>
<b>Financial YTD</b>	+27%	+19%	+8%	+20%	+7%
<b>3 Year</b>	+23%	-1.4%	+24%	-12%	+35%

\* Gross portfolio is the change in the portfolio before all expenses, fees and taxes

# Performance

## at 31 October 2009



Annualised performance	Gross Portfolio*	All Ords. Accumulation Index	Outperformance
1 year	+43.2%	+22.4%	+20.8%
3 years	+7.2%	-0.5%	+7.7%
5 years	+12.7%	+8.7%	+4.0%
7 years	+16.0%	+11.0%	+5.0%
Since inception	+19.9%	+8.8%	+11.1%

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



# DIVIDENDS

# How do we pay Dividends?

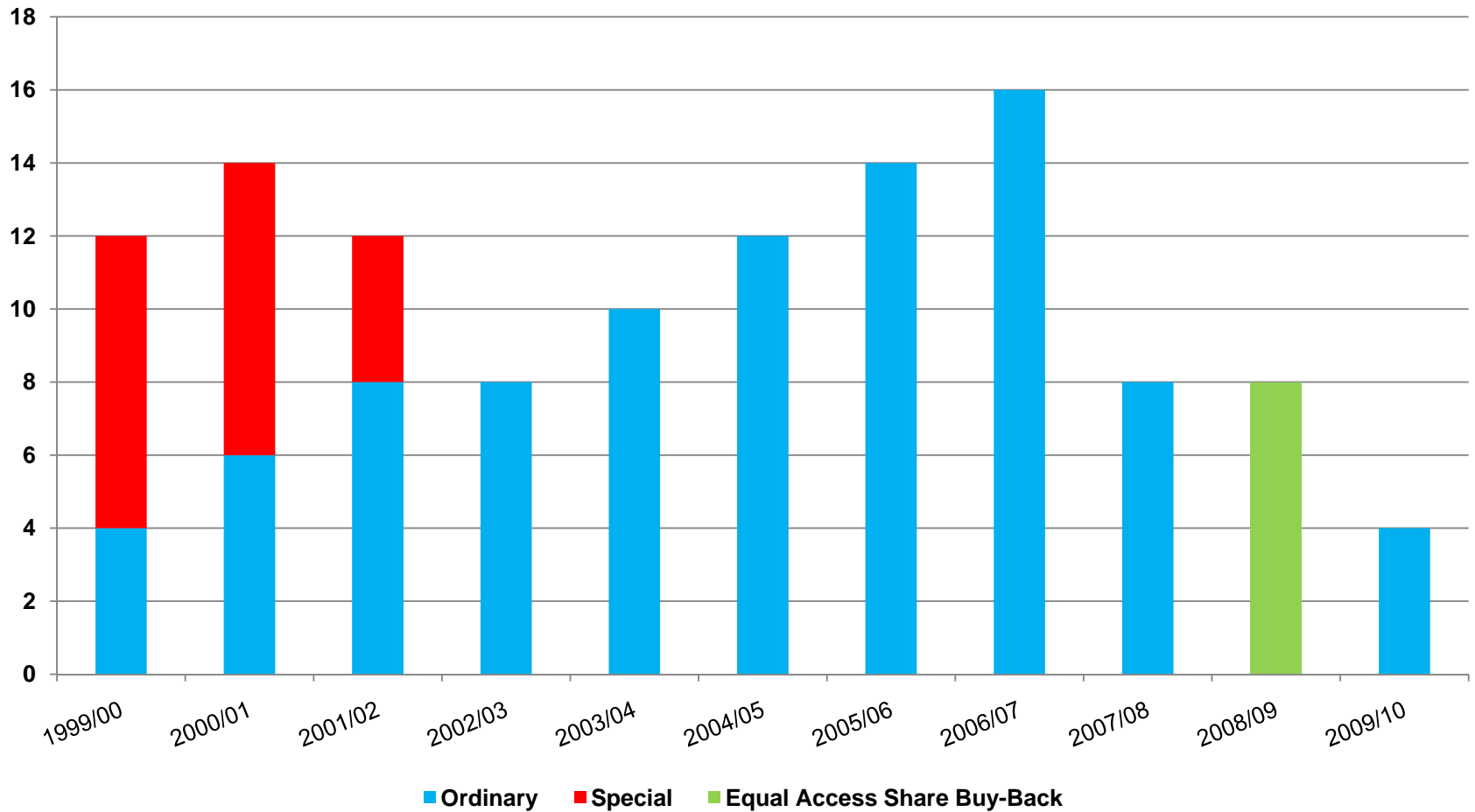


- Dividends are only payable from retained earnings or current year's profits of the company
- Excess franking credits
- October 31 pre-tax NTA 159.36c
- FY2010 current retained earnings \$14.0m (or 13.5c)

# Dividends



Cents





# NTA and SHARE PRICE

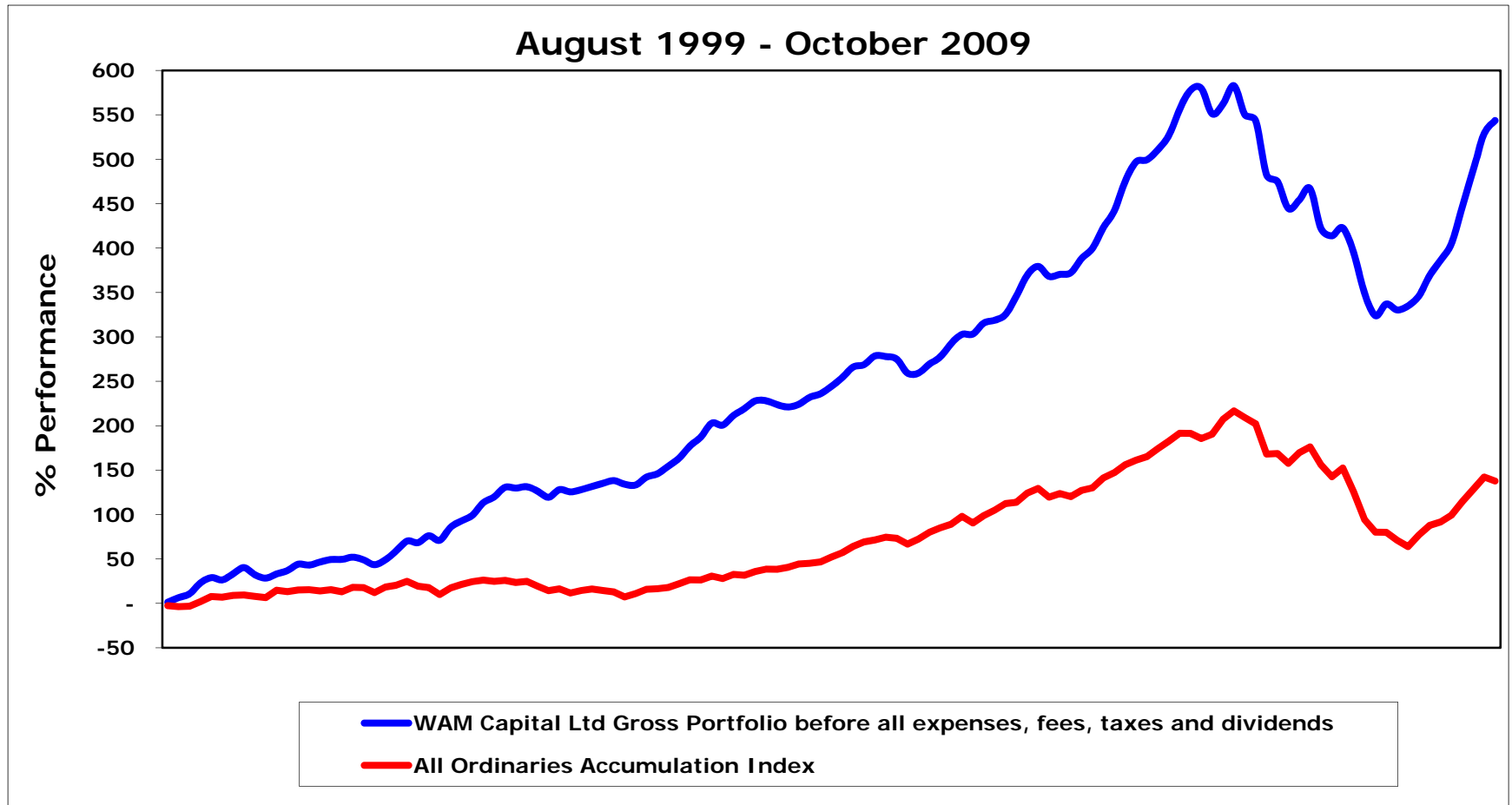
# NTA and Share Price



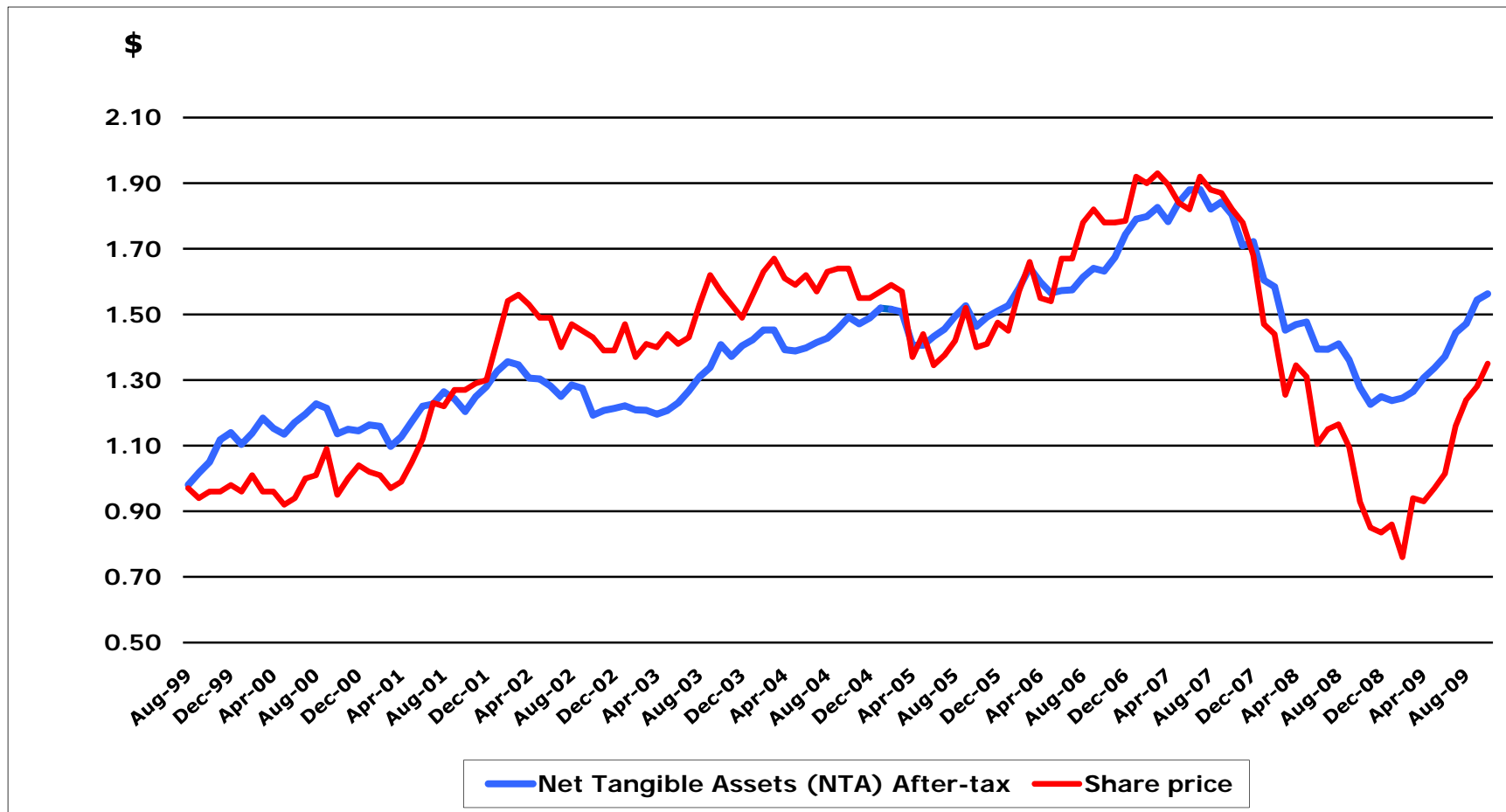
As at 31 October 2009	Cents	Discount
Pre-tax NTA	159.4c	17.2%
After-tax NTA	156.3c	15.6%
Share Price	132.0c *	

\* As at close of trading 17 November 2009

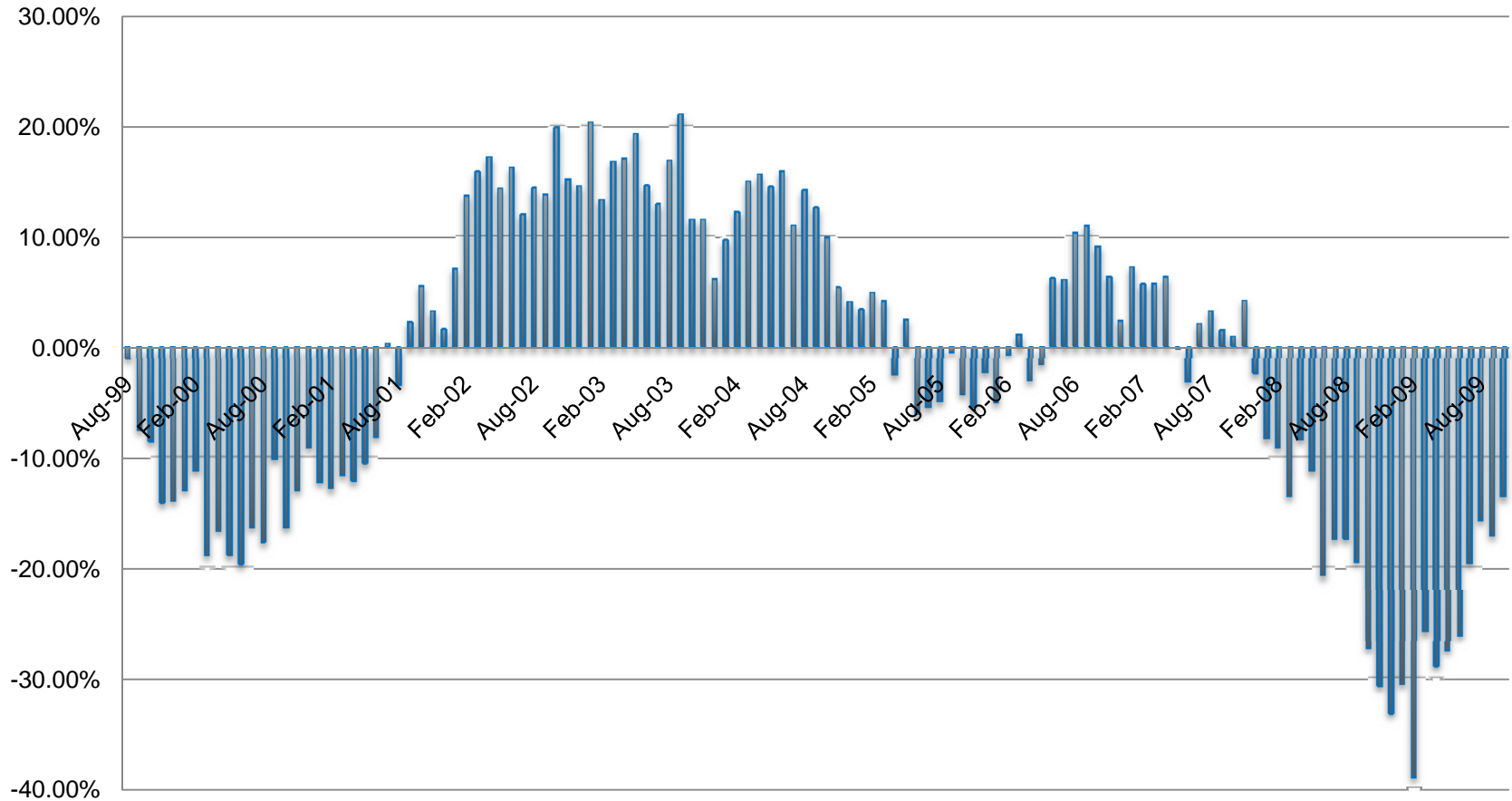
# Performance History



# NTA & Share Price History



# WAM Capital Premium/Discount to NTA





# Stock Selection

# Portfolio Structure



	As at 28 February 2009			As at 31 October 2009		
	\$m	%	%	\$m	%	%
Research	16	47%		52	44%	
Trading	18	53%		66	56%	
Long Portfolio	34	100%	29%	118	100%	70%
Short Portfolio	-		-	(1)		-
Fixed Interest and Cash	82		71%	51		30%
<b>Gross Assets</b>	<b>116</b>		<b>100%</b>	<b>168</b>		<b>100%</b>

# Top 10 Stocks as at 31 October 2009



Code	Company	FY10 P/E Ratio	Market Value \$m	% of Gross Assets	% Change Average Cost
RKN	Reckon Ltd	14.1	\$7.4	4%	119%
MCP	McPherson's Ltd	8.1	\$4.0	2%	165%
ORL	OrotonGroup Ltd	11.9	\$3.2	2%	91%
MMS	McMillan Shakespeare Ltd	11.6*	\$3.2	2%	89%
TLS	Telstra Corporation Ltd**	10.2	\$2.7	2%	1%
REA	REA Group Ltd	22.4*	\$2.6	2%	28%
AHE	Automotive Holdings Group Ltd	9.6	\$2.6	2%	57%
MCU	Mitchell Communications Group Ltd	12.6	\$2.4	1%	-23%
PBP	Probiotec Ltd	11.1	\$2.3	1%	7%
TGA	Thorn Group Ltd	8.7	\$2.3	1%	43%

\* Cash adjusted

\*\*Indicates that options were outstanding against part of the holding

# Best Performing Stocks

## 16 months to 31 October 2009



Code	Company	Unrealised/Realised Gains	%
MCP	McPherson's Ltd	\$3.4m	+164%
RKN	Reckon Ltd	\$3.0m	+120%
MMS	McMillan Shakespeare Ltd	\$2.1m	+89%
RHG	RHG Ltd	\$2.0m	+238%
PBG	Pacific Brands Ltd	\$2.0m	+100%

# Worst Performing Stocks

## 16 months to 31 October 2009



Code	Company	Unrealised/Realised Gains	%
HFA	HFA Holdings Ltd	-\$2.7m	-95%
HAP	HFA Accelerator Plus Ltd	-\$1.3m	-67%
MLB	Melbourne IT Ltd	-\$1.2m	-3%
IDM	Industrial Minerals Corporation Ltd	-\$1.1m	-76%
NOD	Nomad Building Solutions Ltd	-\$1.1m	-43%

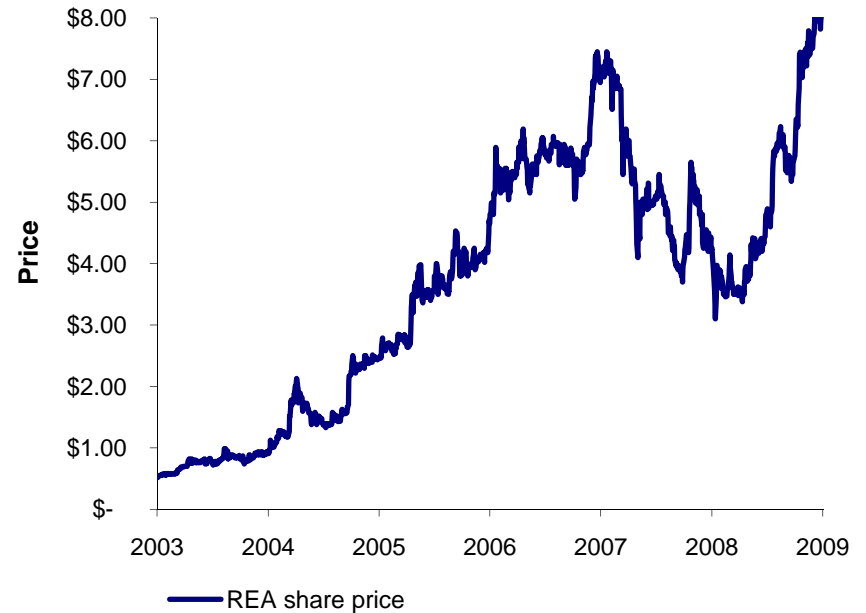


# REA Group (REA)



- Online businesses – first mover advantage
- Non core UK operations
- Market leader, quasi duopoly structure in Australia
- Cheapest listed online business in Australia

REA Group Limited





# SP Telemedia (SOT)



- Subscriber growth
- New products
- Merger and acquisition activity – Pipe Networks
- Cash flow and valuation

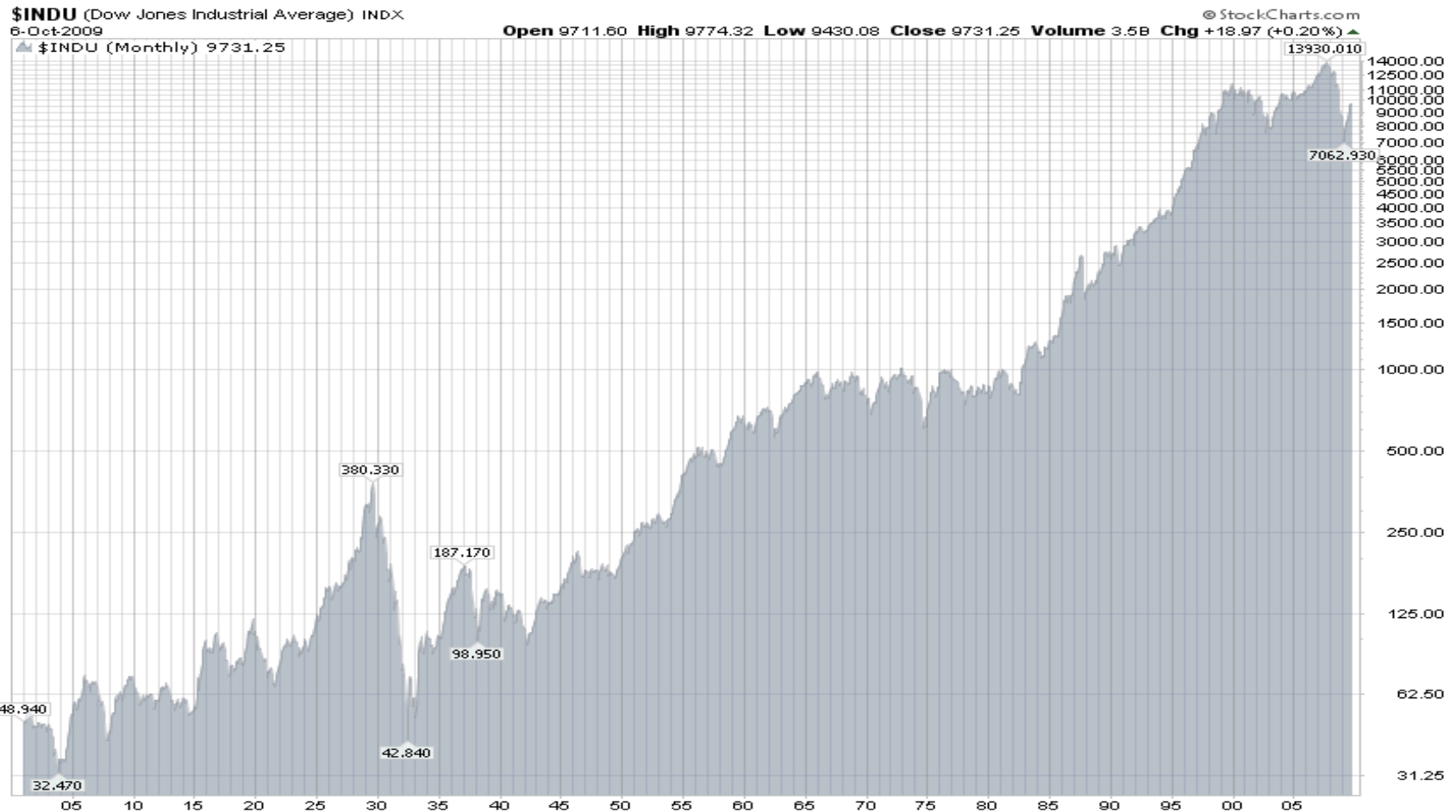
SP Telemedia





# MARKETS

# Dow Jones Industrial Index – Monthly



# All Ordinaries Index – Monthly: 1968-1982 (Logarithmic)

## “1970’s Bear Market” - Australia



XAO.ASX OHLC 613.75, 613.75, 556.45, 565.62



# Dow Jones Industrial Index—

Monthly: 1968-1982 (Logarithmic)

“1970’s Bear Market” - US



DOWJON.ID: OHLC 875, 887.38, 832.56, 871.09



# All Ordinaries Index – Monthly: 1982-1994 (Logarithmic)

## “1987 Crash & Bear Market” - Australia



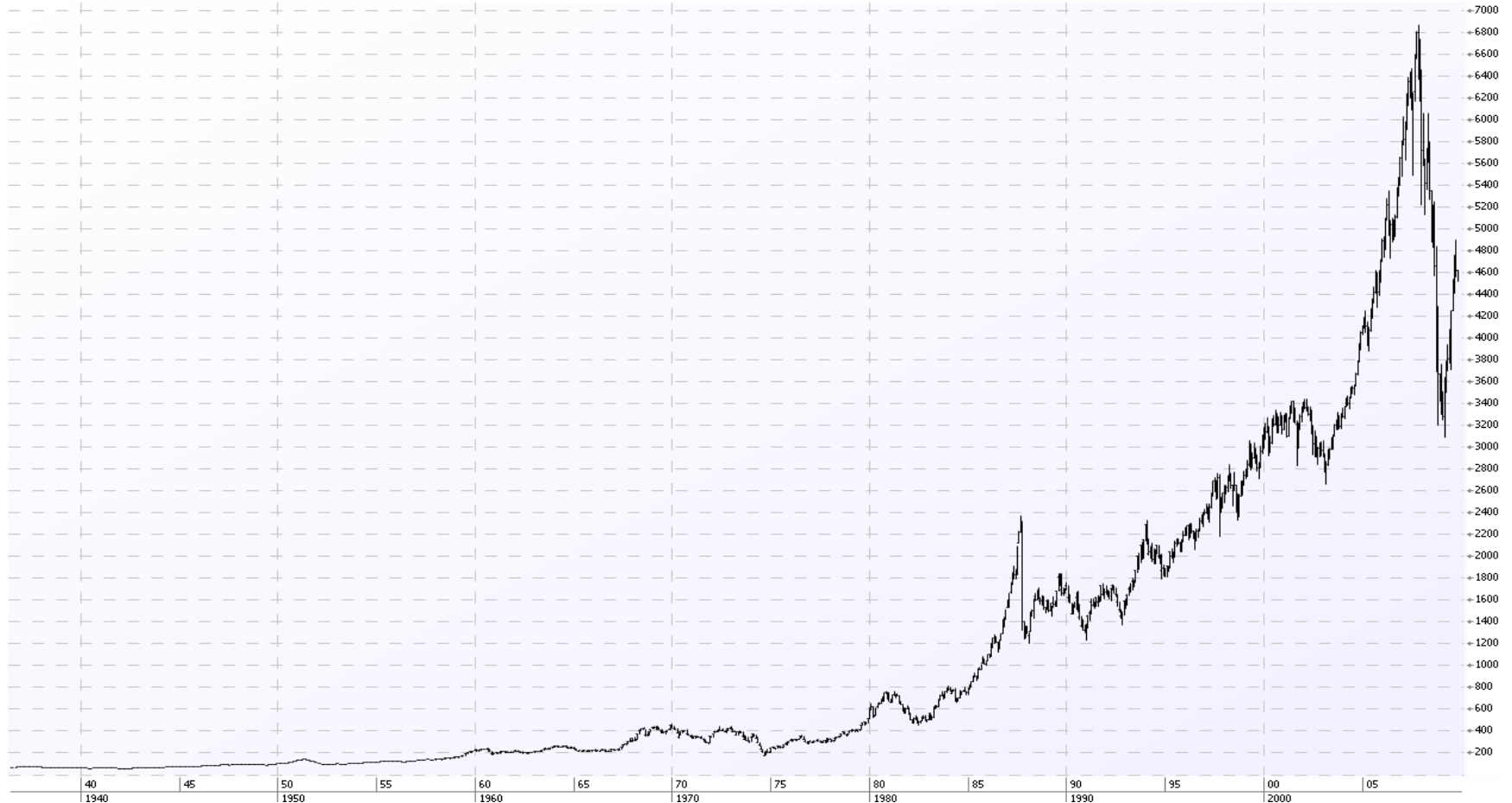
XAO.ASX: OHLC 2288.44, 2288.4399, 2143.3501, 2288.44



# All Ordinaries Index – Monthly: (Logarithmic)



XAO.ASX: OHLC 4618.8, 4618.8, 4520.7, 4534.9



# Australia All Ordinaries Index: 10 years



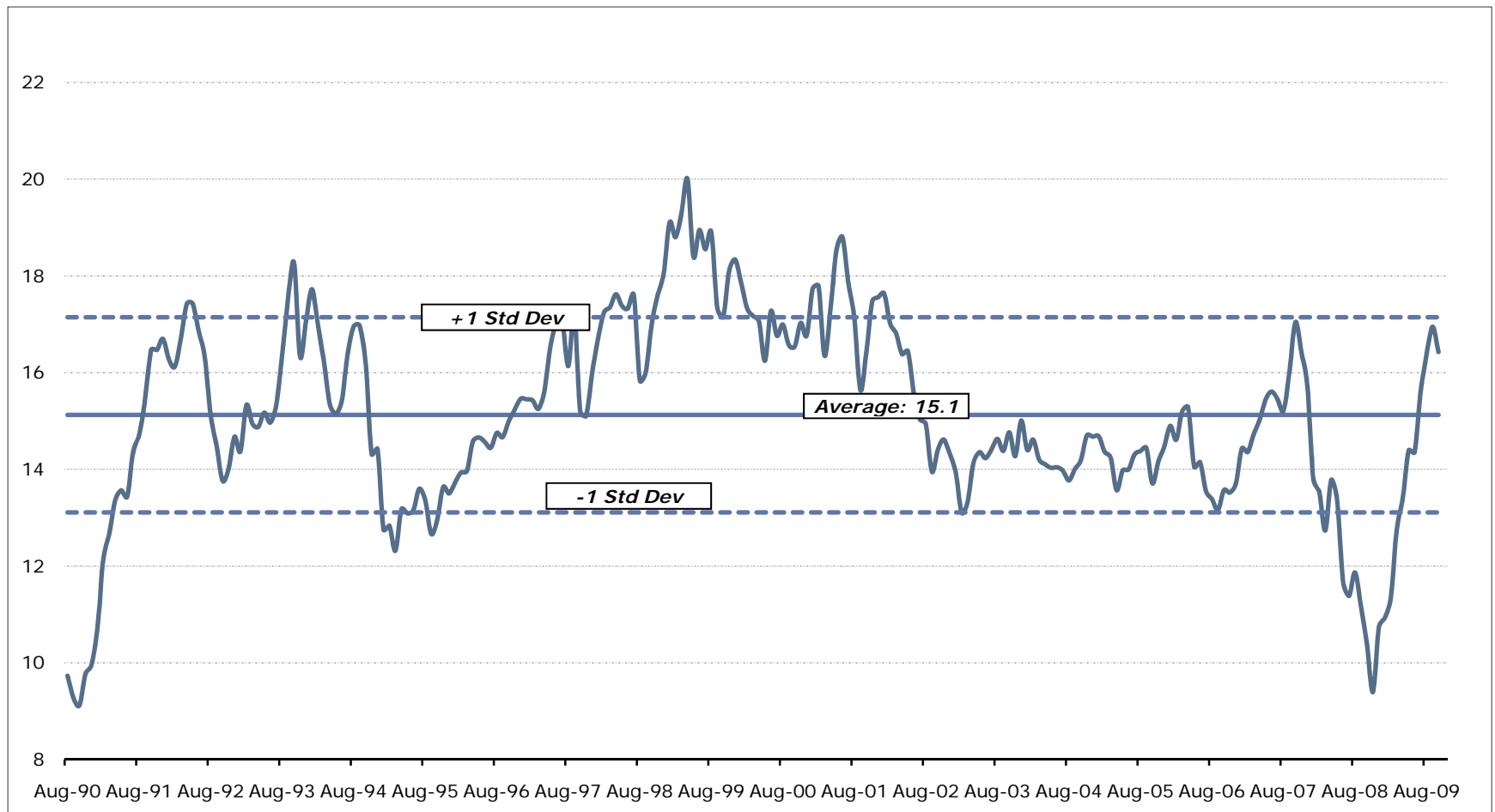
# US S&P 500 Index

10 years



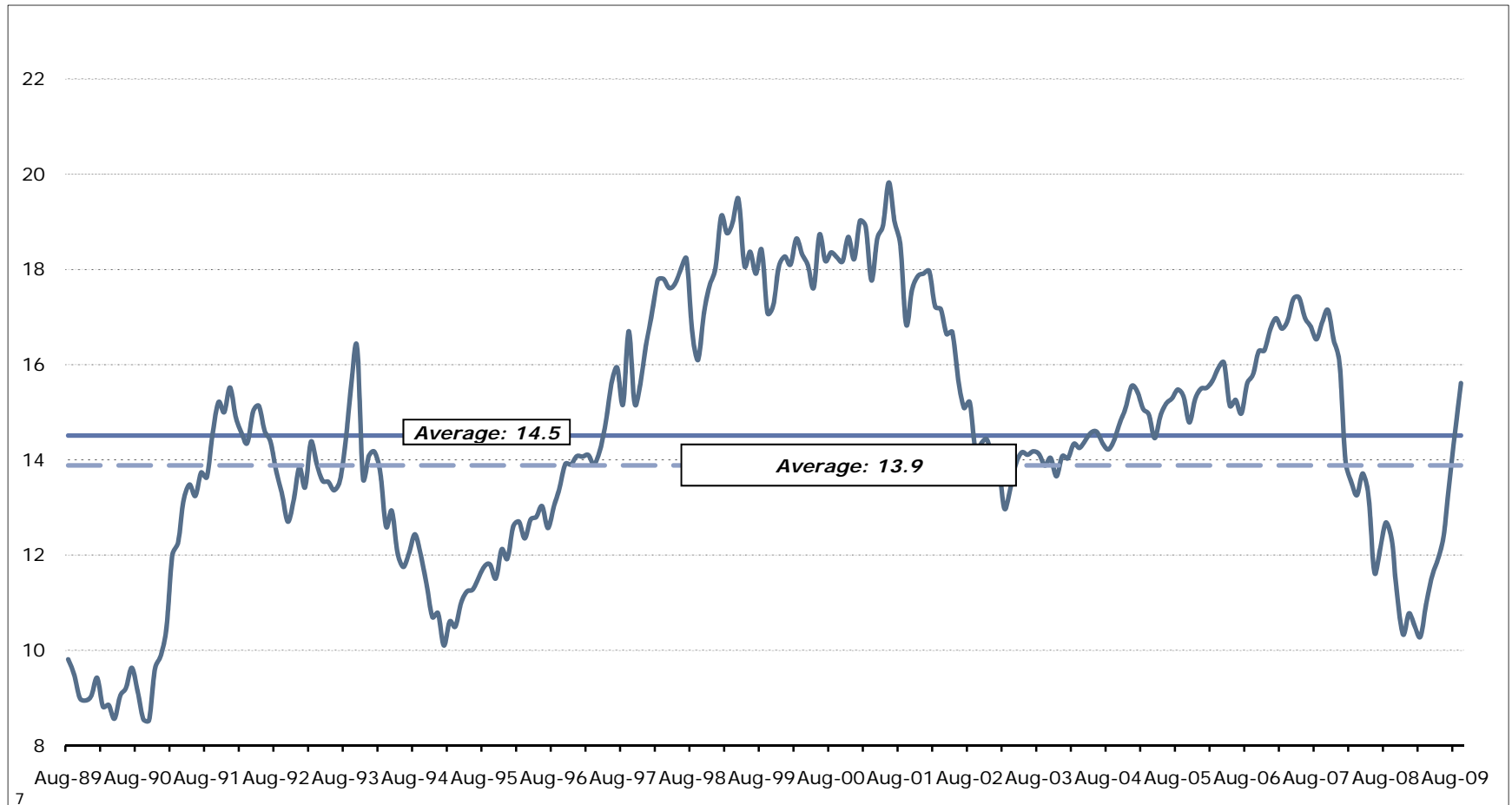
# ASX300 Prospective PER

## Rolling 12 Months Forward



Source: GSJBW Research estimates

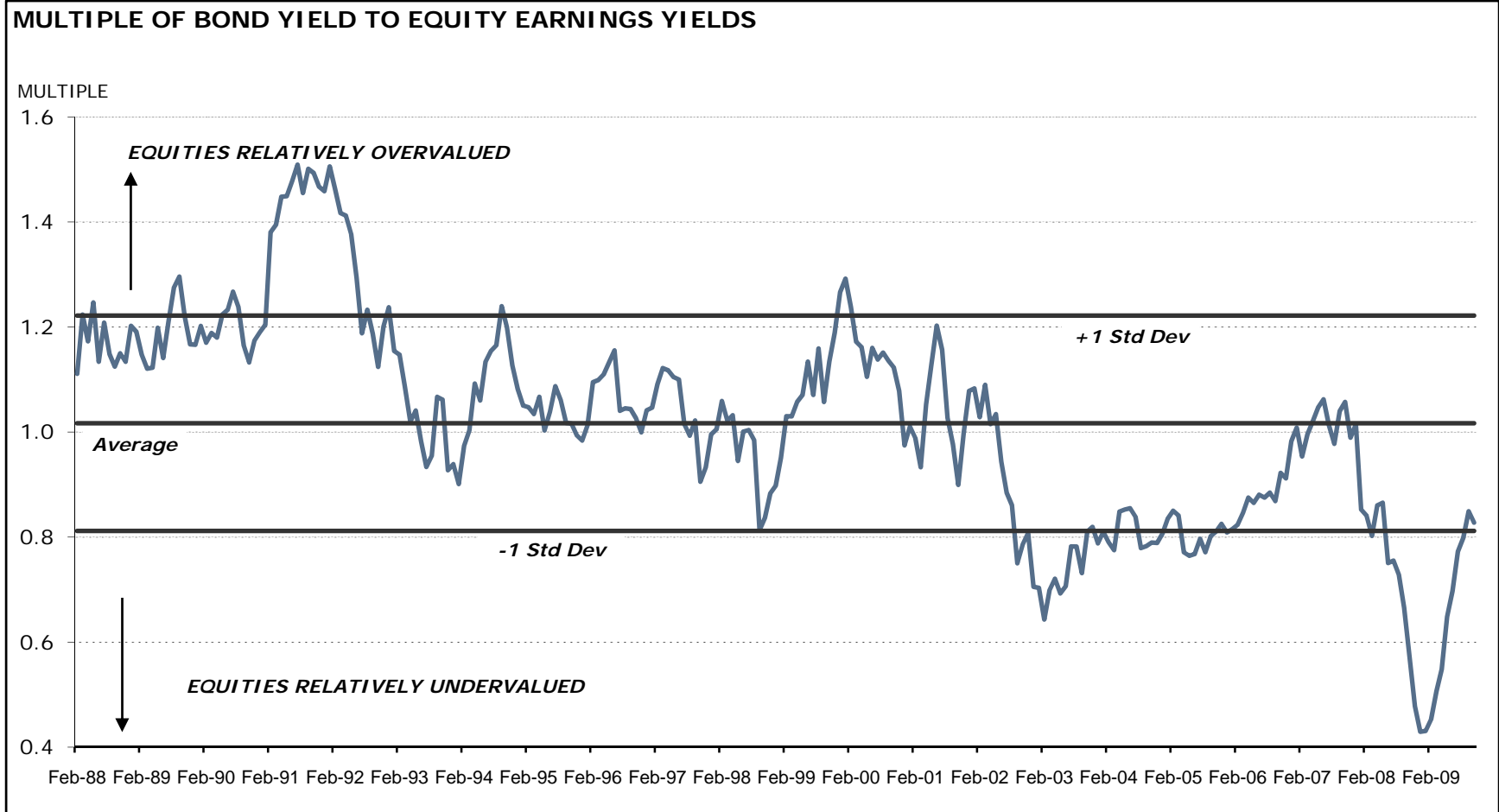
# ASX200 Industrials Prospective PER Rolling 12 Months Forward



Source: GSJBW Research estimates

# All Industrials

## Valuation of Equities relative to Bonds



Source: GSJBW Research estimates

# Shareholder Communication



- ❖ Website updated  
[www.wilsonassetmanagement.com.au](http://www.wilsonassetmanagement.com.au)
- ❖ Audio cast
- ❖ Presentations
- ❖ Investor Report
- ❖ Monthly Investment Update & NTA



**QUESTIONS?**

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