



**WAM ACTIVE LIMITED (WAA)**

**ABN 49 126 420 719**

**INVESTMENT UPDATE & NTA – NOVEMBER 2010**

WAM Active Limited (WAA) listed on the Australian Stock Exchange in January 2008. WAA offers investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. Since inception WAA has outperformed the overall sharemarket. WAA's portfolio (before all fees, costs, taxes and dividends) has increased by 48.8% compared to a decline of 17.2% in the S&P/ASX All Ordinaries Accumulation Index. The investment objectives of WAA are to derive an absolute return, to deliver investors a growing income stream in the form of fully franked dividends and to preserve capital.

In November WAA's gross portfolio (before all fees, costs and taxes) increased by 2.3%, whilst the S&P/ASX All Ordinaries Accumulation Index decreased by 0.7%.

| <b>Annualised Performance<br/>as at 30 November 2010</b> | <b>1 Year</b> | <b>2 Year</b> | <b>Since Inception<br/>(Jan-08)</b> |
|----------------------------------------------------------|---------------|---------------|-------------------------------------|
| WAM Active Limited*                                      | +3.7%         | +30.4%        | +14.6%                              |
| S&P/ASX All Ords Accum                                   | +3.2%         | +17.8%        | -6.3%                               |
| <b>Outperformance</b>                                    | <b>+0.5%</b>  | <b>+12.6%</b> | <b>+20.9%</b>                       |

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

|                                                         |                  |
|---------------------------------------------------------|------------------|
| <b>NTA before tax</b>                                   | <b>115.64c</b>   |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>116.41c*</b>  |
| <b>NTA after tax</b>                                    | <b>114.22c**</b> |

\*Includes tax assets of 0.77 cents per share.

\*\*This includes the net effect of 0.77 cents of tax assets and 2.19 cents of deferred tax liabilities.

**MARKET OUTLOOK**

After a strong start to November the Australian share market trended lower during the month as concerns about the European sovereign debt crisis dominated investors thinking around the globe. The benchmark S&P/ASX All Ordinaries Accumulation index finished November down 0.7 per cent. Most of the selling pressure was centred upon the banking sector with the S&P/ASX 200 Financials Accumulation Index dropping 2.45 per cent while the S&P/ASX 300 Resources Accumulation Index rose 1.31 per cent. This overall decline though seems to be short lived with the market powering out of the blocks in the first half of December.

## **MARKET OUTLOOK (CONTINUED)**

We would expect the market to head higher for the finish of the calendar year. The impetus for the rise though is more likely to come from the much maligned financial and industrial sectors rather than the well performed resources sector. The balance of world growth is likely to change in the coming 6 to 12 months with the US economy showing early signs of growth after a prolonged downturn. This should see the overall market move higher in the coming period. Contrastingly, China, the engine room for world growth during 2010, is facing rising inflation which will see the Government lifting interest rates in a bid to temper growth.

This should see the staggering rise of commodity prices ease in the coming months. While this change in fortunes is not good for the Australian economy, it will happen gradually. It should also mean that our share market will be dragged higher by the US market, which is still the biggest influence on domestic share prices. The concerns about Sovereign debt in Europe, while important, is unlikely to derail share prices so long as the economic recovery in the US continues.

## **DIVIDENDS**

On 24 September 2010 the company paid a final dividend of 3.0 cents per share fully franked. This brings the full year FY2010 dividend to 6.0 cents per share fully franked. In line with our dividend policy and in the current environment the Board is anticipating an increase in dividends for this year.

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. Recently introduced government legislation now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather it will be with consideration to cash flow, cash holdings and available franking credits.

## **OPTION ISSUE**

On 8 February 2010 the Board announced a 1 for 1 option issue for its shareholders. The options, which trade on the Australian Securities Exchange, have an exercise price of \$1.15 per option and can be exercised any time up until the expiry date of 30 April 2011.

The reason behind the option issue is the Board's vision to grow the market capitalisation of WAM Active to \$100m over the next 5 years and to continue to generate strong results.

## **PORTFOLIO STRUCTURE**

| <b>Investment Type</b>                | <b>As at 31 Oct 2010</b> |                | <b>As at 30 Nov 2010</b> |                |
|---------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                       | <b>\$m</b>               | <b>%</b>       | <b>\$m</b>               | <b>%</b>       |
| Listed Equities                       | 8.82                     | 46.3%          | 7.66                     | 39.6%          |
| Fixed Interest and Cash               | 10.22                    | 53.7%          | 11.71                    | 60.4%          |
| <b>Total Long Portfolio</b>           | <b>19.04</b>             | <b>100.0 %</b> | <b>19.37</b>             | <b>100.0 %</b> |
|                                       |                          |                |                          |                |
| <b>Total Short Portfolio</b>          | <b>(0.88)</b>            |                | <b>(0.87)</b>            |                |
|                                       | <b>No.</b>               |                | <b>No.</b>               |                |
| <b>Total ordinary shares on issue</b> | 15,682,838               |                | 15,682,838               |                |
| <b>Total options on issue</b>         | 15,482,170               |                | 15,482,170               |                |

During the month of November we increased our cash levels and held an average of 57.1%.

We established positions Australian Renewable Fuels Limited (ARW), CSR Limited (CSR), Geo Property Group (GPM), Imdex Limited (IMD), Impress Energy Limited (ITC), James Hardie Industries (JHX), Longreach Group Limited (LRG), Mondadelphous Group Limited (MND), Mermaid Marine Australia Limited (MRM), Resmed Inc (RMD), Resolute Mining Limited (RSG) and Straits Resources Limited (SRL).

We took advantage of the following capital raisings Bow Energy Limited (BOW), Discovery Metals Limited (DML), Hillgrove Resources Limited (HGO), Independence Group (IGO), Kula Gold Limited (KGD), NextDC Limited (NXT), Range River Gold Limited (RNG), Richfield International Limited (RIS), Sundance Energy Australia Limited (SEA), Western Desert Resources Limited (WDR) and WPG Resources Limited (WPG).

We reduced our holdings in Alara Resources Limited (AUQ), Boom Logistics Limited (BOL), Hill End Gold Limited (HEG), Metrocoal Limited (MTE), Orion Metals Limited (ORM), Redhill Education Limited (RDH), Redstone Resources Limited (RDS), Red 5 Limited (RED), Select Harvest Limited (SHV), Silver Chef Limited (SIV), Southern Hemisphere Lining Limited (SUH) and YTC Resources Limited (YTC).

We exited positions in Aurora Oil & Gas Limited (AUT), Beach Energy Limited (BPT), Bathurst Resources Limited (BTU), Globe International Limited (GLB), Lycopodium Limited (LYL), Maca Limited (MLD), Nido Petroleum Limited (NDO), Navitas Limited (NVT), Nexus Energy Limited (NXS), Photon Group Limited (PGA), Pluton Resources Limited (PLV), Paperlinx SPS Trust Preference (PXUPA), Reece Australia Limited (REH), Stanmore Coal (SMR), Tap Oil Limited (TAP), Venture Minerals Limited (VMS), Webjet Limited (WEB) and Whitehaven Coal Limited (WHC).

We traded positions in Incitec Pivot Limited (IPL), Laguna Resources (LRC), Macquarie Group Limited (MQG), M2 Telecommunications Group Limited (MTU), Programmed Maintenance Services Limited (PRG), QBE Insurance Group Limited (QBE), Sigma Pharmaceuticals Limited (SIP), Swick Mining Services Limited (SWK), Ten Network Holdings Limited (TEN), Virgin Blue Holdings Limited (VBA), WorleyParsons Limited (WOR) and Woodside Petroleum Limited (WPL).

At 30 November 2010 the major securities held in the portfolio were:

| <b>Code</b> | <b>Company</b>                                          | <b>Market Value \$</b> | <b>Market Value as % Gross Assets</b> |
|-------------|---------------------------------------------------------|------------------------|---------------------------------------|
| RHG         | RHG Limited                                             | 1,185,978              | 6.4%                                  |
| TAL         | Tower Australia Group Limited                           | 582,043                | 3.1%                                  |
| FLT         | Flight Centre Limited                                   | 580,380                | 3.1%                                  |
| CSR         | CSR Limited                                             | 404,600                | 2.2%                                  |
| SYM         | Symex Holdings Limited                                  | 381,718                | 2.1%                                  |
| EFG         | Everest Financial Group Limited                         | 318,162                | 1.7%                                  |
| CCQ         | Contango Capital Partners Limited                       | 265,586                | 1.4%                                  |
| WFM         | Webfirm Group Limited                                   | 235,385                | 1.3%                                  |
| MND         | Monadelphous Group Limited                              | 227,103                | 1.2%                                  |
| INQ         | Investorfirst Limited                                   | 226,667                | 1.2%                                  |
| WRT         | Westfield Retail Trust                                  | 199,350                | 1.1%                                  |
| JHX         | James Hardie Industries Se                              | 193,137                | 1.0%                                  |
| RMD         | ResMed Inc.                                             | 189,618                | 1.0%                                  |
| IMFG        | IMF (Australia) Ltd Conv Note                           | 170,999                | 0.9%                                  |
| SGI         | Signature Capital Investments Limited                   | 152,613                | 0.8%                                  |
| FXJPB       | Fairfax Media Limited Convertible Preference Securities | 152,232                | 0.8%                                  |
| ITX         | ITX Group Limited                                       | 152,065                | 0.8%                                  |
| NAN         | Nanosonics Limited                                      | 142,800                | 0.8%                                  |
| SHV         | Select Harvests Limited                                 | 128,265                | 0.7%                                  |
| ITC         | Impress Energy Limited                                  | 125,460                | 0.7%                                  |

## **PERFORMANCE**

Set out below is the performance of WAA since listing to 30 November 2010 on a financial year basis from 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX All Ordinaries Accumulation Index which is before tax and expenses.

| <b>Financial Year</b> | <b>Gross Portfolio*</b> | <b>S&amp;P/ASX All Ordinaries Accumulation Index</b> | <b>Outperformance</b> |
|-----------------------|-------------------------|------------------------------------------------------|-----------------------|
| 2007/2008             | +2.2%                   | -15.2%                                               | +17.4%                |
| 2008/2009             | +9.6%                   | -22.2%                                               | +31.8%                |
| 2009/2010             | +22.7%                  | +13.8%                                               | +8.9%                 |
| YTD 2010/2011         | +8.3%                   | +10.3%                                               | -2.0%                 |

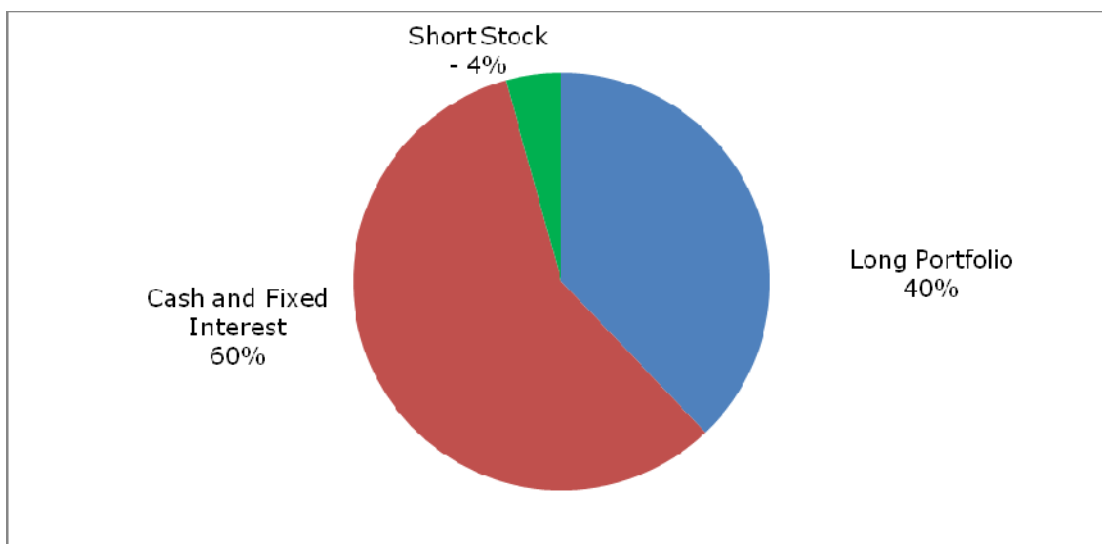
\*The change in the portfolio before all expenses, fees and taxes.

## **PERFORMANCE TABLE**

|                   | <b>Jan 08</b>          | <b>Feb 08</b> | <b>Mar 08</b> | <b>Apr 08</b> | <b>May 08</b>  | <b>Jun 08</b> | <b>Jul 08</b> |
|-------------------|------------------------|---------------|---------------|---------------|----------------|---------------|---------------|
| Gross Portfolio * | +0.3%                  | +1.2%         | +0.5%         | +1.6%         | +2.4%          | -3.7%         | -1.1%         |
| All Ords Accum.   | -11.2%                 | +0.3%         | -4.1%         | +4.6%         | +2.5%          | -7.3%         | -5.2%         |
|                   | <b>Aug 08</b>          | <b>Sep 08</b> | <b>Oct 08</b> | <b>Nov 08</b> | <b>Dec 08</b>  | <b>Jan 09</b> | <b>Feb 09</b> |
| Gross Portfolio * | +0.1%                  | -3.8%         | -5.3%         | -5.2%         | +3.4%          | -1.9%         | +0.6%         |
| All Ords Accum.   | +4.0%                  | -10.6%        | -13.9%        | -7.2%         | -0.1%          | -4.9%         | -4.3%         |
|                   | <b>Mar 09</b>          | <b>Apr 09</b> | <b>May 09</b> | <b>Jun 09</b> | <b>July 09</b> | <b>Aug 09</b> | <b>Sep 09</b> |
| Gross Portfolio * | +4.5%                  | +7.6%         | +5.0%         | +6.2%         | +9.6%          | +7.5%         | +6.2%         |
| All Ords Accum.   | +8.1%                  | +6.1%         | +2.2%         | +3.9%         | +7.7%          | +6.5%         | +6.0%         |
|                   | <b>Oct 09</b>          | <b>Nov 09</b> | <b>Dec 09</b> | <b>Jan 10</b> | <b>Feb 10</b>  | <b>Mar 10</b> | <b>Apr 10</b> |
| Gross Portfolio * | +2.1%                  | +0.3%         | +1.0%         | -3.6%         | +0.0%          | +2.9%         | +0.4%         |
| All Ords Accum.   | -1.9%                  | +1.9%         | +3.7%         | -5.8%         | +1.8%          | +5.8%         | -1.2%         |
|                   | <b>May 10</b>          | <b>Jun 10</b> | <b>Jul 10</b> | <b>Aug 10</b> | <b>Sep 10</b>  | <b>Oct 10</b> | <b>Nov 10</b> |
| Gross Portfolio * | -4.0%                  | -0.9%         | +1.6%         | +0.1%         | +2.7%          | +1.3%         | +2.3%         |
| All Ords Accum.   | -7.6%                  | -2.6%         | +4.2%         | -0.7%         | +5.0%          | +2.2%         | -0.7%         |
|                   | <b>Since Inception</b> |               |               |               |                |               |               |
| Gross Portfolio * | +48.8%                 |               |               |               |                |               |               |
| All Ords Accum.   | -17.2%                 |               |               |               |                |               |               |

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

## **PORTFOLIO STRUCTURE - ASSET ALLOCATION**



## **LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION**

