



WAM ACTIVE LIMITED (WAA)
ABN 49 126 420 719
INVESTMENT UPDATE & NTA – DECEMBER 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 54.2% compared to a decline of 14.0% 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 December WAA's gross portfolio (before all fees, costs and taxes) increased by 3.6%, whilst the S&P/ASX All Ordinaries Accumulation Index increased by 3.8%.

Annualised Performance as at 31 December 2010	1 Month	6 Months	1 Year	2 Years	Since Inception (Jan-08)
WAM Active Limited*	+3.6%	+12.2%	+6.4%	+30.5%	+15.5%
S&P/ASX All Ordinaries Accumulation Index	+3.8%	+14.5%	+3.3%	+20.1%	-4.9%
Outperformance	-0.2%	-2.3%	+3.1%	+10.4%	+20.4%

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

NTA before tax	118.67c
NTA after tax and before tax on unrealised gains	119.75c*
NTA after tax	116.39c**

*Includes tax assets of 1.08 cents per share.

**This includes the net effect of 1.08 cents of tax assets and 3.36 cents of deferred tax liabilities.

MARKET OUTLOOK AND QUEENSLAND FLOODS

Our thoughts go out to all the people affected by the recent devastating floods in Queensland. We send all of them our best wishes for the recovery effort.

Global share markets recorded stellar returns in December after investors were buoyed by positive news out of the US, the world's largest economy. The Australian market participated in the rally, with the S&P ASX All Ordinaries Accumulation Index spiking 3.8 per cent higher. Leading the charge was the highly favoured mining index with the S&P/ASX All Resources Accumulation Index up 6.1 per cent, compared to a

rise of 2.5 per cent by the S&P/ASX All Industrials Accumulation index. Investors are keen to best take advantage of improving world economy.

Heading into the new calendar year we remain cautious despite the rally in equities since July 2010. We remain concerned about a bubble forming in the mining sector, especially among smaller resource stocks, with many leaping by more than 100 per cent in just six months. The emergence of inflation in China could result in authorities being forced to slow growth and, as a result, reduce demand for Australian commodities.

We are more encouraged by the industrial sector, which is experiencing difficult economic conditions in Australia. The Reserve Bank's decision to lift official interest rates through 2009 and 2010 has slowed domestic activity, putting pressure on earnings growth. If the Reserve Bank is able to keep rates steady through the course of 2011, industrial stocks should at some stage receive investor support. In the short term however, the sector will need have to work its way through a poor earnings reporting season, to be announced in February.

We believe our portfolio is well placed to take advantage of this changing landscape. In addition, we are nimble enough to change strategy if the economic outlook changes.

DIVIDENDS

On 13 January 2011 the company announced a fully franked interim dividend of 4.0 cents per share. This is a 33% increase on the final dividend and is to be paid as follows.

Ex Date:	17 March 2011
Record Date:	23 March 2011
Payment Date:	31 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$1.06 being closing price 13 January 2011) is a 10.7% discount to the 31 December 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 23 March 2011.

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 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.

One of the reasons behind the option issue is the Board's vision to grow the market capitalisation of WAM Active to \$100m over the next 4 years and to continue to generate strong results.

PORTFOLIO STRUCTURE

Investment Type	As at 30 Nov 2010			As at 31 Dec 2010	
	\$m	%		\$m	%
Listed Equities	7.66	39.6%		12.67	65.4%
Fixed Interest and Cash	11.71	60.4%		6.69	34.6%
Total Long Portfolio	19.37	100.0%		19.36	100.0%
Total Short Portfolio	(0.87)			(0.27)	
	No.			No.	
Total ordinary shares on issue	15,682,838			15,682,838	
Total options on issue	15,482,170			15,482,170	

During the month of December we decreased our cash levels and held an average of 47.5%.

We established positions Australia and New Zealand Banking Group Limited (ANZ), Credit Corp Group Limited (CCP), Commonwealth Bank of Australia (CBA), Dyesol Limited (DYE), National Australia Bank Limited (NAB) and Westpac Banking Corporation (WBC).

We took advantage of the following capital raisings Aurora Oil & Gas Limited (AUT), Alycone Resources Limited (AYN), Bannerman Energy Limited (BMN), Bandanna Energy Limited (BND), Centius Gold Limited (CNS), Gunson Resources Limited (GUN), Maryborough Sugar Factor Limited (MSF), Navitas Limited (NVT), Silex Systems Limited (SLX) and Warrnambool Cheese & Butter Factor Co Hold Limited (WCB).

We reduced our holdings in A1 Minerals Limited (AAM), ADX Energy Limited (ADX), Impress Energy Limited (ITC), Monadelphous Group Limited (MND), Redhill Education Limited (RDH), Redstone Resources Limited (RDS), Ross Human Directions Limited (RHD), Silver Chef Limited (SHV), Wide Bay Australia Limited (WBB) and WPG Resources Limited (WPG).

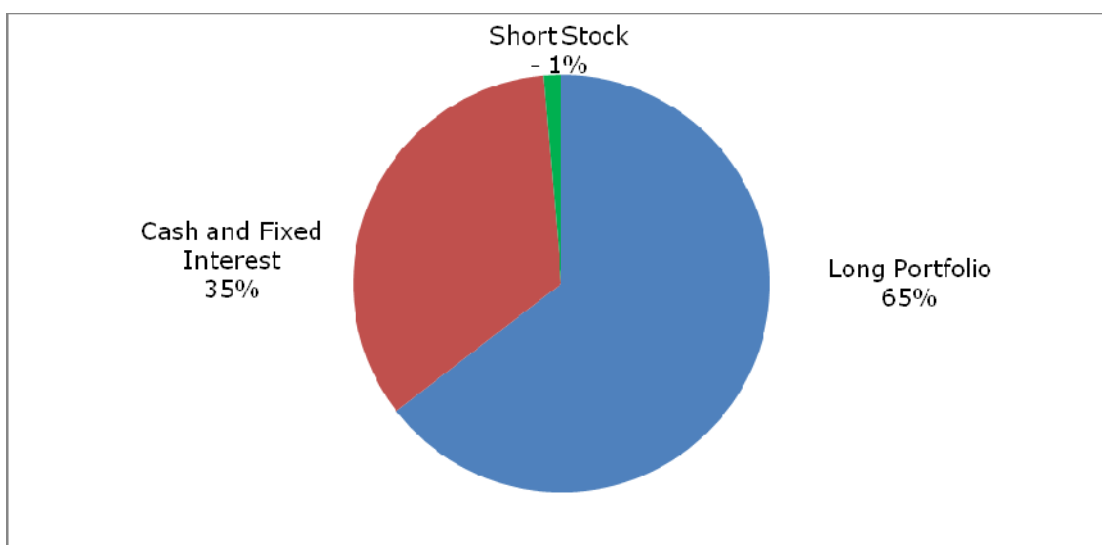
We exited positions in Alara Resources Limited (AUQ), Boom Logistics Limited (BOL), Citadel Resources Group Limited (CGG), Contango Microcap Limited (CTN), Discovery Metals Limited (DML), Hill End Gold Limited (HEG), Hillgrove Resources Limited (HGO), Imdex Limited (IMD), ITX Group Limited (ITX), Laguna Resources Limited (LRG), Metrocoal Limited (MTE), NextDC Limited (NVT), Orion Metals Limited (ORM), Programmed Maintenance Services Limited (PRG), Red 5 Limited (RED), Range River Gold Limited (RNG), Resolute Mining Limited (RSG), Sundance Energy Australia Limited (SEA), Select Harvest Limited (SHV), Southern Hemisphere Mining Limited (SUH) and YTC Resources Limited (YTC).

We traded positions in Asciano Limited (AIO), Beach Energy Limited (BPT), Greenland Minerals & Energy Limited – Options (GGGO) and Stanmore Coal Limited (SMR).

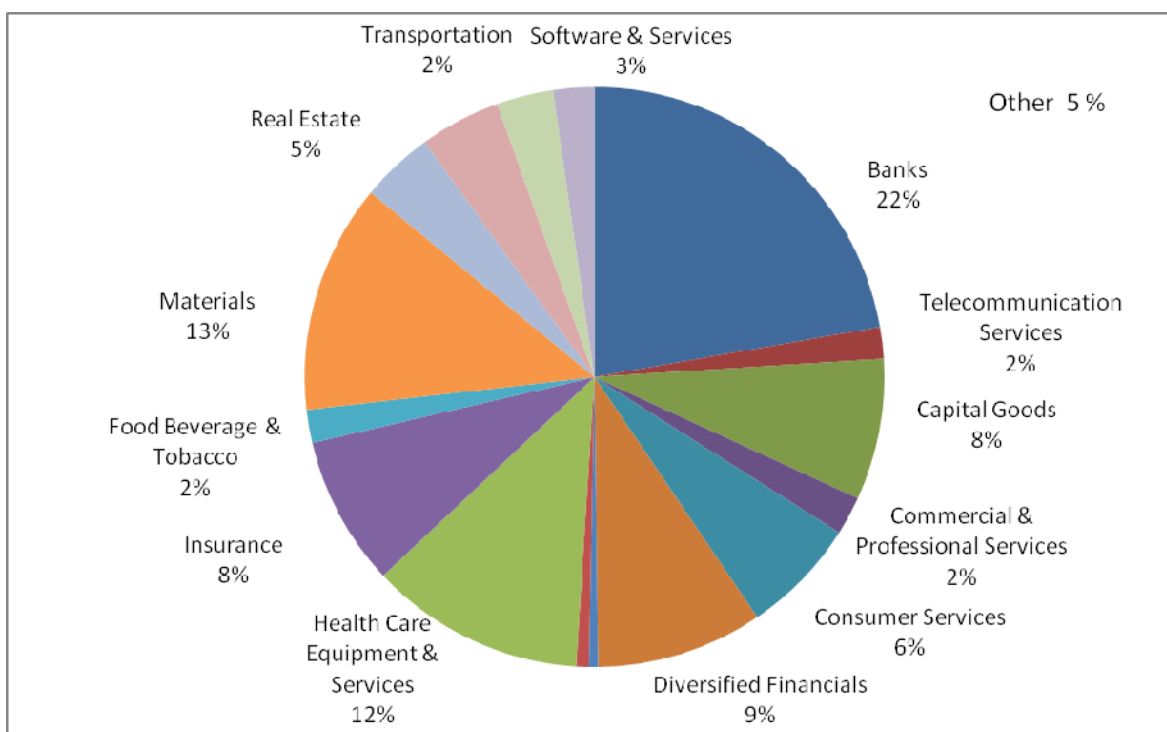
At 31 December 2010 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
RHG	RHG Limited	1,211,078	6.3%
TAL	Tower Australia Group Limited	1,058,983	5.5%
PRY	Primary Health Care Limited	830,652	4.3%
JHX	James Hardie Industries Se	719,690	3.8%
CSR	CSR Limited	710,640	3.7%
FLT	Flight Centre Limited	631,890	3.3%
CBA	Commonwealth Bank of Australia	389,914	2.0%
NAB	National Australia Bank Limited	379,200	2.0%
SYM	Symex Holdings Limited	374,714	2.0%
ANZ	Australia and New Zealand Banking Group Limited	373,600	2.0%
WBC	Westpac Banking Corporation	373,128	2.0%
NWS	News Corporation	360,900	1.9%
RMD	ResMed Inc.	328,409	1.7%
INQ	Investorfirst Limited	283,333	1.5%
KSC	K & S Corporation Limited	250,112	1.3%
CCP	Credit Corp Group Limited	243,600	1.3%
CCQ	Contango Capital Partners Limited	242,347	1.3%
EFG	Everest Financial Group Limited	238,621	1.2%
WFM	Webfirm Group Limited	235,385	1.2%
MSF	Maryborough Sugar Factory Limited (The)	233,837	1.2%

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



PERFORMANCE

Set out below is the performance of WAA since listing to 31 December 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.

Financial Year	Gross Portfolio *	S&P/ASX All Ordinaries Accumulation Index	Outperformance
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	+12.2%	+14.5%	-2.3%

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

PERFORMANCE TABLE

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
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%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
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%
	Mar 09	Apr 09	May 09	Jun 09	July 09	Aug 09	Sep 09
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%
	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10
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%
	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
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%
	Dec 10						Since Inception
Gross Portfolio *	+3.6%						+54.2%
All Ords Accum.	+3.8%						-14.0%

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