



WAM CAPITAL LTD (WAM)

ABN 34 086 587 395

INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT OCTOBER 2012

- 2013 interim dividend guidance, 6.0 cents per share fully franked, representing an annualised yield of 7.5%*
- Merger to acquire 100% of Premium Investors - Court approves scheme meeting and booklet
- Investor presentations 20 November - 4 December 2012

Company overview

WAM Capital (WAM) is a listed investment company that provides investors exposure to an actively managed diversified portfolio that concentrates on identifying undervalued growth companies. These are generally found in the small to medium industrial sector. WAM also provides exposure to relative value arbitrage and market mispricing opportunities.

Investment objective

The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital.

Outperformance against sharemarket

Since inception, the WAM investment portfolio has outperformed the overall sharemarket. WAM's performance against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

Performance as at 31 October 2012	1 Mth %	6 Mths %	Fin YTD %	1 Year %	3 Yrs % pa	5 Yrs % pa	10 Yrs % pa	Since Inception % pa (Aug-99)
WAM Investment Portfolio	+2.6%	+7.0%	+8.9%	+13.3%	+10.9%	+5.1%	+14.4%	+17.8%
S&P/ASX All Ordinaries Accumulation Index	+3.0%	+4.0%	+11.4%	+8.9%	+3.5%	-3.6%	+8.7%	+7.6%
Outperformance	-0.4%	+3.0%	-2.5%	+4.4%	+7.4%	+8.7%	+5.7%	+10.2%

Net Tangible Asset (NTA) figures

The following NTA figures are after the payment of a fully franked final dividend of 5.5 cents per share paid on the 28 September 2012. The figures below have not been adjusted for the 121,773,922 remaining options on issue with an exercise price of \$1.60 per share.

NTA before tax	164.46c**
NTA after tax and before tax on unrealised gains	164.12c
NTA after tax	160.11c

* Based on 8 November 2012 closing price.

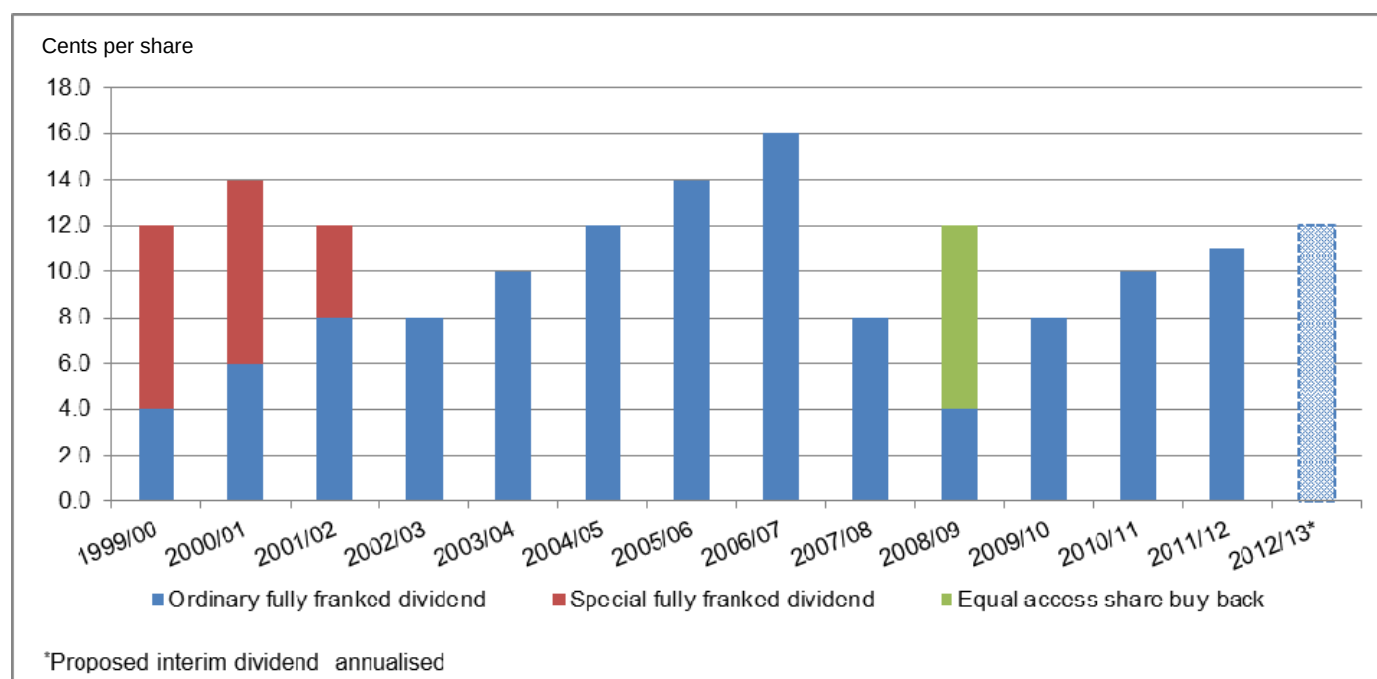
** After the payment of 0.74 cents per share of tax during the month.

2013 Interim Dividend Guidance - 6.0 cents per share fully franked

On 5 November 2012, the Board announced the intention to pay a fully franked interim dividend of 6.0 cents per share for the half year ending 31 December 2012. This will be a 9.1% increase on the previous years' interim dividend and represents an annualised fully franked dividend yield of 7.5% based on the last sale price. The dividend payment will be reliant on profitability and the availability of franking credits.

It is anticipated that the record date for the proposed interim dividend will be no earlier than February 2013, which is consistent with previous years. If the Premium Investors Scheme of Arrangement is approved and implemented in accordance with the current timetable, Premium shareholders who elect to receive WAM shares as consideration will receive the interim dividend. This is assuming these shares are held on the dividend record date.

The Board's dividend policy is to pay an increasing stream of fully franked dividends to shareholders provided the Company has sufficient franking credits and it is within prudent business practices. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow and cash holdings.



Merger to acquire 100 % of Premium Investors

On 14 September 2012, WAM announced a proposed merger with Premium Investors Limited (Premium) through a scheme of arrangement. The offer involves WAM acquiring 100% of Premium shares on a net tangible assets (NTA) for NTA basis. Subsequent to our offer, the Independent Directors of Premium have recommended the offer to their shareholders.

WAM will offer Premium shareholders the option to exchange up to 100% of their Premium shares for new WAM shares, receive 100% cash out or a combination of both. Each Premium shareholder who elects to receive scrip consideration will also be issued one WAM option (WAMO) for each new share issued.

The WAM Board believes the merger will be beneficial to WAM shareholders as it will provide a greater market presence, increased liquidity of WAM shares and a reduction in the fixed administration expense ratio. There are also potential benefits from the deferred tax assets and franking credit balances in the Premium accounts.

WAM owns 2,710,746 Premium shares, or 2.7% of the issued capital. The shares have a cost price of \$0.64 per share, representing a 23.2% discount to the September NTA. With the announcement of the merger the Premium share price is now trading close to NTA.

On 31 October 2012, the Court approved the scheme booklet which was despatched to Premium shareholders on 8 November 2012. The Independent Expert has concluded that both the cash consideration component and the scrip component of the scheme are fair and reasonable and are in the best interest of Premium's shareholders in the absence of a superior proposal. The scheme meeting to approve the merger will be held on 10 December 2012. The indicative implementation date is 31 December 2012.

For further details please refer to the WAM Capital merger page on our website www.wamfunds.com.au or the ASX announcement platform.

Option issue – 1 for 1 bonus issue

On 2 April 2012, the Board announced a 1 for 1 bonus issue of options to acquire ordinary shares in the capital of the Company. The options have an exercise price of \$1.60 per share and can be exercised at any time on or before 31 July 2013. The options are currently trading on the ASX under the code WAMO.

As at 31 October 2012, 7,931,241 options have been exercised for a total consideration of \$12,689,986. The remaining balance of outstanding options is 121,773,922.

Market outlook

Market up again

The ASX S&P All Ordinaries Accumulation Index finished up 2.97% for October. This was its 5th consecutive positive month. It has also now registered 9 positive months in the last 10. Another 0.25% interest rate cut by the RBA and the expectation of further cuts helped drive the market higher.

Merger and acquisition activity heats up

A low interest rate environment is conducive to merger and acquisition activity, as we have mentioned previously. This month a plethora of deals were announced with takeover or merger talks involving Arrium, Discovery Metals, Graincorp, WHK Group and SFG Australia. We believe this trend will continue as more interest cuts are delivered by the RBA during FY13.

Downgrades leak out

Downgrades have been announced from companies such as Harvey Norman, SMS Management and Technology, Emeco Holdings and Treasury Wine Estates, representing varying sectors of the economy. November is a key time for AGMs and we expect further downgrades to be revealed at these meetings. The feedback we continue to receive from companies is that trading conditions remain challenging.

Portfolio structure

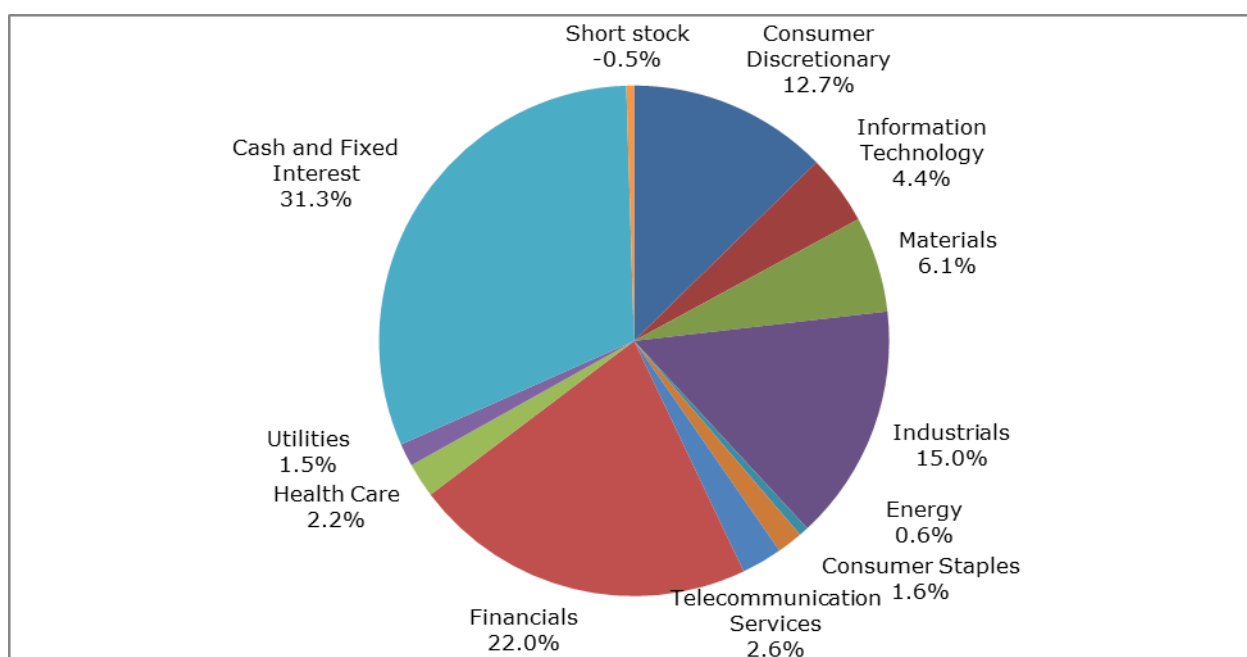
As at 31 October 2012, listed securities made up 68.7% of the portfolio with fixed interest and cash making up the remaining 31.3%. Our focus is on companies with strong earnings per share growth that trade on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to research thoroughly to identify companies that meet this profile, and carry out over 1,000 company visits a year.

Investment Type	As at 30 September 2012		As at 31 October 2012	
	\$m	%	\$m	%
Listed Equities	133.0	58.6%	158.2	68.7%
Fixed Interest and Cash	93.9	41.4%	72.1	31.3%
Long Portfolio	226.9	100.0 %	230.3	100.0 %
Short Portfolio	(2.1)	(0.9 %)	(1.1)	(0.5 %)
Total Fund Size	\$224.8		\$229.2	
	No.		No.	
Total ordinary shares on issue	138,690,429		138,697,794	
Total options on issue	121,781,287		121,773,922	

As at 31 October 2012 the major securities held in the portfolio were as follows.

Code	Company	Market Value \$	Market Value as % Gross Assets
ALS	Alesco Corporation Limited	6,573,151	2.9%
IBC	Ironbark Capital Limited	5,748,154	2.5%
CYA	Century Australia Investments Limited	5,388,178	2.4%
ELI	Emerging Leaders Investments Limited	4,744,734	2.1%
BRG	Breville Group Limited	3,738,487	1.6%
INA	Ingenia Communities Group	3,692,402	1.6%
RHG	RHG Limited	3,645,196	1.6%
CSR	CSR Limited	3,525,260	1.5%
AHE	Automotive Holdings Group Limited	3,459,552	1.5%
NXT	NEXTDC Limited	3,441,480	1.5%
MFG	Magellan Financial Group Limited	3,407,061	1.5%
BKW	Brickworks Limited	3,309,795	1.4%
CYG	Coventry Group Limited	3,261,857	1.4%
CRZ	Carsales.Com Limited	3,178,855	1.4%
CCQ	Contango Capital Partners Limited	2,971,898	1.3%
FAN	Fantastic Holdings Limited	2,571,655	1.1%
SKE	Skilled Group Limited	2,514,373	1.1%
CTD	Corporate Travel Management Limited	2,514,235	1.1%
AMM	Amcom Telecommunications Limited	2,420,714	1.1%
SDG	Sunland Group Limited	2,416,447	1.1%

Portfolio structure – sector allocation



Performance – yearly comparison to S&P/ASX All Ordinaries Accumulation Index

Set out below is the performance of WAM's investment portfolio since listing to 31 October 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAM Investment 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 %
2011/2012	+4.2%	-7.0%	+11.2 %
YTD 2012/2013	+8.9%	+11.4%	-2.5 %

Performance - monthly comparison

The table below shows the month by month performance of WAM against the S&P/ASX All Ordinaries Accumulation index.

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00	Apr 00
Investment Portfolio*	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%	-5.7%
S&P/ASX All Ord Accum	-2.5%	-1.2%	+0.5%	+5.4%	+5.6%	-0.7%	+1.9%	+0.5%	-1.5%
	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00	Dec 00	Jan 01
Investment Portfolio*	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%	+0.1%	+1.7%
S&P/ASX All Ord Accum	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%	-2.0%	+4.4%
	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01	Aug 01	Sep 01	Oct 01
Investment Portfolio*	-0.2%	-3.7%	+3.9%	+6.7%	+6.9%	-1.0%	+4.6%	-2.9%	+8.6%
S&P/ASX All Ord Accum	-0.2%	-4.8%	+5.7%	+1.6%	+3.8%	-4.5%	-1.3%	-6.7%	+6.8%
	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02	Apr 02	May 02	Jun 02	Jul 02
Investment Portfolio*	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%	-0.4%	+0.7%	-2.2%	-3.0%
S&P/ASX All Ord Accum	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%	-1.8%	+0.9%	-4.4%	-4.1%
	Aug 02	Sep 02	Oct 02	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03
Investment Portfolio*	+3.9%	-1.1%	+1.1%	+1.6%	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%
S&P/ASX All Ord Accum	+1.8%	-4.1%	+2.6%	+1.5%	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%
	May 03	Jun 03	Jul 03	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04
Investment Portfolio*	+1.5%	+3.5%	+3.6%	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%
S&P/ASX All Ord Accum	+0.5%	+1.3%	+3.6%	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%
	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04
Investment Portfolio*	+2.7%	+0.1%	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%
S&P/ASX All Ord Accum	+3.1%	+2.0%	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%
	Nov 04	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Investment Portfolio*	+3.3%	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
S&P/ASX All Ord Accum	+4.6%	+3.0%	+1.3%	+1.8%	-0.7%	-3.8%	+3.4%	+4.5%	+2.8%
	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06
Investment Portfolio*	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%	+2.1%
S&P/ASX All Ord Accum	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%	+2.4%
	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07
Investment Portfolio*	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%	+6.1%	+3.8%
S&P/ASX All Ord Accum	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%	+3.6%	+2.0%
	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07
Investment Portfolio*	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%	-4.2%	+1.7%	+3.1%
S&P/ASX All Ord Accum	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%	+1.7%	+5.8%	+3.1%
	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08
Investment Portfolio*	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%	+1.7%	+2.3%	-7.9%	-1.6%
S&P/ASX All Ord Accum	-2.4%	-2.4%	-11.2%	+0.3%	-4.1%	+4.6%	+2.4%	-7.3%	-5.2%
	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09
Investment Portfolio*	+1.7%	-5.3%	-9.2%	-5.6%	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%
S&P/ASX All Ord Accum	+4.0%	-10.6%	-13.9%	-7.2%	-0.1%	-4.9%	-4.3%	+8.1%	+6.1%
	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10
Investment Portfolio*	+3.6%	+3.9%	+8.2%	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%
S&P/ASX All Ord Accum	+2.2%	+3.9%	+7.7%	+6.5%	+6.1%	-1.9%	+1.9%	+3.7%	-5.9%
	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10
Investment Portfolio*	-0.5%	+3.7%	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4%
S&P/ASX All Ord Accum	+1.8%	+5.8%	-1.2%	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%
	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11
Investment Portfolio*	+2.3%	+3.7%	+1.4%	+2.1%	+0.1%	+1.2%	-1.4%	-2.4%	+0.2%
S&P/ASX All Ord Accum	-0.7%	+3.8%	+0.1%	+2.2%	+0.6%	-0.6%	-1.9%	-2.4%	-3.4%
	Aug 11	Sept 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
Investment Portfolio*	-1.8%	-0.8%	+2.6%	-1.3%	-1.2%	+1.6%	+4.4%	+2.3%	+0.0%
S&P/ASX All Ord Accum	-2.0%	-6.3%	+7.2%	-3.4%	-1.6%	+5.2%	+2.4%	+1.2%	+1.1%
	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Since inception		
Investment Portfolio*	-2.2%	+0.5%	+1.7%	+2.7%	+1.7%	+2.6%			+777.4%
S&P/ASX All Ord Accum	-6.9%	+0.3%	+3.7%	+2.1%	+2.1%	+3.0%			+163.4%

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

Investor Presentations

The team at Wilson Asset Management enjoys the opportunity to meet with you at the semi-annual investor presentations to be held on the following dates:

Perth – 20 November 2012
Sydney – 28 November 2012
Melbourne – 29 November 2012
Adelaide – 30 November 2012
Canberra – 3 December 2012
Brisbane – 4 December 2012

We look forward to seeing you and please feel free to invite any other interested parties.

For more information

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

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