

LISTED INVESTMENT COMPANIES

BELL POTTER**(EXTRACT)**

Rehashing the Basics

Listed Investment Companies (LIC) are investment companies that provide exposure to a professionally managed and diversified portfolio of assets. These assets may include Australian shares, international shares, fixed income securities, private equity and derivatives dependent on the LIC's mandate. LICs offer investors a wide variety of benefits including easy diversification, experienced management, taxation management, consistent income and capital management (continued page 2).

Premiums and Discounts to NTA

An analysis of the current share price premium to pre-tax NTA relative to the five year average pre-tax NTA can indicate if a LIC is expensive or cheap.

- LICs trading in line with historical norms include **DJW** and **CTN**.
- LICs trading at reasonable discounts to historical norms include **AFI**, **ARG** and **PMC**.
- There are no LICs trading at a premium to historical norms.

Active and Absolute returns

On an active return basis (excess NTA return over the benchmark) the key standout of the large domestic LICs continues to be **AFI** over the medium and long-term. Among the smaller LICs **CTN**, **MIR** and **WAM** again all delivered strong NTA performance over all time periods. This was essentially mirrored in the share price, with all three exhibiting stunning short-term performance in particular. On a NTA value added basis from an international perspective, both **PMC** and **HHV** again delivered solid returns over the long-term.

Preferred LICs: AFI (Large), CTN and MIR (Small) and PMC (International)

From a purely quantitative basis as at 30 June 2011, we retain **AFI** as our preferred large LIC. **AFI** has delivered reasonable out-performance across 3 and 5 years, has delivered a historical fully franked yield of 4.8% (6.8% gross) and looks inexpensive compared to historical norms. At the smaller end of town we like **CTN** along with **MIR**. Both have delivered strong out-performance across long time periods and trade at a reasonable discount to pre-tax NTA. **PMC** is our preferred international LIC owing to its strong relative performance, high fully franked dividend yield and appears inexpensive on a historical basis.

This is a purely quantitative analysis and it must be noted that historical performance is no guarantee of future performance.

About Bell Potter

Bell Potter is one of Australia's leading full-service private client stockbroking and financial advisory firms. We have a strong track record of offering high quality, professional advice to private investors in Australia. As well as our private client services Bell Potter offers specialised advice to the wholesale market.

Equity Research covers the major LICs on issue in a regular report to clients. The report details the key investment considerations, including risks. To obtain a copy, please contact your Bell Potter adviser or call Bell Potter at (03) 9235-1897/(02) 9255 7262. Alternatively, email your request to marketing@bellpotter.com.au

Inside this edition

- Opinion piece
- Coverage of 24 securities
- Performance measures relative to benchmarks and risk

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WAM CAPITAL (WAM)

Domestic Focussed

Mandate:	Australian listed equities	Benchmark:	All Ordinaries Accumulation
Manager:	Wilson Asset Management	Indirect cost ratio with performance fee:	3.74% ¹
Listed:	1999	Indirect cost ratio w/out performance fee:	1.27% ¹

Investment Strategy

WAM is an actively managed portfolio of investments. It aims to achieve a high real rate of return, comprising a growing stream of fully franked dividends, capital growth and preserved capital. The manager believes that the majority of these opportunities will come from medium to small industrial companies. WAM has a two fold investment strategy. Research Driven investing rating the company's management, earnings growth potential, valuation, industry position, generation of free cash flow and identifying a catalyst that will change the valuation. Market Driven investing, opportunities such as IPO's, placements, block trades, rights issues, merger transactions, corporate spin-offs, restructurings, arbitrage opportunities.

Personnel

Investment Personnel: Geoffrey Wilson, Chris Stott, Martin Hickson and Matt Haupt. Directors: Geoffrey Wilson, Matthew Kidman, James Chirnside and Paul Jensen.

Key Information

Exposure: International/Domestic, Equities/Fixed Income/Derivatives, Cash

Style: Large/Medium/Small Cap, Balanced/Value/Growth, Passive/Active, Long/Short

Derivatives: Used for arbitrage and in anticipation of a decline in the market value of that security.

Debt: n/a

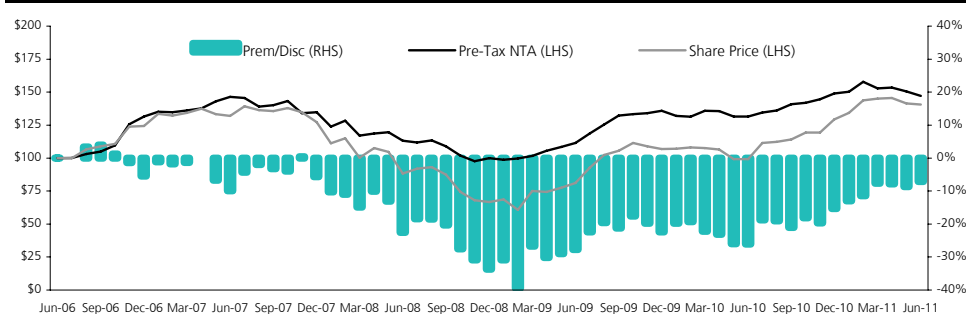
Dividend reinvestment plan: Yes.

Other: Affiliated with WAM Research (ASX code: WAX) and WAM Active (ASX code: WAA).

Performance	1-mth	3-mth	6-mth	1 year	3 yr p.a.	5 yr p.a.
Share price*						
Performance	-0.6%	-3.1%	8.7%	41.9%	16.8%	7.1%
Benchmark	-2.4%	-4.8%	-2.0%	12.2%	-0.2%	2.6%
Active return	1.8%	1.7%	10.7%	29.7%	17.0%	4.5%
NTA+						
Performance	-2.3%	-3.7%	-1.2%	11.8%	9.1%	8.0%
Benchmark	-2.4%	-4.8%	-2.0%	12.2%	-0.2%	2.6%
Active return	0.1%	1.1%	0.8%	-0.4%	9.3%	5.4%

Returns have been calculated on the share price on an accumulation basis

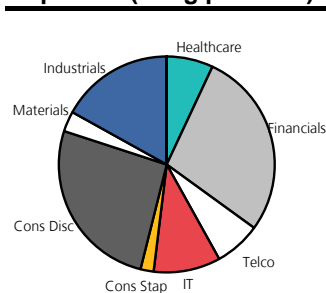
5 year return (share price & Pre-Tax NTA) and premium/discount to Pre-Tax NTA



Risk/Return Indicators

Information	Sharpe Ratio	Standard Deviation	Tracking Error
Share price*			
Year 1	2.94	14.6%	10.1%
Year 3	1.00	24.2%	17.1%
Year 5	0.26	23.6%	17.0%
NTA+			
Year 1	-0.06	8.0%	6.5%
Year 3	0.92	10.2%	10.2%
Year 5	0.48	13.1%	11.3%

Exposure (Long portfolio)



¹ Calculated for the full year ending 30 June 2010. * The shareprice bench mark has been compared against the S&P/ASX All Ordinaries Accumulation Index. + The NTA has been compared against the S&P/ASX All Ordinaries Accumulation Index.

Measurements of a listed investment company's performance based on pre-tax asset backing or share price represent after tax measures, and are after the payment of company tax on capital gains and unfranked income. Index returns however are entirely before tax measures. Listed investment company returns will consequently be understated relative to the Index return.

Share Price and NTA Summary

as at 30-Jun-11	
Share price	\$1.56
Pre-tax NTA	\$1.67
Post-tax NTA	\$1.63

Premium/(Discount) share price to:

Pre-tax NTA	-7%
Post-tax NTA	-4%

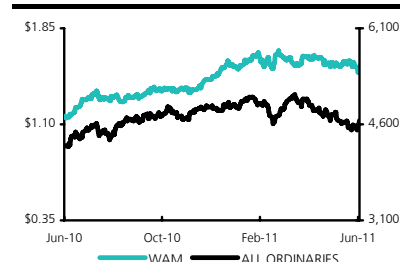
Historic Dividend (prior 12-mths)

Dividends (net)	\$0.09
Yield	5.8%
Franking	100%
Grossed up yield	8.3%

Capital Structure

Ordinary shares	105.1m
Options/other	0.0m
Fully diluted	105.1m
Market capitalisation	163.4m

WAM share price v ASX All Ords



Top 20 Shareholdings

Shareholding	%
as at 30-Jun-11	
Reckon Limited	3.8
Signature Capital	2.9
Emerging Leaders	2.6
McMillan Shakespeare	2.4
Austar United Communications	2.1
Mystate Limited	1.6
Isoft Group Limited	1.6
Telstra Corporation	1.5
STW Communications	1.4
Breville Group	1.4
Macquarie Telecom	1.3
ARB Corporation	1.1
Maryborough Sugar	1.1
Skilled Group Limited	1.0
Contango Capital	1.0
Navitas Limited	1.0
SAI Global Limited	0.9
Clime Investment	0.9
Symex Holdings	0.9
Ardent Leisure	0.9
% of Total	31.4

WAM RESEARCH (WAX)

Domestic Focussed

Mandate:	Australian listed equities	Benchmark:	All Ordinaries Accumulation
Manager:	Wilson Asset Management	Indirect cost ratio with performance fee:	1.30% ¹
Listed:	2003	Indirect cost ratio w/out performance fee:	1.30% ¹

Investment Strategy

WAX is an actively managed portfolio of investments. The investment objectives are to provide a growing stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors.

Personnel

Investment Personnel: Geoffrey Wilson, Chris Stott, Martin Hickson and Matt Haupt. Directors: Geoffrey Wilson, Matthew Kidman, Julian Gosse and John Abernethy.

Key Information

Exposure: International/Domestic, Equities/Fixed Income/Derivatives, Cash

Style: Large/Medium/Small Cap, Balanced/Value/Growth, Passive/Active, Long/Short

Derivatives: Used for arbitrage and in anticipation of a decline in the market value of that security.

Debt: n/a

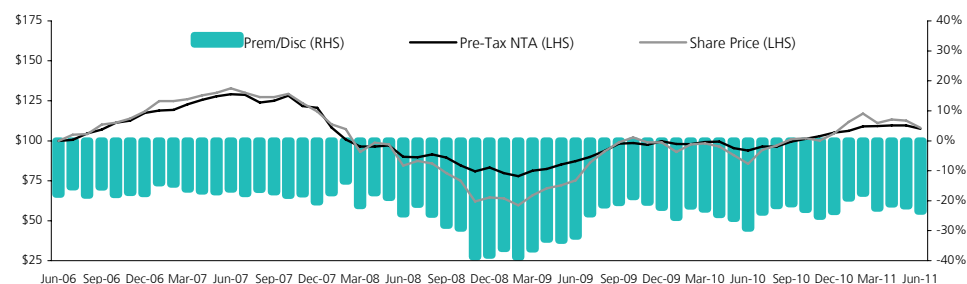
Dividend reinvestment plan: Yes.

Other: Affiliated with WAM Capital (ASX code: WAM) and WAM Active (ASX code: WAA)

Performance	1-mth	3-mth	6-mth	1 year	3 yr p.a.	5 yr p.a.
Share price*						
Performance	-4.1%	-2.7%	3.4%	26.4%	8.5%	1.6%
Benchmark	-2.4%	-4.8%	-2.0%	12.2%	-0.2%	2.6%
Active return	-1.7%	2.1%	5.4%	14.2%	8.7%	-1.0%
NTA+						
Performance	-1.8%	-1.5%	2.4%	14.5%	6.1%	1.5%
Benchmark	-2.4%	-4.8%	-2.0%	12.2%	-0.2%	2.6%
Active return	0.6%	3.3%	4.4%	2.3%	6.3%	-1.1%

Returns have been calculated on the share price on an accumulation basis

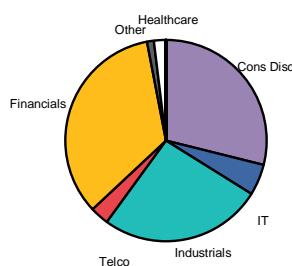
5 year return (share price & Pre-Tax NTA) and premium/discount to Pre-Tax NTA



Risk/Return Indicators

Information	Sharpe Ratio	Standard Deviation	Tracking Error
Share price*			
Year 1	1.22	14.8%	11.7%
Year 3	0.60	21.2%	14.5%
Year 5	-0.07	19.9%	14.0%
NTA+			
Year 1	0.51	4.8%	4.6%
Year 3	0.59	9.0%	10.7%
Year 5	-0.11	10.9%	10.1%

Exposure (Long portfolio)



Share Price and NTA Summary

<i>as at 30-Jun-11</i>	
Share price	\$0.71
Pre-tax NTA	\$0.93
Post-tax NTA	\$0.93

Premium/(Discount) share price to:

Pre-tax NTA	-23%
Post-tax NTA	-23%

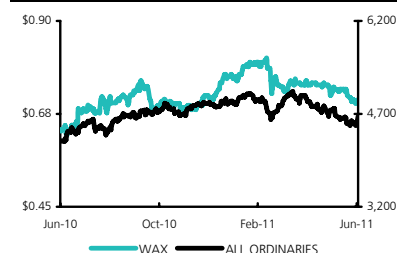
Historic Dividend (prior 12-mths)

Dividends (net)	\$0.07
Yield	9.9%
Franking	100%
Grossed up yield	14.1%

Capital Structure

Ordinary shares	119.2m
Options/other	0.0m
Fully diluted	119.2m
Market capitalisation	84.6m

WAX share price v ASX All Ords



Top 20 Shareholdings

<i>as at 30-Jun-11</i>	
McMillan Shakespeare	5.8
NAB	5.6
Westpac Banking	4.5
AP Eagers Limited	3.4
Wide Bay Australia	3.2
MyState Limited	3.1
ANZ	2.8
STW Communications	2.7
Breville Group	2.7
Credit Corp Group	2.5
Reckon Limited	2.2
SAI Global Limited	2.1
ARB Corporation	2.1
Skilled Group	1.9
Navitas Limited	1.9
Blackmores Limited	1.7
Ardent Leisure	1.7
Amcom Telecommunication	1.6
Clime Investment	1.6
Centrepoint Alliance	1.5
% of Total	54.6

¹ Calculated for the full year ending 30 June 2010. * The shareprice bench mark has been compared against the S&P/ASX All Ordinaries Accumulation Index. + The NTA has been compared against the S&P/ASX All Ordinaries Accumulation Index.

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