

# WAM ACTIVE LIMITED

A.B.N. 49 126 420 719



## **WAM ACTIVE LTD (WAA) - FEBRUARY 2008** **INVESTMENT UPDATE & NTA**

WAM Active Limited (WAA) listed on the Australian Stock Exchange on the 11th January 2008 after raising \$15.4 million.

WAA offers investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. This was achieved in our first two months with the fund outperforming the All Ordinaries Index by 12.46%.

The investment objectives of WAA are to derive an absolute return, to deliver investors an income stream in the form of fully franked dividends and to preserve capital.

NTA before tax	99.32c
NTA after tax and before tax on unrealised gains	99.32c
NTA after tax	99.13c

### **MARKET OUTLOOK**

Following the collapse in equity prices during January, the Australian sharemarket settled into a tighter trading pattern in February. Every time the market attempted to rally it was severely dealt with by a wall of sellers. During March the sellers gained the upper hand. In the near term (3 months) it is very difficult to see what will change this situation. This is typical of a bear market. While the subprime crisis and subsequent demise of the US economy triggered the initial collapse, Australian investors are now concerned about rising interest rates, a strong currency and the restriction of credit. As the Reserve Bank ratchets up rates to quell the inflation genie, focus has turned to the impact this will have on company earnings. Indeed the higher cost of debt has, at an alarming speed, claimed several corporate victims. In addition it has played havoc with banking and small industrial stocks, which are both considered high risk propositions in such an environment. In simple terms, higher rates will slow down the domestic economy, curb profit growth and increase the prospect of bad debts for the banking sector which has already been sideswiped by the global credit crunch and the subsequent higher cost of funding.

The only thing that has stopped a total collapse of the Australian sharemarket has been the resilient nature of commodity stocks that continue to benefit from the Asia growth story.

Until we see the full impact of the events of the last 9 months play out, extreme uncertainty will hold the market back. Over this period there will be short covering rallies. We believe that while this uncertainty persists there is little prospect of a sustained recovery in share prices. The medium term (6 months or more) will present some stunning opportunities,

especially in the small capitalisation companies and the financial sector. Until those opportunities play out we remain cautious by holding a high cash position and selectively shorting stocks.

## **PORTFOLIO STRUCTURE & STRATEGY**

	<b>As at 31 January 2008</b>		<b>As at 29 February 2008</b>	
<b>Investment Type</b>	<b>\$m</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
Listed Equities	1.89	12.3%	2.33	14.9%
Fixed Interest and Cash	13.48	87.7%	13.26	85.1%
<b>Total Long Portfolio</b>	<b>15.37</b>	<b>100.0%</b>	<b>15.59</b>	<b>100.0%</b>
<b>Total Short Portfolio</b>	<b>-</b>	<b>-</b>	<b>0.09</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total no. of ord shares on issue</b>	15,400,100		15,400,100	
<b>Total no. of options on issue</b>	15,400,100		15,400,100	

During the month we purchased Allegiance Mining NL (AGM) (takeover arbitrage), Dioro Exploration NL (DIO), McMahon Holdings Ltd (MAH), OM Holdings Ltd (OMH), Reverse Corp Ltd (REF) and partially sold Audax Resources Ltd (ADX), Ammtec Ltd (AEC), RIO Tinto Ltd (RIO) and Everest Babcock & Brown Alternative Inv Trust (EBI). We also purchased and sold Clean Seas Tuna Ltd (CSS) and MacArthur Coal Ltd (MCC). We short sold and covered Transfield Services Ltd (TSE) and switched part of our Dyno Noble Ltd (DXL) shares into the Dyno Nobel SPS Trust preference shares (DYNPA).

At 29 February 2008 the major securities held in the portfolio were:

<b>COMPANY</b>	<b>MARKET VALUE as % of Long Portfolio</b>
Allegiance Mining NL (AGM)	3.4%
Ammtec Ltd (AEC)	2.1%
Audax Resources Ltd (ADX)	1.0%
Dioro Exploration NL (DIO)	1.6%
Dyno Noble Ltd (DXL)	8.6%
Dyno Noble SPS Trust (DYNPA)	5.1%
McMahon Holdings Ltd (MAH)	6.4%
OM Holdings Ltd (OMH)	3.5%
Primary Health Care Ltd (PRY)	9.1%
Reverse Corp Ltd (REF)	5.9%
RIO Tinto Ltd (RIO)	3.9%
Symbion Health Ltd (SYB)	49.3%

## **PERFORMANCE TABLE**

	<b>Jan 08</b>	<b>Feb 08</b>		<b>Since Inception</b>
Gross Portfolio *	+0.3%	+1.2%		+1.44%
All Ordinaries Accum.	-11.2%	+0.3%		-11.02%

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

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