

Investment Update & Net Tangible Assets Report

AS AT 28 FEBRUARY 2014



Performance

Performance at 28 February 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Investment Portfolio [†]	3.1%	9.1%	17.7%	15.2%	13.6%	21.8%	13.5%	18.3%
S&P/ASX All Ordinaries Accumulation Index	4.8%	7.9%	16.8%	10.4%	7.9%	15.3%	9.4%	8.6%
Outperformance	-1.7%	+1.2%	+0.9%	+4.8%	+5.7%	+6.5%	+4.1%	+9.7%

[†]Investment performance and Index returns are before expenses, fees and taxes.

Net Tangible Assets (NTA) figures

The following NTA figures are before the payment of the 6.5 cents per share fully franked interim dividend which will be paid on 31 March 2014. The shares will trade ex dividend on 18 March 2014.

NTA before tax	184.39c
NTA after tax and before tax on unrealised gains	186.12c[†]
NTA after tax	179.59c[†]

[†]Includes 3.2 cents of tax assets resulting from the merger with Premium Investors.

Market overview

After a negative start to the 2014 calendar year (falling 2.8% in January), Australian equities rebounded in February with the S&P/ASX All Ordinaries Accumulation Index surging 4.8% by the end of the month. The strong performance was driven largely by a better than expected interim reporting season. Despite the market's positive reaction to company results announcements, the best reporting season since 2010 by some measures, there has still been no significant improvement to company earnings – a factor we believe is critical to driving the Australian equities market higher.

We are growing increasingly concerned that company Price to Earnings (P/E) ratios are far exceeding historical averages, particularly in the tech sector. Technology companies reported some of the strongest results during reporting season and, as a result, there have been significant re-ratings of some of these stocks. The high P/E trend has emerged amongst companies in other sectors also. We consider the P/Es some companies are trading on to be exceptionally high by historical standards.

We continue to be cautious in our outlook for the market in the short term. Although there have been some small earnings upgrades, these improvements have been driven by companies cutting costs, while revenue growth remains sluggish. With flat earnings and mixed company outlook statements, we anticipate the Australian sharemarket will end the year even. We are more optimistic over the medium to longer-term on the proviso that economic activity increases, driven by low interest rates.

WAM Capital Limited

ASX Code	WAM
Listed	Aug 1999
Gross assets	\$622.5m
Market cap	\$688.4m
Share price	\$2.05
NTA before tax	\$1.84
Shares on issue	335,818,987
Fully franked annualised interim dividend (FY2014)	13.0c
Dividend yield	6.3%

Investment objectives

- Deliver investors a rising stream of fully franked dividends
- Provide capital growth
- Preserve capital

Company overview

WAM Capital Limited (ASX: WAM), one of Australia's leading Listed Investment Companies, is managed by Wilson Asset Management. Listed in August 1999, WAM provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange. WAM also provides exposure to relative value arbitrages and market mispricing opportunities.

Investment & Management Team

Geoff Wilson
Chairman/Portfolio Manager

Kate Thorley
Chief Executive Officer/
Company Secretary

Chris Stott
Chief Investment Officer/
Portfolio Manager

Martin Hickson
Senior Equity Analyst/Dealer

Matthew Haupt
Equity Analyst

Mark Tobin
Equity Analyst

Meredith Hemsley
Corporate Affairs

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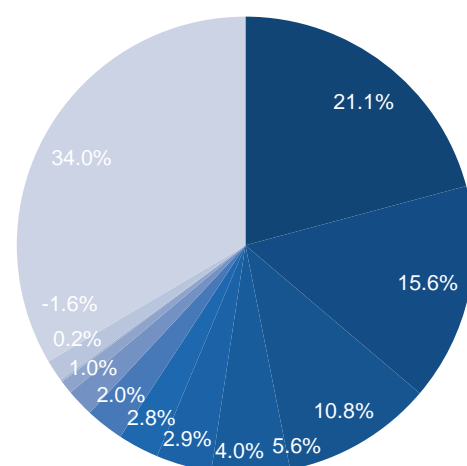
Diversified portfolio

Investment Type	January 2014		February 2014	
	\$m	%	\$m	%
Listed Equities	347.1	56.6	417.3	66.0
Fixed Interest & Cash	265.8	43.4	214.9	34.0
Long Portfolio	612.9	100.0%	632.2	100.0%
Short Portfolio	(9.0)	(1.5)	(9.7)	(1.6)
Gross Assets	\$603.9m		\$622.5m	
Total shares on issue	335,818,987		335,818,987	

Top holdings

Code	Company	Market Value as % Gross Assets
CYA	Century Australia Investments Limited	2.3%
SGH	Slater & Gordon Limited	1.9%
HIL	Hills Limited	1.8%
WIC	Westoz Investment Company Limited	1.7%
AHE	Automotive Holdings Group Limited	1.5%
AOG	Aveo Group (formerly FKP Property Group)	1.5%
AAD	Ardent Leisure Group	1.5%
FXJ	Fairfax Media Limited	1.4%
IPE	IPE Limited	1.4%
CSR	CSR Limited	1.4%
IPP	iProperty Group Limited	1.3%
ELI	Emerging Leaders Investment Limited	1.3%
BKW	Brickworks Limited	1.3%
BGA	Bega Cheese Limited	1.3%
SGN	STW Communications Group Limited	1.3%
MQA	Macquarie Atlas Roads Group	1.2%
DJS	David Jones Limited	1.2%
DNA	Donaco International Limited	1.1%
CSV	CSG Limited	1.1%
VOC	Vocus Communications Limited	1.1%

Sector allocation



- Financials: 21.1%
- Consumer Discretionary: 15.6%
- Industrials: 10.8%
- Information Technology: 5.6%
- Materials: 4.0%
- Health Care: 2.9%
- Telecommunication Services: 2.8%
- Consumer Staples: 2.0%
- Utilities: 1.0%
- Energy: 0.2%
- Short stock: -1.6%
- Cash and Fixed Interest: 34.0%

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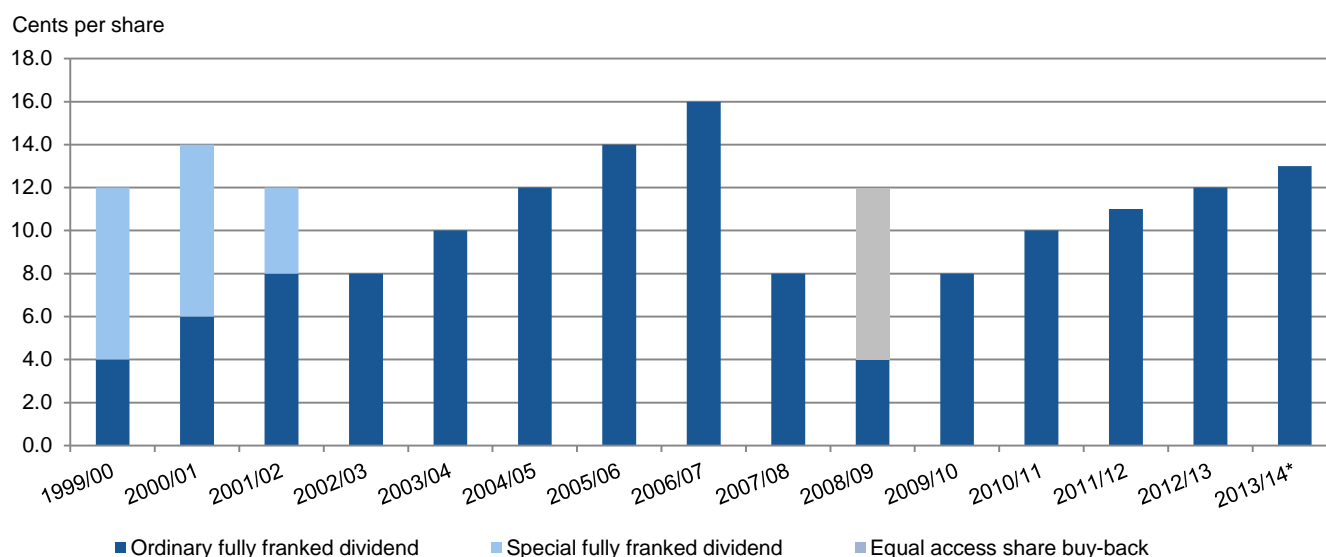
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Dividend growth

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

WAM Capital dividends since inception



*Annualised interim dividend

On 28 January 2014, the Company announced a fully franked interim dividend of 6.5 cents per share. This is an increase of 8.3% on the previous corresponding period and represents an annualised fully franked dividend yield of 6.3%, based on the last closing price. The interim dividend will be paid on 31 March 2014 and will trade ex on 18 March 2014.

The Dividend Reinvestment Plan (DRP) will operate at a 2.5% discount. To participate in the DRP, shareholders should send their election to the Company's share registrar (Boardroom Pty Limited) no later than 24 March 2014.

Key dividend dates

Ex date:	18 March 2014
Record date:	24 March 2014
Last election date for the DRP:	24 March 2014
Payment date:	31 March 2014