



WAM CAPITAL LTD (WAM)
ABN 34 086 587 395
INVESTMENT UPDATE & NTA – MAY 2011

WAM Capital Limited (WAM) is an investor in listed Australian equities. The investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital. WAM concentrates predominately on small to medium industrial companies.

Since inception in August 1999 WAM has outperformed the overall share market. WAM's portfolio (before all fees, costs, taxes and dividends) has increased by 692.4% compared to a 160.6% increase in the S&P/ASX All Ordinaries Accumulation Index.

Performance as at 31 May 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since Inception %pa (Aug-99)
WAM Capital Limited*	-1.4%	+7.2%	+20.8%	+21.6%	+11.8%	+11.1%	+17.4%	+19.1%
S&P/ASX All Ordinaries Accumulation Index	-1.9%	+4.2%	+14.9%	+11.9%	-1.9%	+3.5%	+8.0%	+8.4%
Outperformance	+0.5%	+3.0%	+5.9%	+9.7%	+13.7%	+7.6%	+9.4%	+10.7%

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

The following NTA figures are after the payment of a 5.0 cent per share fully franked interim dividend which was paid on the 11 March 2011.

NTA before tax	172.31c
NTA after tax and before tax on unrealised gains	171.28c
NTA after tax	165.62c

Market Outlook

The Australian equity market continued its downward trend in May with the S&P/ASX All Ordinaries Accumulation Index finishing down 1.9%. Commodity prices remained weaker as concerns emerged over Chinese growth from the monetary policy tightening in that market of the last 6-12 months. The Small Resources Index here in Australia is now down 18% from its recent peak in February 2011 at the time of writing.

Market Outlook (continued)

Questions are also now being asked whether the US economic recovery remains on track given the raft of soft economic data we have seen in recent times. The conclusion of the Federal Reserve's quantitative easing program in coming weeks will provide a good test for equity markets.

In Australia, the RBA continues to see upside to interest rates to combat medium term inflation risks driven by our two speed economy. Further interest rate hikes in Australia will dampen growth expectations for the small industrials over the next 12 months. We note current market forecasts of >15% EPS growth in this sector looks too high. We remain cautious on the Australian equity market and continue to research for individual stock opportunities as they arise.

Dividends

On 11 March 2011 the company paid a fully franked interim dividend of 5.0 cents per share. This is a 25% increase on the interim dividend last year.

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 2010 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. Essentially, WAM Capital will always be in a position to pay dividends providing it is solvent.

Portfolio Structure

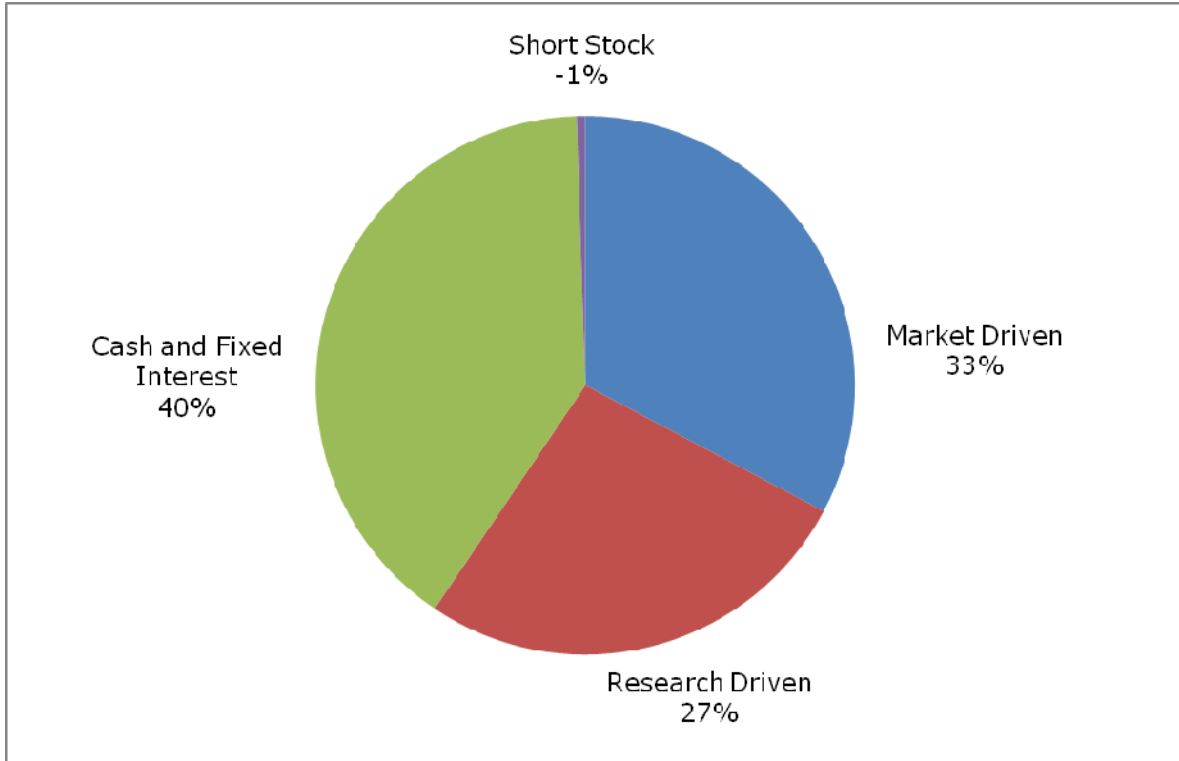
As at 31 May 2011, listed securities made up 59.8% of the portfolio, while fixed interest and cash made up the remaining 40.2%. We continue to focus on companies with strong earnings per share growth, trading on attractive earnings multiples, are well positioned in growth industries and have proven management. We continue to heavily research companies that meet this profile, with over 700 company visits a year.

Investment Type	As at 30 Apr 2011		As at 31 May 2011	
	\$m	%	\$m	%
Listed Equities	124.3	65.0%	110.2	59.8%
Fixed Interest and Cash	66.8	35.0%	74.2	40.2%
Long Portfolio	191.1	100.0%	184.4	100.0%
Short Portfolio	(5.0)		(1.0)	
Total Fund Size	\$186.1m		\$183.4m	
	No.		No.	
Total ordinary shares on issue	105,063,158		105,063,158	

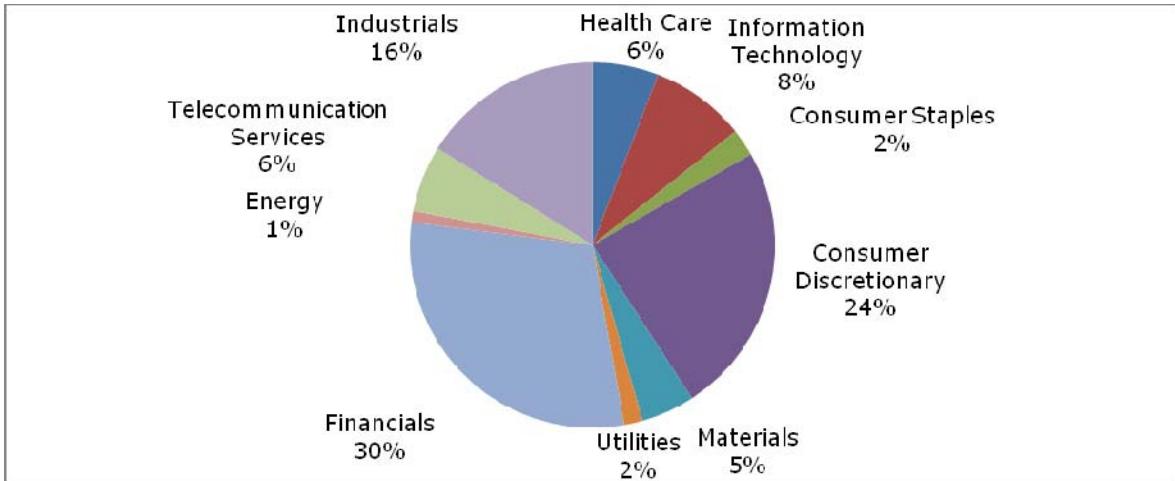
At 31 May 2011 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % Gross Assets
RKN	Reckon Limited	7,142,700	3.9%
SGL	Signature Capital Investments Limited	5,024,633	2.7%
ELI	Emerging Leaders Investments Limited	4,941,094	2.7%
MMS	McMillan Shakespeare Limited	4,665,749	2.5%
AUN	Austar United Communications Limited	3,758,164	2.0%
MYS	Mystate Limited	3,069,960	1.7%
SGN	STW Communications Group Limited	2,914,465	1.6%
TLS	Telstra Corporation Limited	2,726,456	1.5%
MSF	Maryborough Sugar Factory Limited (The)	2,655,678	1.4%
BRG	Breville Group Limited	2,522,141	1.4%
SPL	Starpharma Holdings Limited	2,338,400	1.3%
CCP	Credit Corp Group Limited	2,320,018	1.3%
MAQ	Macquarie Telecom Group Limited	2,176,529	1.2%
ARP	ARB Corporation Limited	2,015,983	1.1%
SKE	Skilled Group Limited	1,894,038	1.0%
AAD	Ardent Leisure Group	1,886,135	1.0%
NVT	Navitas Limited	1,876,558	1.0%
BHP	BHP Billiton Limited	1,804,032	1.0%
ANZ	ANZ Banking Group Limited	1,796,469	1.0%
WBC	Westpac Banking Corporation	1,785,006	1.0%

Portfolio Structure – Gross Asset Allocation



Long Portfolio Structure – Sector Allocation



Performance

Set out below is the performance of WAM since listing to 31 May 2011 on a financial year basis. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	Gross 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	-3.0%	-22.2%	+19.2%
2009/2010	+29.8%	+13.8%	+16.0%
YTD 2010/2011	+20.8%	+14.9%	+5.9%

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

Monthly Performance Table

	Aug 99	Sep 99	Oct 99	Nov 99	Dec 99	Jan 00	Feb 00	Mar 00
Gross Portfolio *	+1.4%	+5.1%	+4.1%	+11.0%	+4.9%	-2.0%	+5.4%	+5.3%
All Ordinaries Accum.	-2.5%	-1.2%	+0.5%	+5.4%	+5.6%	-0.7%	+1.9%	+0.5%
	Apr 00	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00
Gross Portfolio *	-5.7%	-2.9%	+3.6%	+2.9%	+5.2%	-0.7%	+2.5%	+1.9%
All Ordinaries Accum.	-1.5%	-1.3%	+7.7%	-1.3%	+1.7%	+0.2%	-1.1%	+1.1%
	Dec 00	Jan 01	Feb 01	Mar 01	Apr 01	May 01	Jun 01	July 01
Gross Portfolio *	+0.1%	+1.7%	-0.2%	-3.7%	+3.9%	+6.7%	+6.9%	-1.0%
All Ordinaries Accum.	-2.0%	+4.4%	-0.2%	-4.8%	+5.7%	+1.6%	+3.8%	-4.5%
	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02
Gross Portfolio *	+4.6%	-2.9%	+8.6%	+3.8%	+3.3%	+7.0%	+3.1%	+4.9%
All Ordinaries Accum.	-1.3%	-6.7%	+6.8%	+3.4%	+2.7%	+1.3%	-1.1%	+0.8%
	Apr 02	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02	Nov 02
Gross Portfolio *	-0.4%	+0.7%	-2.2%	-3.0%	+3.9%	-1.1%	+1.1%	+1.6%
All Ordinaries Accum.	-1.8%	+0.9%	-4.4%	-4.1%	+1.8%	-4.1%	+2.6%	+1.5%
	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03
Gross Portfolio *	+1.5%	+1.3%	-1.7%	-0.4%	+3.8%	+1.5%	+3.5%	+3.6%
All Ordinaries Accum.	-1.5%	-1.3%	-5.1%	+3.4%	+4.4%	+0.5%	+1.3%	+3.6%
	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
Gross Portfolio *	+5.2%	+3.7%	+5.4%	-0.7%	+3.6%	+2.5%	+2.7%	+0.1%
All Ordinaries Accum.	+3.5%	-0.1%	+3.5%	-2.1%	+3.7%	-0.7%	+3.1%	+2.0%
	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04
Gross Portfolio *	-1.3%	-0.8%	+1.0%	+2.4%	+1.2%	+2.5%	+2.9%	+3.3%
All Ordinaries Accum.	-0.1%	+1.6%	+2.7%	+0.6%	+1.1%	+3.8%	+3.1%	+4.6%
	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Gross Portfolio *	+0.7%	+2.7%	-0.2%	-0.8%	-4.2%	+0.0%	+2.8%	+2.2%
All Ordinaries Accum.	+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
Gross Portfolio *	+4.0%	+2.7%	+0.1%	+3.1%	+0.8%	+1.6%	+4.9%	+5.3%
All Ordinaries Accum.	+2.2%	+4.8%	-3.8%	+4.4%	+3.0%	+3.7%	+0.7%	+4.8%
	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06
Gross Portfolio *	+2.1%	-2.3%	+0.5%	+0.4%	+3.4%	+2.4%	+4.7%	+3.6%
All Ordinaries Accum.	+2.4%	-4.3%	+1.9%	-1.5%	+3.2%	+1.3%	+4.8%	+2.5%
	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07
Gross Portfolio *	+6.1%	+3.8%	+0.4%	+1.9%	+2.6%	+4.7%	+3.3%	+0.3%
All Ordinaries Accum.	+3.6%	+2.0%	+1.6%	+3.3%	+3.0%	+3.2%	-0.1%	-1.9%
	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
Gross Portfolio *	-4.2%	+1.7%	+3.1%	-4.8%	-1.1%	-9.5%	-1.3%	-5.3%
All Ordinaries Accum.	+1.7%	+5.8%	+3.1%	-2.4%	-2.4%	-11.2%	+0.3%	-4.1%
	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08
Gross Portfolio *	+1.7%	+2.3%	-7.9%	-1.6%	+1.7%	-5.3%	-9.2%	-5.6%
All Ordinaries Accum.	+4.6%	+2.4%	-7.3%	-5.2%	+4.0%	-10.6%	-13.9%	-7.2%
	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09
Gross Portfolio *	+3.1%	-1.5%	+1.1%	+2.6%	+5.2%	+3.6%	+4.1%	+8.2%
All Ordinaries Accum.	-0.1%	-4.9%	-4.3%	+8.1%	+6.1%	+2.2%	+3.9%	+7.7%
	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10
Gross Portfolio *	+7.6%	+6.9%	+2.3%	+0.6%	+1.6%	-2.4%	-0.5%	+3.7%
All Ordinaries Accum.	+6.5%	+6.1%	-1.9%	+1.9%	+3.7%	-5.9%	+1.8%	+5.8%
	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10
Gross Portfolio *	+0.8%	-2.4%	+0.7%	+2.5%	+1.5%	+4.4%	+1.4%	+2.3%
All Ordinaries Accum.	-1.2%	-7.6%	-2.6%	+4.2%	-0.7%	+5.0%	+2.2%	-0.7%
	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Since inception
Gross Portfolio *	+3.7%	+1.4%	+2.1%	+0.1%	+1.2%	-1.4%		+692.4%
All Ordinaries Accum.	+3.8%	+0.1%	+2.2%	+0.6%	-0.6%	-1.9%		+160.6%

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

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