

WAM Active Limited (WAA)

Listed Managed Investments

December 2012 Quarterly Review

INDEPENDENT INVESTMENT RESEARCH

WAM Active Limited (WAA)

www.wamfunds.com.au

Rating Recommended Recommended Recommended Recommended Recommended

LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information	
Price (\$) as at 21 February 2013	1.17
Market cap (\$M)	23.7
Shares on issue (M)	20.3
Shares traded (\$M p.a)	7.5
12-month L/H (\$)	1.01/1.18
Listing date	January 2008
Fees	
Management Fee (%)	1.00
Performance incentives (%)	20.0*

^{*}Outperformance over the high watermark. Paid annually.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(8.30)	(0.57)
TE (%)	8.27	9.64

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY10	5.02ff
FY11	6.83ff
FY12	8.21ff

Substantial Sharehold	ders	%
Interests Associated with	h Geoff Wilson	11.8
Clodene Pty Lty		3.7
	As at 31 Decemb	or 2012

COMPANY OVERVIEW

WAA is an actively managed absolute return fund that was listed in January 2008. The portfolio is managed by Wilson Asset Management. WAA aims to achieve a sound return with a low correlation to traditional markets.

INVESTMENT OBJECTIVE

The company has an absolute return focus and therefore aims to generate positive returns in both rising and falling markets. The manager seeks to deliver shareholders with a steady stream of fully franked dividends, and preserve the company's capital in both the short-and long-term.

STYLE AND PROCESS

WAA invests predominantly in ASX-listed securities. Given the objective of the company, the manager has the ability to short sell securities. The manager uses a 'Market Driven' approach to investing, in which it aims to take advantage of short-term relative arbitrage and mispricing in the market. The manager participates in IPO's, rights issues, placements, schemes of arrangement and looks for arbitrage opportunities and discount to asset plays, along with other market events viewed as favourably priced. The manager utilises stop-losses on all trading positions of 10%. The portfolio is actively managed and therefore portfolio turnover is high.

PORTFOLIO CHARACTERISTICS

The portfolio may hold between 10 and 100 investments and therefore the level of concentration will vary. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the manager may take large positions in an individual security. The manager may hold up to 100% cash if attractive investment opportunities cannot be identified. Over the December quarter the manager reduced its cash holdings by 20.3% to 22.4%.

INDEPENDENT INVESTMENT RESEARCH COMMENTS

The absolute return nature of WAA means that the company does not intend to mimic the returns of the market but generate positive returns despite the direction of the market, as is illustrated by the high tracking error. The company's strategy incorporates the use of short selling to generate returns. No more than 10% of the portfolio has been 'short' since inception. The portfolio may hold high levels of cash, which will contribute to the outperformance of the portfolio when the market generates negative returns, however may result in the manager not participating in market upturns. WAA's portfolio (pre-tax NTA plus dividends) underperformed the benchmark index by 3.1% over the December quarter taking the 12 month underperformance to 8.3%. Since listing in January 2008, the portfolio has consistently outperformed the benchmark index returning an average rolling annual return of 9.7%, compared to the benchmark index return of 3.5%. The company has narrowed the discount significantly from the 29% discount in April 2009 to be trading at a premium to pre-tax NTA of 2.6% at 31 December 2012. On 4 May 2012, the company announced a 1 for 1 bonus option issue. The options will have an exercise price of \$1.08 per share and an expiration date of 12 December 2013 and if exercised will increase the size of the company and will not be dilutive for those that participate.

APPENDIX - RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system.

IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

Highly Recommended Recommended Recommended Recommended Recommended

LMI Ratings

Recommended

Not Recommended

SCORE

83 and above

This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.



79-82

This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.



60-78

This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.



<60

This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.

INDEPENDENT INVESTMENT RESEARCH

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WAM Capital Limited (WAM)

Listed Managed Investments
December 2012 Quarterly Review

INDEPENDENT INVESTMENT RESEARCH

WAM Capital Limited (WAM)

www.wamfunds.com.au

Rating Recommended Recommended Highly Recommended Highly Recommended

LMI Type

Listed investment company

Investment Area

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information	
Price (\$) as at 21 February 2013	1.72
Market cap (\$M)	310.8
Shares on issue (M)	180.2
Shares traded (\$M p.a)	50.0
12-month L/H (\$)	1.50/1.74
Listing date	August 1999
Fees	
Management Fee (%)	1.00
Performance incentives (%)	20.0*

^{*}Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	1.21	5.91
TE (%)	7.63	7.91

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY10	6.87ff
FY11	5.79ff
FY12	6.64ff

%
2.3
2.1

COMPANY OVERVIEW

WAM was listed in August 1999 and is managed by Wilson Asset Management. WAM provides an actively managed fund that focuses on investing in a diversified portfolio of growth companies, primarily small-to-mid cap securities. The company recently completed the merger with Premium Investors Limited (PRV).

INVESTMENT OBJECTIVE

The investment objectives of the fund are to provide a growing stream of fully franked dividends, provide capital growth and preserve capital.

STYLE AND PROCESS

WAM predominantly invests in a diversified portfolio of growth companies. The manager uses a combination of two approaches to select investments:

(1) The Research Driven approach, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 800 meetings with management each year; and

(2) The Market Driven approach, which involves participating in IPO's, placements and takeover arbitrages aiming to take advantage of short-term relative arbitrage opportunities and mispricing in the market.

PORTFOLIO CHARACTERISTICS

WAM's portfolio focuses on small-to-mid cap stocks with the majority of investments being in companies outside the S&P/ASX 100. The manager tends to hold small positions in stocks. Given the company focuses on industrial stocks, the portfolio has very little exposure to the resource sector. The manager defaults to cash if acceptable investments cannot be identified. As such, prospective investors need to be aware that the portfolio may have large cash allocations

INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAM predominantly invests in small-to-mid cap stocks. The manager primarily maintains small positions in securities to minimise risk, however, there are no size restrictions on investments so the manager can take high conviction positions in a stock if they so desire. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. The manager has the ability to short sell stocks. We note, this has never been more than 10% of the portfolio. The company implemented the merger of PRV during December 2012. WAM has acquired 100% of the shares in PRV. Consideration to PRV shareholders was made in the form of a cash payment of \$0.841/share and/or an exchange of 0.50 WAM shares for one PRV share. The company issued an additional 32.2M fully paid ordinary shares and 32.2M options, exercisable at \$1.60 on ore before 31 July 2013. Given the WAM and PRV investment strategies were different, WAM sold the PRV investments and will reinvest the cash in line with it's investment strategy. The sale of the PRV investments provides WAM with plenty of cash to take advantage of investment opportunities and grow the size of the portfolio.

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LMI Ratings

SCORE

Highly Recommended



83 and above

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Recommended +

79-82



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Recommended

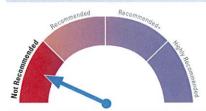
60-78



This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

Not Recommended

<60



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WAM Research Limited (WAX)

Listed Managed Investments
December 2012 Quarterly Review

WAM Research Limited (WAX)

www.wamfunds.com.au

Rating Recommended Recommended Recommended

LMI Type

Listed investment company

Investment Area

Australia

Investment Asset

Listed companies and other

Investment Sectors

Diversified

Investment Profile	
Price (\$) as at 21 February 2013	0.99
Market cap (\$M)	121.0
Shares on issue (M)	121.6
Shares traded (\$M p.a.)	18.7
12-month L/H (\$)	0.71/1.05
Listing date	August 2003
Fees	
Management Fee (%)	1.0
Performance incentives (%)	20.0*

^{*}Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	7.62	5.30
TE (%)	7.04	7.00

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

Dividend Yield	%
FY10	7.44ff
FY11	9.86ff
FY12	8.68ff

Substantial Shareholders	%
Interests associated with Geoff Wilson	4.6
Victor John Plummer	2.6
As at 31 Decemb	er 2012

COMPANY OVERVIEW

WAX was listed in August 2003 under the name Wilson Investment Fund Limited (WIL). The portfolio is managed by Wilson Asset Management. The company invests predominantly in small to medium sized ASX-listed industrial companies.

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INVESTMENT OBJECTIVE

The company aims to provide shareholders a steady stream of fully franked dividends and a high real rate of return, comprising both capital and income.

STYLE AND PROCESS

WAX's investment philosophy is to invest predominantly in industrial companies with an emphasis on companies that are under researched and mispriced. As such the company focuses on small-to-mid cap companies. The manager uses two investment approaches to identify opportunities: (1) The Research Driven approach, where the manager undertakes extensive research to identify attractive opportunities. The manager views contact with company management as critical to this process, with over 800 management meetings with management each year.; and (2) The Investment Driven approach, which seeks to identify companies that have a sustainable business model, track record of dividends, history of profits and positive free cash flow, acceptable financial strength and attractive return on equity.

PORTFOLIO CHARACTERISTICS

WAX aims to maintain a portfolio of between 30 and 50 securities. The manager focuses on small-to-mid cap stocks with all investments outside the top 100. Given the company focuses on industrial stocks, the portfolio has very little, if any, exposure to the resource sector. The portfolio is heavily weighted to the consumer discretionary sector with 43% of the portfolio allocated to this sector, leaving the portfolio susceptible to an adverse shock in this sector. The manager will hold cash if attractive investment opportunities cannot be identified. The manager retains a conservative portfolio settings with 41% of the portfolio allocated to cash at 31 December 2012.

INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAX predominantly invests in small-to-mid cap industrial stocks. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. There are no size restrictions on investments therefore the manager has the ability to take high conviction positions. This is evident in the current portfolio with the top 10 stocks accounting for over 50% of the portfolio. WAX's portfolio (pre-tax NTA plus dividends) has outperformed the benchmark index over the 12 months to 31 December 2012, increasing 26.5% compared to the benchmark increase of 18.8%. The company has generated strong returns from a shareholder perspective over the 12 months to 31 December 2012, with the share price (plus dividends) increasing 48.4%. Whilst the portfolio has performed strongly in recent times, the portfolio has underperformed since listing in August 2003. On a rolling annual basis, the portfolio has generated an average annual return of 5.4%, well below the benchmark index return of 9.9%. The strong buying of WAX shares has resulted in the discount narrowing significantly to be trading at a discount to pre-tax NTA of 3.5% at 31 December 2012, well below the average discount of 15.6%. We attribute the narrowing of the discount to a combination of the high dividend yield offered by the company and the recent portfolio performance.

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LMI Ratings

SCORE

Highly Recommended

Recommended Recommended Hill Recommended

83 and above

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Recommended +

79-82



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Recommended

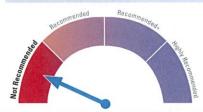
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Not Recommended

<60



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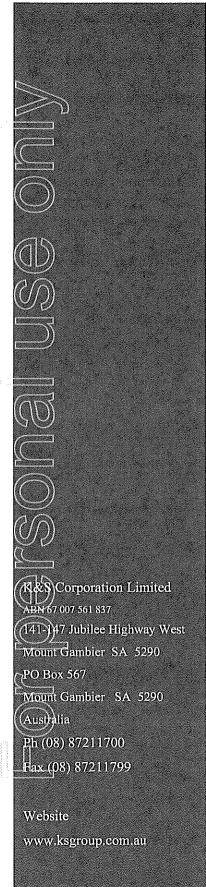
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NEWS RELEASE

27th February 2013

K&S Corporation lifts dividend after higher first half revenue and profit

The Directors of K&S Corporation Limited (ASX: "KSC") today announced an increased interim dividend following higher revenue and profit achieved by the leading transport logistics and supply chain group in the six months ended 31 December 2012.

K&S Corporation - with operations in all Australian state sand New Zealand – lifted net profit after tax by 37.4% to a record \$10.1 million on first half revenue that rose 8% to \$293.5 million, also a record.

Operating profit before interest, tax and depreciation was \$29.4 million or 10.0% higher than the previous corresponding period.

K&S Corporation's Managing Director, Mr Greg Stevenson, said the stronger first half result reflected the continuing solid performance of the Regal Transport operations in Western Australia and better results from the Group's eastern states businesses.

"We are pleased to see that the improved trading momentum from the second half of the 2011/12 financial year has carried forward into the first half of the 2012/13 financial year," Mr Stevenson said.

"This pleasing trend includes our traditional eastern states businesses, although challenges remain in our rail and road line-haul business due to depressed volumes," he said.

Operating cash flow increased 40.9% to \$22.4 million for the latest half year.

Earnings per share were up 32.9% to 11.3 cents per share.

The Group's net debt has continued to reduce to \$64.4 million leaving gearing at 21.8%.

During the past half-year, K&S Corporation acquired the business and assets of Bunbury-based, Collare Transport, which has a strong focus on the timber industry in Western Australia with revenues of approximately \$12 million.

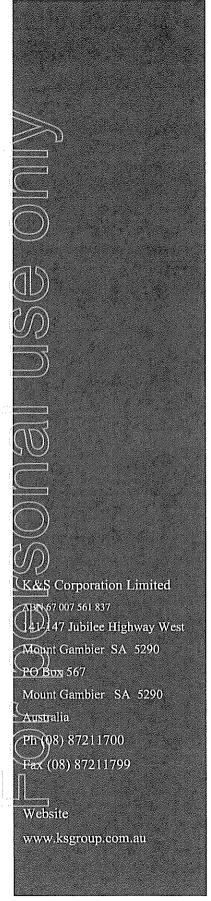
Mr Stevenson said the Collare business had been integrated into K&S Corporation's existing Bunbury business and the Group expected to see significant operational synergies flowing from the acquisition.

Interim Dividend

A fully franked interim dividend of 6.5 cents per share (2011: 5.0 cents per share) has been declared by the Directors.

The interim dividend will be paid on 2 April 2013, with the date for determining entitlements being 19 March 2013.





The Dividend Reinvestment Plan (DRP) will apply to the interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five days ended 19 March 2013, less a discount of 2.5%.

Outlook

Mr Stevenson said the current outlook for the domestic economy is uncertain with Australian manufacturing still in decline and mining activity slowing.

"Providing earnings guidance this early into the current June 30 half is therefore difficult," he said.

Further Information: Mr Greg Stevenson Managing Director Ph: (03) 87443501

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