

WAM Capital increases interim fully franked dividend and continues strong performance

8 February 2017
ASX announcement
and media release

Highlights

| | | | |
|-----------------------------|--|---|----------------------------------|
| \$79.7m | 7.5 cents | 6.2% | 9.7% |
| Operating profit before tax | Increased fully franked interim dividend | Annualised fully franked dividend yield | Investment portfolio performance |

WAM Capital Limited (ASX: WAM) today reported an operating profit before tax of \$79.7 million (2015: \$103.0 million) and operating profit after tax of \$59.1 million (2015: \$74.6 million) for the half year to 31 December 2016. The reduction in operating profit was due to the change in value of the investment portfolio between the periods. In the six months to 31 December 2015, the investment portfolio increased 16.5%, while in the six months to 31 December 2016, the investment portfolio increased 9.7%.

WAM Capital Chairman Geoff Wilson said the Company would deliver an increased fully franked interim dividend of 7.5 cents per share on the previous corresponding period.

“The board is pleased to deliver shareholders a strong fully franked interim dividend that represents an annualised dividend yield of 6.2%,” he said.

WAM Capital’s investment portfolio rose 14.5% in the 12 months to 31 December 2016, outperforming the market by 2.9%, and returned 9.7% in the six months to 31 December 2016. The total shareholder return for the 12 month period was 21.4% and 11.5% for the six months to 31 December 2016.

The most appropriate measure of financial results for listed investment companies is the change in net tangible assets (NTA), including dividends paid during the period, as this shows the change in the value of the assets that belong to WAM Capital shareholders. The post-tax NTA, including the 7.25 cent fully franked final dividend, increased by 8.8% from \$1.86 per share to \$1.95 per share, after tax paid during the period.

Wilson Asset Management Chief Executive Officer Kate Thorley said WAM Capital continued to grow its assets and shareholder numbers during the period.

“The Company has grown shareholders’ equity by more than 30% to \$1.2 billion, with total shareholder numbers rising over 20% to almost 25,000,” Ms Thorley said.

“Through the strong performance of the investment portfolio and the capital management initiatives, the Company has increased in size to the benefit of all shareholders. The successful Share Purchase Plan and Placement to WAM Capital shareholders conducted in August 2016 raised a combined \$247.2 million at an 8.8% premium to the Company’s July 2016 pre-tax NTA,” she said.

| | Fin YTD | 1 Yr | 3 Yrs %pa | 5 Yrs %pa | 10 Yrs %pa | Since Inception %pa (Aug-99) |
|---|--------------|--------------|---------------|--------------|---------------|------------------------------------|
| Performance at 31 December 2016 | | | | | | |
| WAM Capital Investment Portfolio** | 9.7% | 14.5% | 16.9% | 19.0% | 12.1% | 18.1% |
| S&P/ASX All Ordinaries Accumulation Index | 9.9% | 11.6% | 6.8% | 11.6% | 4.5% | 8.3% |
| Outperformance | -0.2% | +2.9% | +10.1% | +7.4% | +7.6% | +9.8% |

*Based on the 7 February 2017 closing price of \$2.42.

**Investment performance and Index returns are before expenses, fees and taxes.

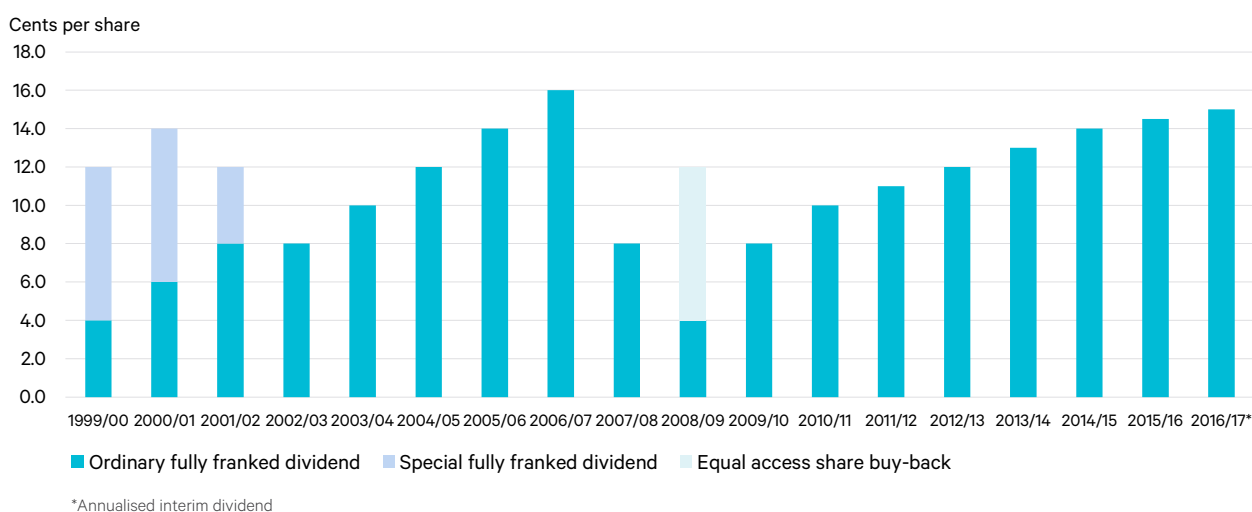
Increased fully franked dividends

The Board announced a fully franked interim dividend of 7.5 cents per share, an increase on last year's fully franked 7.25 cents per share interim dividend. The interim dividend will be paid on 28 April 2017 and will trade ex on 13 April 2017.

The dividend reinvestment plan (DRP) is available to shareholders for the interim dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 20 April 2017.

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 is within prudent business practices.

WAM Capital's dividends since inception



Investment portfolio performance

WAM Capital's investment portfolio increased 9.7% for the six months to 31 December 2016 and 14.5% in the 12-month period.

"WAM Capital has the flexibility to invest in all companies listed on the ASX. Our traditional focus is on mid and small-cap industrial companies, which underperformed the broader equities market, with the S&P/ASX Small Ordinaries Index increasing only 5.7% in the six months to 31 December 2016," Wilson Asset Management Chief Investment Officer Chris Stott said.

"During the period we rotated out of a number of small-cap companies that had reached our valuation targets and invested in large-cap businesses that represented value using our disciplined investment approach.

"The broader market rallied following the surprise election of President Trump in November. The S&P/ASX All Ordinaries climbed almost 10% in the weeks following his election, which we took advantage of using our market-driven investment process.

"WAM Capital delivered a 9.7% increase while maintaining an average cash weighting of 33%. The equity portion of the investment portfolio returned 13.9%," he said.

The investment portfolio's top performing stocks for the half-year period were Credit Corp Group (ASX: CCP), Nick Scali (ASX: NCK), Afterpay Holdings (ASX: AFY), SAI Global (ASX: SAI) and Oneview Healthcare (ASX: ONE). All of these companies were identified using our research-driven investment approach.

Equity market outlook

With the Australian and global economies strengthening, Chief Investment Officer Chris Stott said the Wilson Asset Management investment team was more positive in its overall outlook for the equities market in 2017.

“Towards the end of 2016, the Australian economy started to show signs of strength and in 2017 we expect continued economic growth, albeit modest,” Mr Stott said.

“With the rise in commodity prices increasing the taxable income of many mining and mining-related companies, the government is set to receive a fiscal boost this year. Similarly, we expect the residential property market will remain strong. One factor we believe could lead shares higher is the return of company earnings per share growth in select sectors such as resources and retail.

“Looking ahead, we expect the market will continue to be heavily influenced by global events and despite our generally positive view, we anticipate further volatility given the high degree of uncertainty surrounding the implementation of President Trump’s election policies.

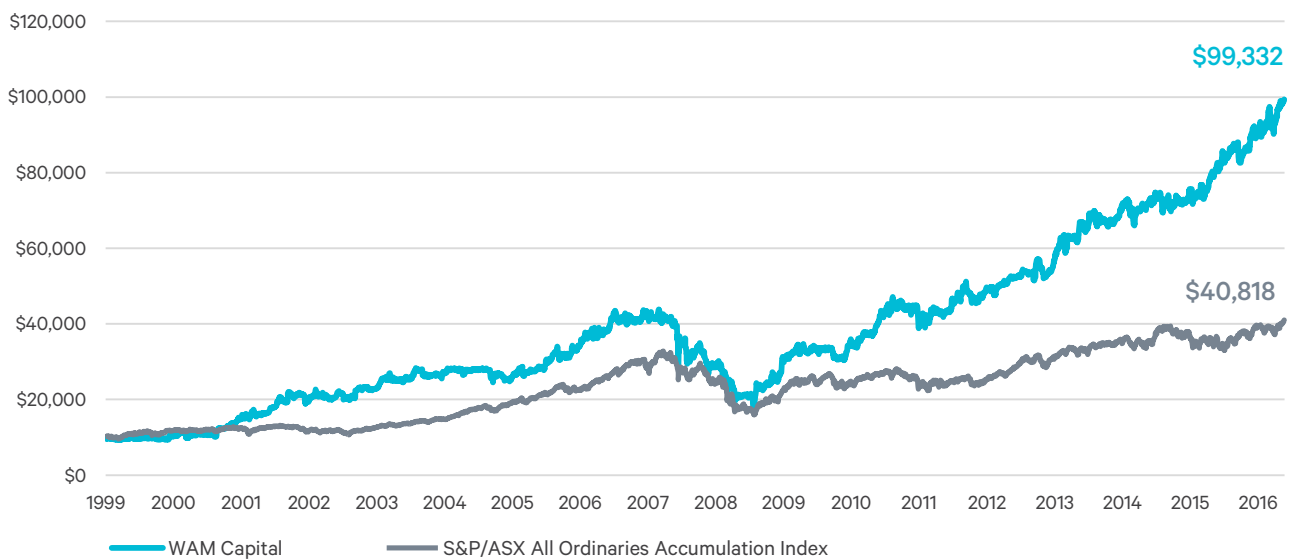
“Even with a slightly more positive outlook it is worth noting we are in the mature stages of an eight-year bull market that is showing signs of fatigue,” Mr Stott said.

Top holdings as at 31 December 2016

| Code | Company | Market Value \$ | Market value as % gross assets |
|------|---------------------------------------|-----------------|--------------------------------|
| HHV | Hunter Hall Global Value Limited | 27,977,022 | 2.3% |
| AAD | Ardent Leisure Group | 24,074,615 | 2.0% |
| JBH | JB Hi-Fi Limited | 23,448,226 | 2.0% |
| NCK | Nick Scali Limited | 23,041,227 | 1.9% |
| MFG | Magellan Financial Group Limited | 22,351,953 | 1.9% |
| STO | Santos Limited | 22,029,222 | 1.8% |
| CYA | Century Australia Investments Limited | 20,594,735 | 1.7% |
| SXL | Southern Cross Media Group Limited | 18,282,348 | 1.5% |
| CGF | Challenger Limited | 18,071,886 | 1.5% |
| MQG | Macquarie Group Limited | 17,904,293 | 1.5% |
| ECX | Eclix Group Limited | 17,658,154 | 1.5% |
| RCG | RCG Corporation Limited | 17,436,280 | 1.5% |
| AFY | Afterpay Holdings Limited | 17,347,468 | 1.4% |
| SLC | Superloop Limited | 16,752,590 | 1.4% |
| A2M | a2 Milk Company Limited | 16,692,563 | 1.4% |
| ONE | Oneview Healthcare PLC | 14,912,966 | 1.2% |
| GNC | Graincorp Limited | 14,110,646 | 1.2% |
| CWY | Cleanaway Waste Management Limited | 13,709,598 | 1.1% |
| HLO | Helloworld Limited | 13,418,807 | 1.1% |
| SLK | Sealink Travel Group Limited | 13,362,757 | 1.1% |

Growth of \$10,000 since inception

WAM Capital versus the Index



About WAM Capital

WAM Capital Limited (ASX: WAM), one of Australia's leading listed investment companies, is managed by Wilson Asset Management. Listed in August 1999, WAM Capital 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 Capital also provides exposure to relative value arbitrage and market mispricing opportunities. WAM Capital's investment objectives are to deliver investors a stream of fully franked dividends, provide capital growth and preserve capital.

For more information visit www.wilsonassetmanagement.com.au or contact:

Geoff Wilson

Chairman &
Portfolio Manager
(02) 9247 6755

Kate Thorley

Chief Executive Officer
(02) 9247 6755
0405 115 644

Chris Stott

Chief Investment Officer
& Portfolio Manager
(02) 9258 4906

James McNamara

Head of Corporate Affairs
(02) 9247 4902
0416 734 080