

W | A | M *Leaders*

Investment update

As at 31 May 2017



Snapshot

Pre-tax net tangible assets

\$1.16*

Gross assets

\$477.5m

*Not diluted for options outstanding

wilsonassetmanagement.com.au

ABN: 33 611 053 751

WAM Leaders Limited

| | |
|---------------------------------------|-------------|
| ASX code | WLE |
| Listed | May 2016 |
| Gross assets | \$477.5m |
| Market cap | \$451.1m |
| Share price | \$1.10 |
| Option price | \$0.01 |
| NTA before tax | \$1.16 |
| Shares on issue | 410,118,329 |
| Options on issue | 306,994,314 |
| Number of stocks held | 47 |
| Maiden fully franked interim dividend | 1.0c |

Investment objectives

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

Wilson Asset Management investment & management team

| | |
|----------------|--|
| Geoff Wilson | Chairman & Portfolio Manager |
| Kate Thorley | Chief Executive Officer |
| Chris Stott | Chief Investment Officer & Portfolio Manager |
| Matthew Haupt | Portfolio Manager |
| Martin Hickson | Head of Trading |
| Tobias Yao | Senior Equity Analyst |
| John Ayoub | Senior Equity Analyst |
| Oscar Oberg | Senior Equity Analyst |
| Cooper Rogers | Assistant Dealer |

Company overview

WAM Leaders Limited (ASX: WLE) is a listed investment company managed by Wilson Asset Management. Listed in 2016, WAM Leaders provides investors with diversified exposure to a portfolio of undervalued growth companies within the S&P/ASX 200 Index and exposure to market mispricing opportunities in large-cap companies.

Market overview

The S&P/ASX 200 Accumulation Index closed down 2.8% for the month, impacted by a sell-off in domestic bank stocks following the proposed levy to the major banks announced in the Federal Government's budget and mounting concerns around the Australian property market. Australia's residential property market showed signs of cooling with a second consecutive monthly fall in property prices as bank led interest rate increases and Australian Prudential Regulation Authority (APRA) led lending restrictions on interest-only loans weakened demand.

In the US, minutes released by the Federal Reserve indicated officials were in broad agreement at their recent May meeting to shrink the central bank's balance sheet. The majority of officials said it would "soon" be time to raise rates again. Globally, the Organisation of Petroleum Exporting Countries (OPEC) disappointed equity markets by agreeing to only maintain existing supply cuts of 1.8 million barrels per day until the end of first quarter 2018, which drove down oil prices down. The market was expecting deeper cuts to draw down on the current elevated inventories.

Portfolio update

In May, the portfolio outperformed the market by 2.3%. A strong contributor to the outperformance was our reduction of our bank exposure due to concerns around the quality of the banks' results released in late April and early May, as well as the impact of macro prudential policies impacting credit growth. While the portfolio comprised of over 20% of the major banks in mid-April, we reduced our exposure to less than 5% before the controversial bank levy was announced on 9 May. The XJO Bank Index finished down 11.5% in May, its worst monthly performance since August 2015.

The cash weighting of the portfolio finished the month at 32% as a result of the reduction in bank stocks as well as taking profits in outperformers during the month. We have recently deployed capital into a select number of high quality and attractively priced stocks and we remain well positioned to take advantage of opportunities as they arise.

Net tangible asset (NTA) figures

| | |
|--|---------|
| NTA before tax | 116.12c |
| NTA after tax and before tax on unrealised gains | 115.72c |
| NTA after tax | 114.34c |

The above figures are not adjusted for the 306,994,314 options on issue with an exercise price of \$1.10.

Performance

| Performance at 31 May 2017 | 1 Mth | 3 Mths | 6 Mths | Fin YTD | Since Inception %pa (May-16) |
|--------------------------------|--------------|--------------|--------------|--------------|------------------------------------|
| WLE Investment Portfolio* | -0.5% | 3.4% | 7.6% | 11.7% | 10.9% |
| S&P/ASX 200 Accumulation Index | -2.8% | 1.5% | 7.5% | 13.9% | 11.7% |
| Outperformance | +2.3% | +1.9% | +0.1% | -2.2% | -0.8% |

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

Fully franked dividends

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. The board currently anticipates the final dividend will be higher than the interim dividend. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

Diversified portfolio

| Investment type | April 2017 | | May 2017 | |
|-----------------------|---------------|--------------|---------------|--------------|
| | \$m | % | \$m | % |
| Listed equities | 343.9 | 71.6 | 325.0 | 68.1 |
| Short portfolio | 0.0 | 0.0 | 0.0 | 0.0 |
| Fixed interest & cash | 136.5 | 28.4 | 152.5 | 31.9 |
| Gross assets | 480.4m | 100.0 | 477.5m | 100.0 |
| Total shares on issue | 410,073,356 | | 410,118,329* | |

*During the month, 44,973 options were exercised and allotted.

Top 10 holdings

| Code | Company | Market value \$ | Market value as % gross assets |
|------|-----------------------------------|-----------------|-----------------------------------|
| WOW | Woolworths Limited | 21,075,831 | 4.4% |
| CPU | Computershare Limited | 18,400,215 | 3.9% |
| BHP | BHP Billiton Limited | 17,167,681 | 3.6% |
| QBE | QBE Insurance Group Limited | 15,565,617 | 3.3% |
| CGF | Challenger Limited | 14,717,568 | 3.1% |
| IAG | Insurance Australia Group Limited | 14,640,281 | 3.1% |
| SUN | Suncorp Group Limited | 13,840,000 | 2.9% |
| AUB | AUB Group Limited | 12,090,037 | 2.5% |
| WPL | Woodside Petroleum Limited | 11,879,425 | 2.5% |
| RIO | Rio Tinto Limited | 9,932,082 | 2.1% |

Equity portfolio composition by market capitalisation

