

# Investment update

As at 31 January 2018



[wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

ABN 49 126 420 719

## Snapshot

Pre-tax net tangible assets

**\$1.11**

Fully franked  
dividend yield

**4.8%**

Gross assets

**\$45.9m**

Performance  
(p.a. since January 2008)

**13.1%**

## WAM Active Limited

ASX code	WAA
Date of listing	Jan 2008
Gross assets	\$45.9m
Market cap	\$46.3m
Share price (WAA)	\$1.15
Option price (WAAO)	\$0.02
NTA before tax	\$1.11
Shares on issue	40,276,018
Options on issue	30,404,460
Fully franked dividends (FY2017)	5.5c
Fully franked dividend yield	4.8%

## Investment objectives

- Deliver shareholders a regular income stream via fully franked dividends
- Provide a positive return with low volatility, after fees, over most periods of time
- 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
Catriona Burns	Portfolio Manager
Martin Hickson	Portfolio Manager
Oscar Oberg	Portfolio Manager
Tobias Yao	Senior Equity Analyst
John Ayoub	Senior Equity Analyst
Cooper Rogers	Assistant Dealer

## Company overview

WAM Active Limited (ASX: WAA) is a listed investment company managed by Wilson Asset Management. Listed in January 2008, WAM Active provides investors with exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets.

## Save the date: Investor conference calls

We look forward to our upcoming investor conference call on Tuesday 6 March at 4:30pm (Sydney time). We will discuss our LICs, equity market outlook and highlights from the February reporting season and hold a Q&A. On 15 March 2018 at 11.00am (Sydney time) investors interested in WAM Global can hear from Lead Portfolio Manager Catriona Burns.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index closed down 0.3% in January. Economic data for the month was mixed. Retail sales surprised on the upside, increasing 1.2% in November, while the Australian Bureau of Statistics announced the fourth-quarter consumer price index (CPI), which increased 0.6%, falling below consensus expectations. As such, and in line with the Reserve Bank of Australia's recent commentary, we do not expect any imminent changes to interest rates.

While we continue to find attractive investment opportunities we remain cautious about the direction of the equity market over the short-to-medium term following the sell-off in early February. The US Dow Jones Industrial Average is now down more than 10% from its January highs, a technical correction. Data released on US wage growth in early February sparked expectations of higher inflation, in turn leading to a sell off of bonds given concerns about the pace of interest rate increases. Equity markets around the world followed suit, Australia included. In our opinion the major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

We are well placed to withstand a correction in the market, given our flexible mandate that places no limit on the portfolio's cash weighting. Over the last few weeks we have increased our cash weighting and have realised gains in positions that have reached our valuation, seeing the Company's cash position move from 19.1% at 31 January to 41.6% as at 13 February. In previous cycles, our ability to hold high levels of cash provides some protection in terms of preserving capital through periods of high volatility. Times of heightened volatility can also provide attractive investment opportunities. Over the next two months the team will meet with over 200 primarily small-to-medium sized industrial companies allowing the investment team to assess current positions and search for new investment ideas to enter the portfolio.

## Net tangible asset (NTA) figures

NTA before tax	111.19c
NTA after tax and before tax on unrealised gains	109.00c
NTA after tax	108.99c

The above figures are not adjusted for the 30,404,460 options on issue with an exercise price of \$1.14.

# Performance

Performance at 31 January 2018	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio*	0.7%	10.1%	12.0%	15.2%	15.4%	13.0%	13.1%
S&P/ASX All Ordinaries Accumulation Index	-0.3%	8.8%	8.9%	13.0%	8.0%	9.2%	3.9%
<b>Outperformance</b>	<b>+1.0%</b>	<b>+1.3%</b>	<b>+3.1%</b>	<b>+2.2%</b>	<b>+7.4%</b>	<b>+3.8%</b>	<b>+9.2%</b>
UBS Bank Bill Index (Cash)	0.2%	0.9%	1.0%	1.8%	2.0%	2.3%	3.6%
<b>Outperformance</b>	<b>+0.5%</b>	<b>+9.2%</b>	<b>+11.0%</b>	<b>+13.4%</b>	<b>+13.4%</b>	<b>+10.7%</b>	<b>+9.5%</b>

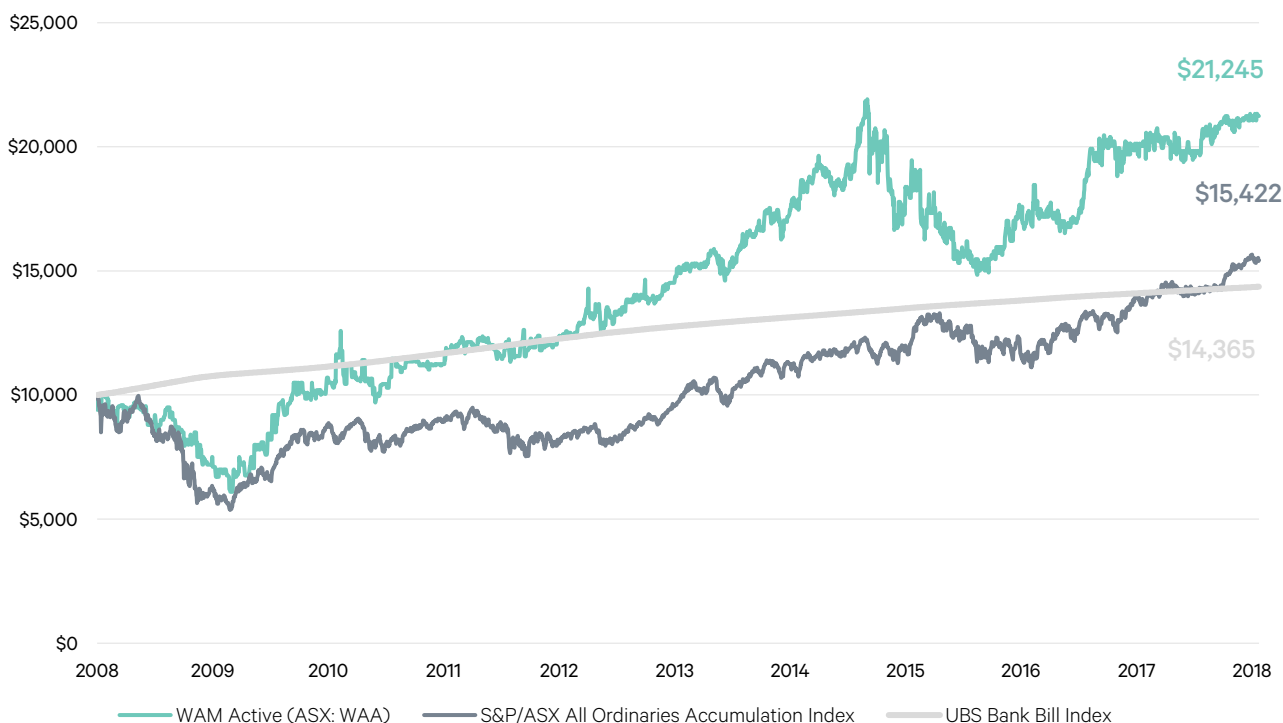
\*Investment performance and Index returns are before expenses, fees and taxes.

## One-for-one option issue

In August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. Options entitle holders to purchase additional ordinary shares in WAM Active at the exercise price of \$1.14 at any time, on or before 17 September 2018. The options trade on the ASX under the code WAAO. The bonus option issue is an effective way to grow the Company and will deliver benefits to shareholders. As the Company's size increases, on-market liquidity for the shares is expected to increase. It will also increase the Company's relevance in the market, improve the prospect of broker and research coverage, and gain interest from financial planners.

## Growth of \$10,000 investment since inception

### WAM Active versus the Index



#### Notes:

1. The above graph reflects the period from inception in January 2008 to 31 January 2018.
2. WAM Active's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index and the UBS Bank Bill Index have been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Active portfolio.

## Diversified portfolio

Investment type	December 2017		January 2018	
	\$m	%	\$m	%
Listed equities	39.8	87.1	37.1	80.9
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	5.8	12.9	8.8	19.1
<b>Gross assets</b>	<b>\$45.6</b>	<b>100.0</b>	<b>\$45.9</b>	<b>100.0</b>
Total shares on issue	40,268,018		40,276,018*	

\*During the month 8,000 options were exercised and allotted.

## Top 20 holdings

Code	Company	Code	Company
NEC	Nine Entertainment Co Holdings Limited	MQG	Macquarie Group Limited
SVW	Seven Group Holdings Limited	BLD	Boral Limited
PIA	Pengana International Equities Limited	FNP	Freedom Foods Group Limited
TGG	Templeton Global Growth Fund Limited	QBE	QBE Insurance Group Limited
GUD	GUD Holdings Limited	MND	Monadelphous Group Limited
TAH	Tabcorp Holdings Limited	PPC	Peet Limited
WDE	Wealth Defender Equities Limited	AOG	Aveo Group
EHE	Estia Health Limited	ARB	ARB Corporation Limited
TGP	360 Capital Group Limited	PTM	Platinum Asset Management Limited
ALL	Aristocrat Leisure Limited	JHG	Janus Henderson Group Plc

## 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 Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

### Fully franked dividends since inception

Cents per share

