

Strong portfolio performance drives record pre-tax profit increase of 158.8% to \$62.7 million and record fully franked dividend

ASX announcement
& media release

Highlights

- Record profit before tax increased 158.8% to \$62.7 million
- Investment portfolio increased 11.9%, outperforming the index by 3.5%
- Fully franked interim dividend of 2.5 cents per share, an increase of 150%

WAM Leaders Limited (ASX: WLE) today announces a record 158.8% increase in operating profit before tax of \$62.7 million, a 158.8% increase on the prior corresponding period (2016: \$24.2 million) and a 154.9% rise in operating profit after tax to \$45.4 million (2016: \$17.8 million) for the half year ended 31 December 2017.

Chairman Geoff Wilson AO said the Company continued to deliver strong risk-adjusted returns for shareholders during the period.

“In the six months to 31 December 2017, the investment portfolio increased 11.9%, outperforming the S&P/ASX 200 Accumulation Index by 3.5%, which was a continuation of the outperformance delivered in the preceding six months. In the 12-month period, the investment portfolio increased 16.5%, outperforming the Index by 4.7%,” Mr Wilson said.

Mr Wilson said the profit reflected both the strong growth in assets through the highly successful option issue and the investment portfolio performance during the six months to 31 December 2017.

“WAM Leaders has achieved significant growth during the period, increasing shareholders equity by 72.0%. The options issue successfully raised \$377.3 million, with 95.7% of options being exercised,” Mr Wilson said.

“As the Company’s capital base increases, its on-market liquidity increases and its relevance in the market grows. All of these factors improve the prospect of broker and research coverage and can drive additional interest from stockbrokers and financial planners,” he said.

Mr Wilson said the Board was pleased to declare an increased fully franked 2.5 cents per share interim dividend to shareholders, a 150% increase on the prior corresponding period.

“WAM Leaders will pay an increased fully franked interim dividend of 2.5 cents per share, consistent with the Board’s commitment to provide a growing stream of fully franked dividends to shareholders while preserving their capital and delivering capital growth,” he said.

“Currently WAM Leaders is trading at a 1.4% discount to NTA as short-term arbitragers and quant traders sell the shares they had purchased during the final months of the option issue. Once this selling pressure has abated, we believe equilibrium will return to the WAM Leaders share price. It is worthwhile to note that all other WAM listed vehicles are trading at a premium to NTA,” Mr Wilson said.

Performance at 31 December 2017	6 months	1 year	Since inception %pa (May-16)
WLE Investment Portfolio*	11.9%	16.5%	14.3%
S&P/ASX 200 Accumulation Index	8.4%	11.8%	12.3%
Outperformance	+3.5%	+4.7%	+2.0%

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

Fully franked interim dividend

The Board declared a fully franked interim dividend of 2.5 cents per share, an increase of 150% on the previous year. The dividend will be paid on 27 April 2018 and will trade ex on 12 April 2018. The dividend reinvestment plan (DRP) is available to shareholders for the interim dividend. The last election date for the DRP will be 17 April 2018.

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.

Investment portfolio performance

Wilson Asset Management Portfolio Manager Matthew Haupt said the investment team was pleased to deliver an 11.9% increase in the investment portfolio for the six months to 31 December 2017, outperforming the index by 3.5%.

"Following the successful option issue in November 2017, we progressively deployed capital into selected portfolio holdings by early December.

"With continued synchronised global growth and strong data from China we continued to increase our holdings in BHP Billiton (ASX: BHP) and Rio Tinto (ASX: RIO), with both companies displaying disciplined focus on shareholder returns. We continue to support the outlook for the resources sector.

"Our positive outlook on oil markets was supported by continued US inventory drawdowns and supply cuts led by OPEC. We increased our investment in Origin Energy (ASX: ORG), which demonstrated its clear plan for management to deleverage, focus on cost reductions and improving shareholder returns at the company's investor day in November.

"During the period Senior Equity Analyst John Ayoub travelled to the United States, confirming our positive outlook for the US economy. We remain confident in the US consumer and we established a position in Westfield Corporation (ASX: WFD) that predominantly operates tier one assets in the US. In December Westfield also announced French company Unibail-Rodamco SE had entered into an agreement to acquire Westfield, creating a global retail giant with shopping centres spanning major cities across 13 countries.

"Ahead of Tabcorp Holdings (ASX: TAH) merger approval with Tatts Group, we were pleased with Tabcorp's core earnings, and saw regulatory tailwinds emerging, in addition to decreasing competition in the industry. The merger with Tatts Group has positioned the company to pursue growth opportunities globally.

Mr Haupt said detractors to the portfolio included Qantas Airways (ASX: QAN), BlueScope Steel (ASX: BSL), G8 Education (ASX: GEM) and National Australia Bank (ASX: NAB).

Equity market outlook

Mr Haupt said he was optimistic in his short term outlook for equities.

"As we approach the second half of the 2018 financial year, global macro-economic conditions are the best they have been in 10 years and we expect this will continue.

"The consensus outlook is bullish and momentum remains behind synchronised global growth, with the outlook for earnings growth positive for the medium term.

“We expect to see the normalisation of monetary policy as central banks continue their gradual tightening cycle towards more historically normal interest rates.

“Globally, interest rates are slowly approaching policy normalisation. With liquidity starting to be withdrawn from the market, this may cause volatility in global stock markets.

“Current risks we have identified include central banks taking an overly hawkish stance on interest rates and the potential for a surprise in inflation levels.

“US equities have experienced a very strong start to the year, with the S&P 500 posting its strongest start to the year on record. With the majority of sectors performing well in the US, and earnings growth strong, the US is poised for further growth. President Trump’s recently announced corporate tax cuts may also provide the opportunity for further tailwinds.

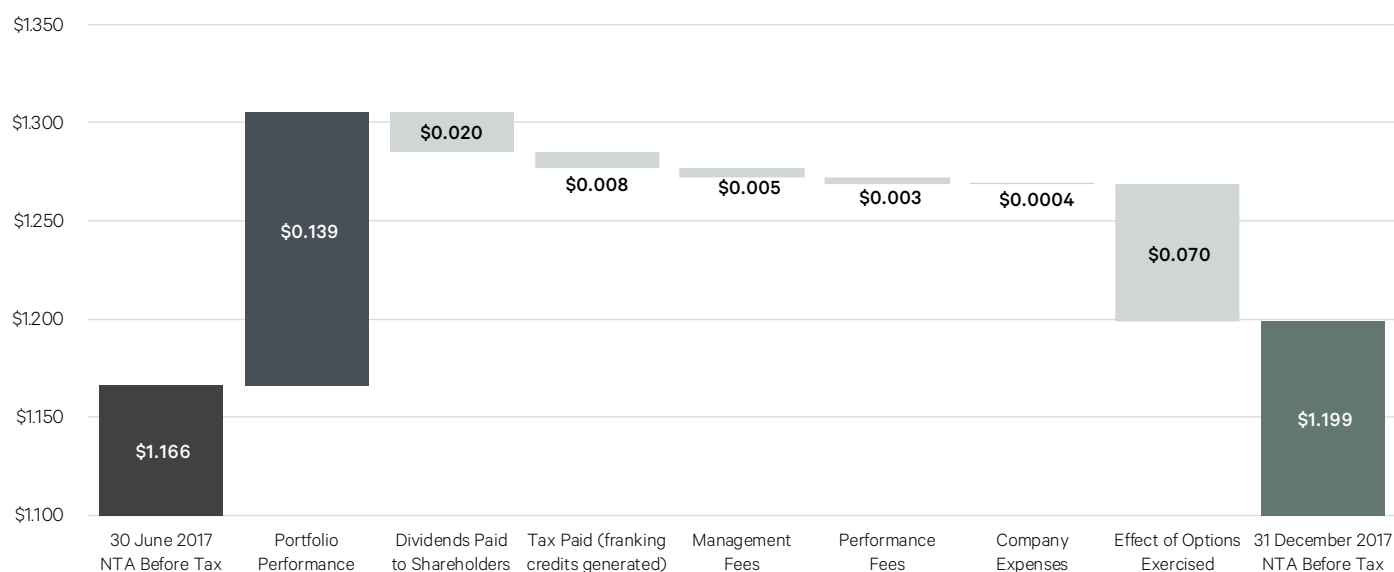
“In Europe, uncertainty surrounding and following Brexit created a slow grind, however strong growth is returning, with a broad-based economic recovery underway. We are seeing confidence and investment returning to Europe, with unemployment falling and wages strengthening.

“China’s economy, supported by ongoing government economic initiatives, will continue to grow in 2018. With its large infrastructure spending expected to continue, recent reforms, along with Chinese Government infrastructure investment, will increase demand for commodities and support prices over the medium term, both in Australia and globally,” Mr Haupt said.

Top holdings as at 31 December 2017

Code	Company	Code	Company
BHP	BHP Billiton Limited	TAH	Tabcorp Holdings Limited
WOW	Woolworths Group Limited	JHX	James Hardie Industries Plc
CBA	Commonwealth Bank of Australia	WPL	Woodside Petroleum Limited
WBC	Westpac Banking Corporation	BLD	Boral Limited
NAB	National Australia Bank Limited	PRY	Primary Health Care Limited
RIO	Rio Tinto Limited	JHG	Janus Henderson Group plc
ORG	Origin Energy Limited	AGL	AGL Energy Limited
ANZ	Australia and New Zealand Banking Group Limited	SGR	The Star Entertainment Group Limited
MQG	Macquarie Group Limited	STO	Santos Limited
CSL	CSL Limited	CPU	Computershare Limited

WAM Leaders NTA (Before Tax) Performance



WAM Leaders' before tax NTA, after adjusting for dividends, increased 4.5% for the six months to 31 December 2017. This increase is after the FY2017 income tax provision of 0.8 cents per share or 0.7%, with 2.0 cents of fully franked dividends being paid during the period. Corporate tax is an item of difference between the investment portfolio performance of 11.9% and the net tangible asset performance. When paid, the franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in value of the assets during the period were management fees of 0.4%, performance fee accrued of 0.3% and the effect of options exercised of 6.0%.

As the Company's capital base increases, its on-market liquidity increases and its relevance in the market grows. All of these factors improve the prospect of broker and research coverage and can drive additional interest from stockbrokers and financial planners.

About WAM Leaders

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

About Wilson Asset Management

Wilson Asset Management has a 20-year track record of making a difference for shareholders and the community. As the investment manager for six leading listed investment companies; WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX), WAM Active (ASX: WAA) and Century Australia (ASX: CYA), Wilson Asset Management invests almost \$3 billion on behalf of more than 55,000 retail investors. Wilson Asset Management is the creator and lead supporter of Future Generation Investment Company and Future Generation Global Investment Company.



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

Geoff Wilson AO 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	Matthew Haupt Portfolio Manager (02) 9258 4910 0418 890 070	James McNamara Head of Corporate Affairs (02) 9258 4915 0416 734 080
-----------------------------------------------------------------------------	----------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------------------------------------