

WAM Microcap announces \$37.2 million profit, 27.2% portfolio performance and fully franked maiden dividend

ASX announcement
& media release

Highlights

- Operating profit before tax of \$37.2 million
- Investment portfolio increased 27.2%, outperforming the index by 8.6%
- Maiden fully franked interim dividend of 2.0 cents per share

WAM Microcap Limited (ASX: WMI) today announces its maiden interim results, reporting an operating profit before tax of \$37.2 million and an operating profit after tax of \$26.5 million for the period ended 31 December 2017.

WAM Microcap Chairman Geoff Wilson AO said the profit was reflective of the strong performance of the investment portfolio.

“The Company successfully raised \$154 million through an oversubscribed initial public offering in June 2017,” Mr Wilson said.

“Following the raising, the Company deployed capital under its research and market-driven investment processes, achieving full investment in August 2017.

“The investment portfolio has increased 27.2% since inception while being on average 79.1% invested (20.9% cash), outperforming the S&P/ASX Small Ordinaries Accumulation Index by 8.6%.

“The outperformance demonstrates the Company’s ability to provide strong risk-adjusted returns to shareholders and the strength of the Company’s investment process.

“The total shareholder return for the Company for the period to 31 December 2017 was 32.7%. This was driven by the Company’s strong portfolio performance and the share price moving to a premium to NTA, which is currently 10.8%” he said.

Mr Wilson said the Board was pleased to announce a maiden fully franked interim dividend of 2.0 cents per share.

“As we have deployed \$154 million of shareholders’ capital, our focus has continued to remain on our investment objectives – providing a stream of fully franked dividends to shareholders while preserving their capital and providing capital growth.

Performance at 31 December 2017	3 mths	Fin YTD	Since inception (June-17)
WMI Investment Portfolio*	16.2%	25.0%	27.2%
S&P/ASX Small Ordinaries Accumulation Index	13.7%	18.7%	18.6%
Outperformance	+2.5%	+6.3%	+8.6%

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

Maiden fully franked interim dividend

The Board declared a maiden fully franked interim dividend of 2.0 cents per share. 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 dividend reinvestment plan will operate at a 2.5% discount. 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 Chief Investment Officer Chris Stott said the Company had delivered risk-adjusted returns for shareholders while investing the capital raised from the IPO.

"WAM Microcap's investment portfolio increased 27.2% during the period to 31 December 2017, while being on average 79.1% invested, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 8.6%," Mr Stott said.

"The largest contributors during the period were Praemium (ASX: PPS), Emeco Holdings (ASX: EHL), Swift Networks Group (ASX: SW1), Integral Diagnostics (ASX: IDX) and Appen (ASX: APX).

"The small-cap sector, which faced tailwinds in FY17, recovered during the period, primarily driven by the small resources index, which increased 41.5% for the six months to 31 December 2017," he said.

Mr Stott said the detractors from performance included Nuheara (ASX: NUH), CSG (ASX: CSG), McPherson's (ASX: MCP), Shaver Shop Group (ASX: SSG) and Spookfish (ASX: SFI).

Equity market outlook

Mr Stott said that while the investment team continued to find attractive investment opportunities it remained cautious about the direction of the equity market over the short-to-medium term.

"The first six months of FY18 saw strong performance from the S&P/ASX Small Ordinaries Accumulation Index, buoyed by the resources sector following a stellar run, driven by growth in China. In January however, the small resources sector gave up some of its gains, dragging on the Index.

"Following the correction in early February, volatility remains high which makes us cautious. The adjustment in valuations and increased volatility in the market has negatively impacted the small-cap sector's performance and liquidity, with the Index falling 2.2% in February to date.

"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.

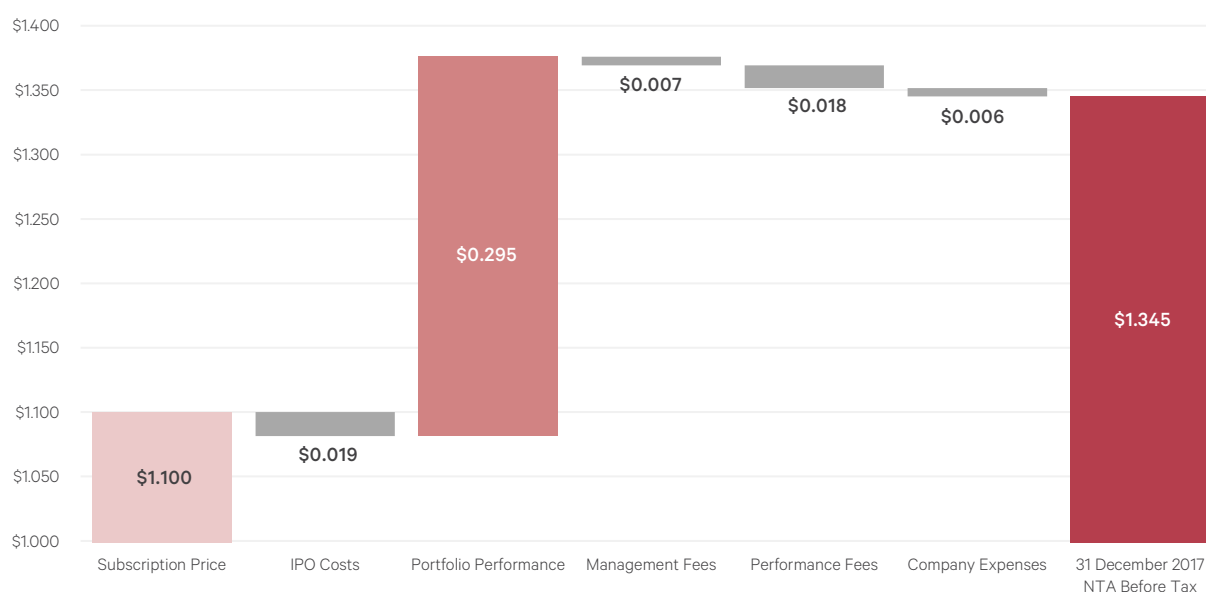
"We have recently realised gains in positions that have reached our valuation, seeing the Company's cash position approaching 25%.

"We are optimistic about the opportunities that appear on the other side of any potential correction if we continue to see downward pressure on equities," Mr Stott said.

Top holdings as at 31 December 2017

Code	Company	Code	Company
IDX	Integral Diagnostics Limited	HLO	Helloworld Limited
ACK	Austock Group Limited	PNI	Pinnacle Investment Management Group Limited
RKN	Reckon Limited	PPS	Praemium Limited
EHL	Emeco Holdings Limited	TOT	360 Capital Total Return Fund
PSI	PSC Insurance Group Limited	ANG	Austin Engineering Limited
JLG	Johns Lyng Group Limited	VAH	Virgin Australia Holdings Limited
PAC	Pacific Current Group Limited	JIN	Jumbo Interactive Limited
APX	Appen Limited	LON	Longtable Group Limited
MRM	Mermaid Marine Australia Limited	NTD	National Tyre and Wheel Limited
SW1	Swift Networks Group Limited	BOL	Boom Logistics Limited

WAM Microcap pre-tax NTA performance



WAM Microcap's before tax NTA increased 24.4% for the period ended 31 December 2017. There were no dividends paid during the Company's initial operating period. The significant items of difference between the investment portfolio performance of 27.2% and the net tangible asset performance were management fees of 0.6%, performance fee accrued of 1.6% and other company related expenses of 0.6%. The after tax NTA increased 17.2% for the period to 31 December 2017, with the corporate tax provision for the period to 31 December 2017 being the difference between the before and after tax NTA performance. When paid, the franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

About WAM Microcap Limited

Listed investment company WAM Microcap Limited aims to provide shareholders risk-adjusted returns derived from a portfolio of undervalued growth companies listed on the ASX with a market capitalisation of less than \$300 million at the time of acquisition, using Wilson Asset Management's research and market-driven investment processes. The Company's investment objectives are to deliver a stream of fully franked dividends, provide capital growth over the medium-to-long term and preserve capital.

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

James McNamara

Head of Corporate Affairs
(02) 9258 4915
0416 734 080