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Wilson Asset Management

May 2017 Shareholder Presentation



Wilson Asset Management

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Agenda

**1. Wilson Asset Management
and our listed investment companies**

2. Market and investment insights

- Market overview and outlook
- Investment themes and trends

3. Investment portfolio

- What worked
- What didn't work
- What we like

4. Questions



About us

Investing in opportunities.
For you. For good.

1

About us

Independent boutique fund manager

- Five LICs and over **\$2 billion** in shareholder capital for 48,000 retail shareholders
- Eight investment professionals with combined investment experience of more than **100 years**
- **Proven** investment approach
- Committed to **philanthropic** and **advocacy initiatives**



Winner of the Listed Investment Companies category at the Professional Planner | Zenith Fund Awards 2014, 2015 and 2016

Investment and 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



Oscar Oberg
Senior Equity Analyst



John Ayoub
Senior Equity Analyst



Tobias Yao
Senior Equity Analyst



Martyn McCathie
General Manager



James McNamara
Head of Corporate Affairs

Wilson Asset Management investment universe

W | A | M *Capital*

Focus on ASX listed small-to-mid-cap industrial companies

Research and market-driven processes

W | A | M *Leaders*

Focus on ASX top 200 listed companies

Research and market-driven processes

W | A | M *Microcap*

Focus on ASX listed micro-cap industrial companies

Research and market-driven processes

W | A | M *Research*

Focus on ASX listed small-to-mid-cap industrial companies

Research-driven process

W | A | M *Active*

Focus on ASX listed small-to-mid-cap industrial companies

Market-driven process



Focus on ASX listed top 300 listed companies

Research, market and investment-driven processes

Gross assets

\$1,184.3m

One-year total shareholder return

17.9%

Fully franked annualised
dividend yield*

6.4%

Portfolio performance (p.a. since August 1999)

17.7%

As at 30 April 2017

*As at 12 May 2017

Gross assets

\$480.4m

Options exercised*

14.3%

Fully franked interim
dividend

1.0 cent

Portfolio performance (p.a. since May 2016)

11.5%

As at 30 April 2017

*As at 09 May 2017



Gross assets

\$225.2m

One-year total shareholder return

21.8%

Fully franked annualised
dividend yield*

6.3%

Portfolio performance (p.a. since July 2010)

18.8%

As at 30 April 2017

*As at 12 May 2017

Gross assets

\$40.4m

One-year total shareholder return

16.6%

Fully franked annualised
dividend yield*

4.8%

Portfolio performance (p.a. since January 2008)

12.7%

As at 30 April 2017

*As at 12 May 2017

Century Australia Investments Limited

Raising up to \$75 million at NTA



- Open to new investors and two \$20 million priority allocations to existing CYA shareholders and WAM Capital, WAM Leaders, WAM Research and WAM Active shareholders
- Diversified exposure to a portfolio of listed companies focused on the S&P/ASX 300 Index
- No dilution of options
- Potential to utilise carried forward tax losses of \$25.5 million*
- Priority and general offers close Friday, 19 May 2017

*As at 30 April 2017

WAM Microcap Limited Strong track record

W | A | M *Microcap*

- Strong track record of performance in micro-cap companies delivered over almost 20 years
- We have created WAM Microcap to provide direct exposure to these types of opportunities
- Companies we have invested in as micro-caps over the last decade include:



WAM Microcap Limited \$121m priority

W | A | M *Microcap*

- Exposure to undervalued micro-cap growth companies listed on the ASX with a market cap of less than \$300m
- **\$1.10** issue price to raise up to **\$154m** through the issue of up to 140 million shares with no options
- Priority closes 5 June 2017 and offer closes 14 June 2017



Market and investment insights

2

Market outlook

Market outlook

On the ground feedback

- Messages from Canberra
- Recent out of cycle interest rate increases by the major banks have slowed the economy
- *“Economy remains patchy, much the same as the last three to five years”*
- *“The consumer remains fragile”*
- Some companies continue to excel in this low growth environment



The Australian economy

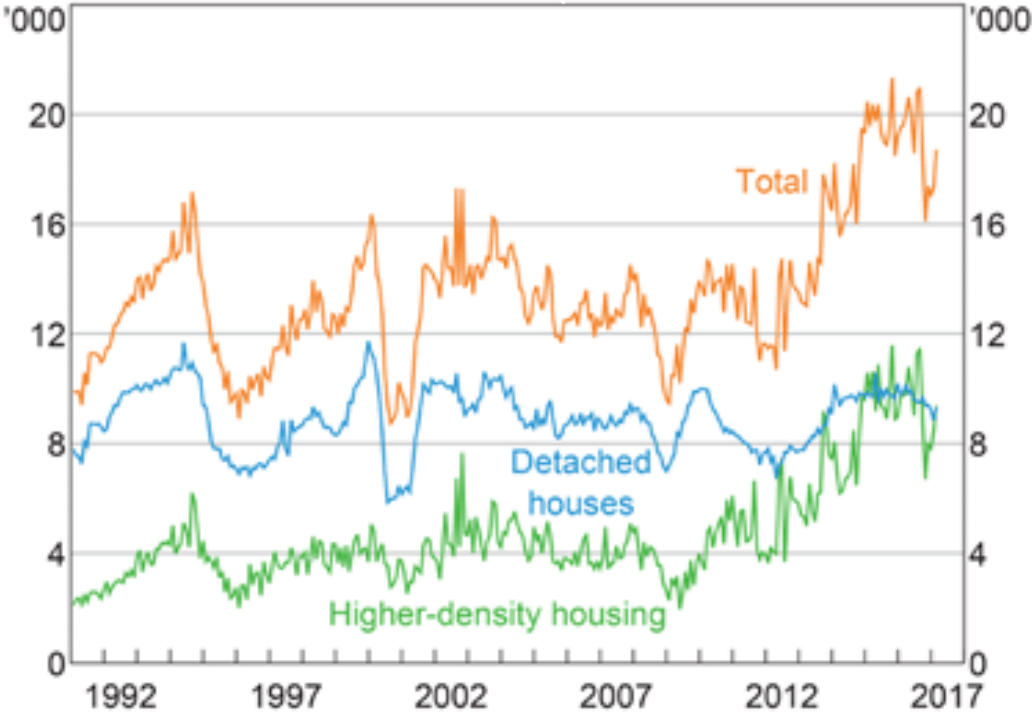
Housing market has peaked

The Australian economy

Housing market has peaked

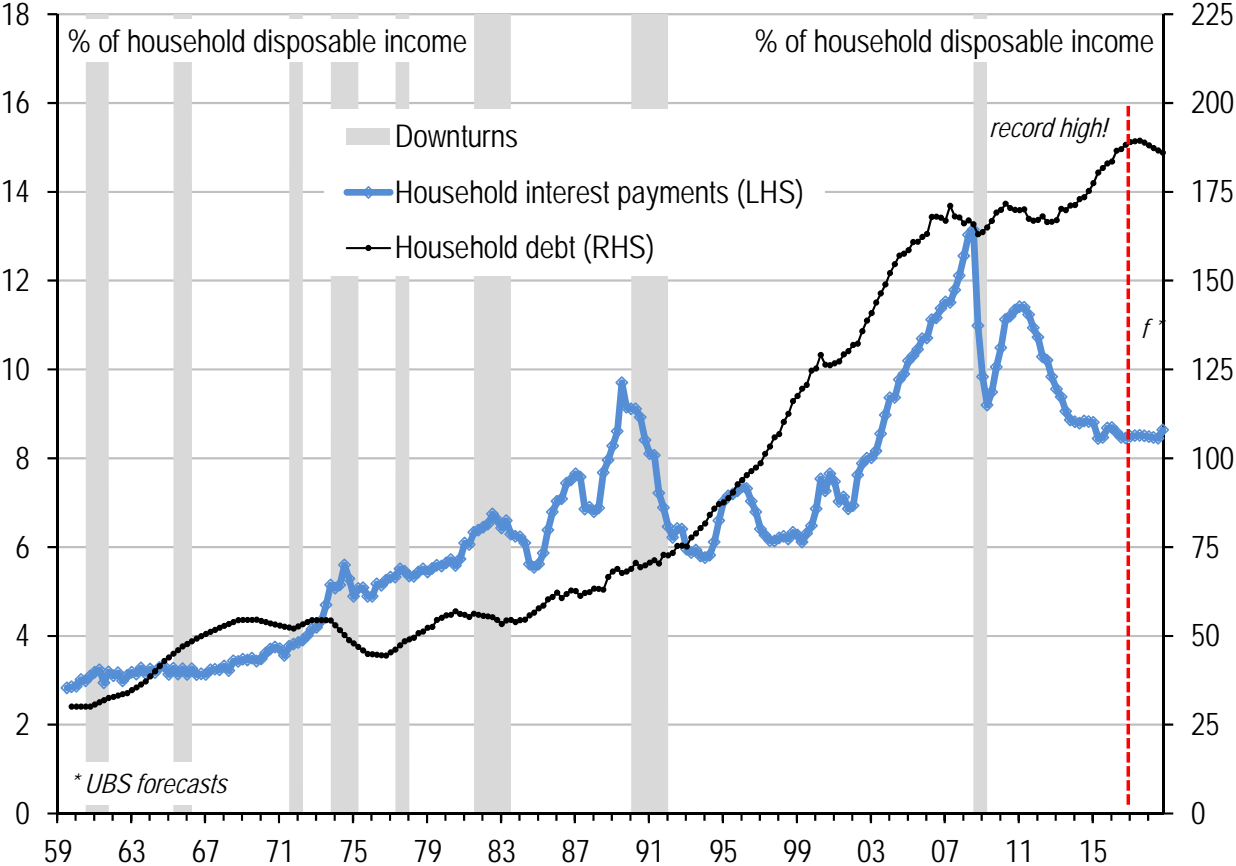
-  Australian housing market has peaked and growth is **slowing**
-  Official cash rate remains **low**, banks continue to raise interest rates independently
-  Regulators acting to address banks' **capital requirements** and create more **resilience** in the sector
-  Persistent **undersupply** of dwellings

Private residential building approvals (monthly)



Source: Australian Bureau of Statistics

Household debt-income up to record high, but interest paid dropped to a 13-year low



Source: UBS

The Australian economy

Mining recovery



The Australian economy

Mining recovery

- 💰 Mining stocks have **bottomed** over the last 12-18 months
- 📈 Global growth improving
- ☀️ Chinese stimulus
- 🔍 Investment exposure: **selectively** investing in mining and mining services companies

Investment exposure:







A satellite photograph of Earth at night, showing the illuminated landmasses of Europe, Africa, and Asia. The city lights create a dense pattern of yellow and orange dots across the continents, contrasting with the dark blue of the oceans and the thin blue atmosphere at the top of the frame. The text "The global economy" is overlaid on the left side of the image.

The global economy

Macroeconomic environment

The global economy

Macroeconomic environment

-  Global macroeconomic environment is the **strongest** it has been since the GFC
-  Global leading indicators at an all time **high**
-  Inflection point: **sentiment** is high, earnings **growth** returning
-  What does it mean for Australia?

Investment themes and trends



01

Australian consumers

01

Australian consumers

- 📅 Amazon market entry by end of 2017
- ⬇️ Potential to put **downward pressure** on retailers profitability
- 💡 We estimate \$5bn in additional **costs to consumers** over the next 12 months from interest rates, utility bills, healthcare and petrol costs
- 💰 Disposable income is back at **GFC levels**

Investment exposure:



02

Private health insurance affordability



02

Private health insurance affordability

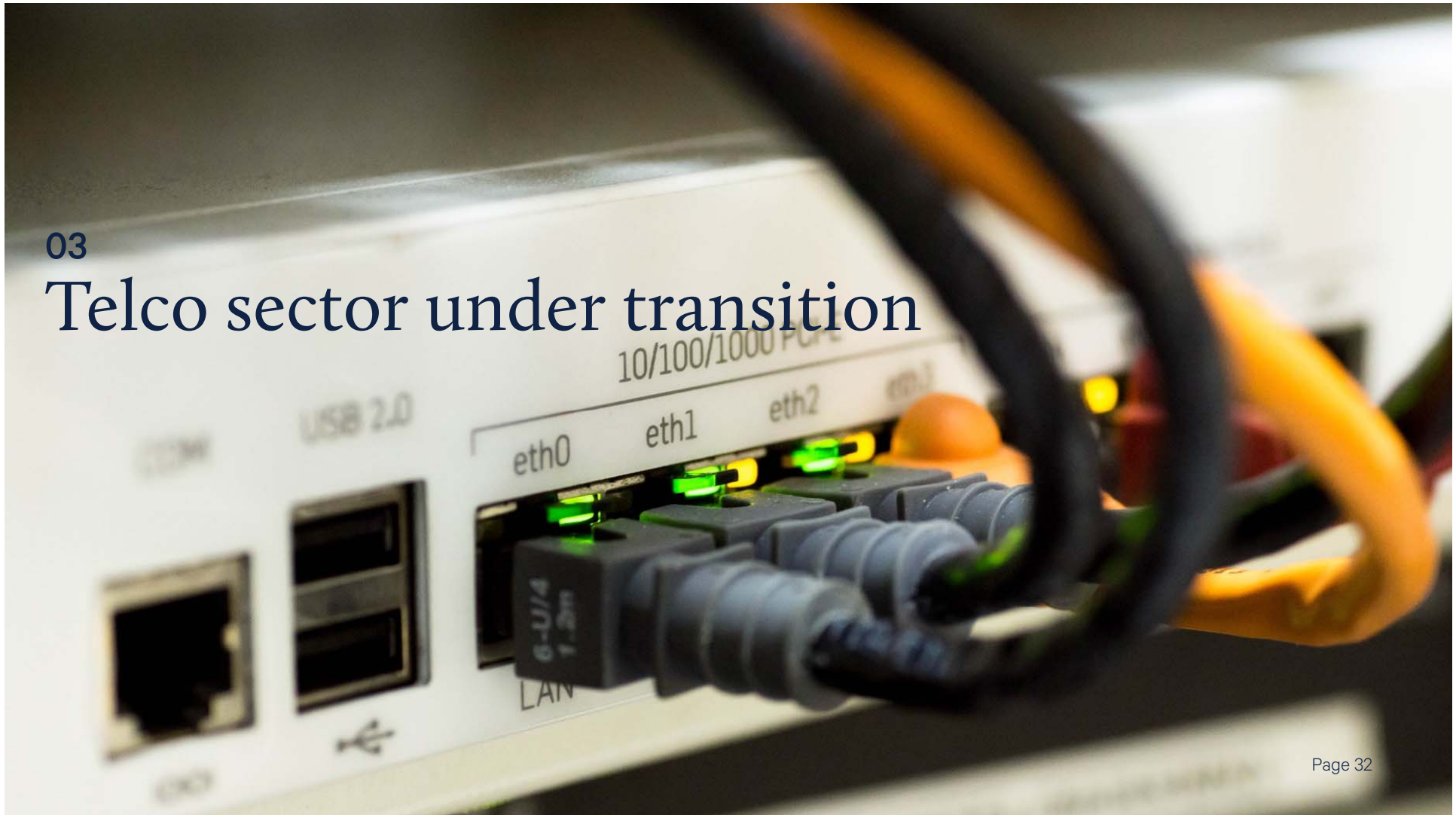
-  Low cost brands NIB (ASX: NHF) and ahm (ASX: MPL) growing market shares at a **rapid rate**
-  Premiums are **up 4-5% p.a.**
-  Consumers **downgrading** their level of cover

Investment exposure:






03

Telco sector under transition



03

Telco sector under transition

-  **Lower** margins for internet service providers (ISPs) under NBN
-  From **1.2 million** premises ready for services in 2017 to **9.1 million** in Dec 2018
-  Increased **competition** in the mobile segment imminent

Investment exposure:



Top holdings

W|A|M *Capital* W|A|M *Leaders* W|A|M *Research* W|A|M *Active*

Company	ASX Code	Owned by
Challenger Limited*	CGF	WAM, WLE, WAX
Woolworths Limited^	WOW	WAM, WLE, WAA
Hunter Hall Global Value Limited^	HHV	WAM, WAA
AUB Group Limited*	AUB	WAM, WLE, WAX
Automotive Holdings Group Limited*	AHG	WAM, WLE, WAX
Eclix Group Limited*	ECX	WAM, WLE, WAX
Computershare Limited^	CPU	WAM, WLE, WAA
Nick Scali Limited*	NCK	WAM, WAX
Nufarm Limited*	NUF	WAM, WLE, WAX
Carsales.com Limited*	CAR	WAM, WLE, WAX

*Research-driven

^Market-driven



What worked: Research-driven

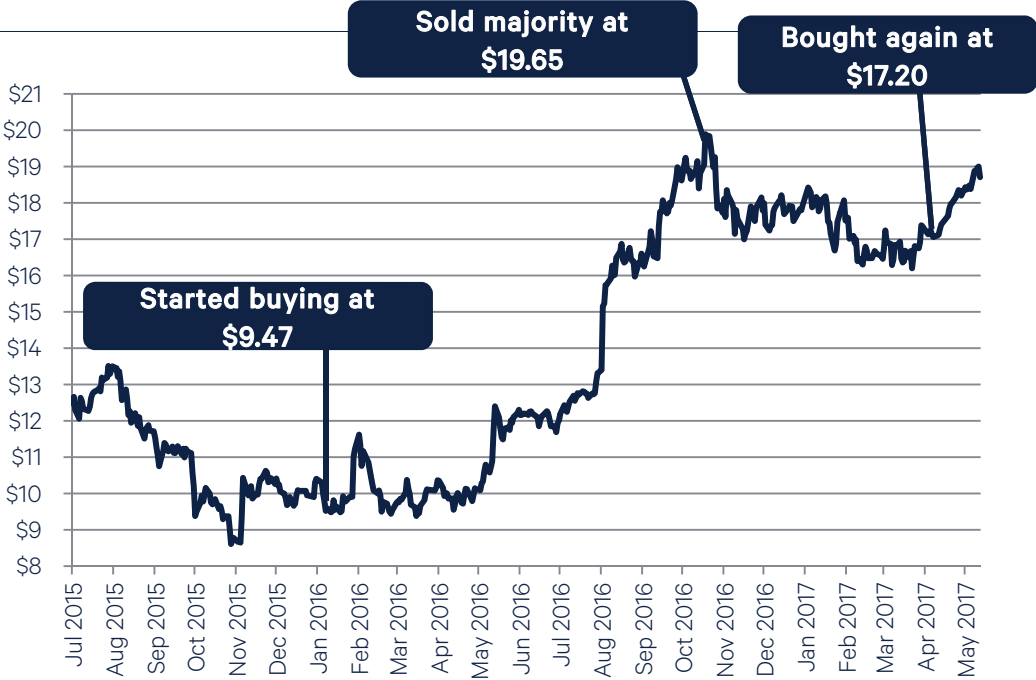
Credit Corp Group Limited (ASX: CCP)

Why it rated

- Strong growth in consumer loan book
- Continued growth in debt ledgers
- Productivity improvements
- Strong management team

Why it worked

- Catalyst: exceeded earnings expectations
- More favourable competitive environment
- Consumer loan book profitability



Source: IRESS



What didn't work: Research-driven

Ardent Leisure Group (ASX: AAD)

Why it rated

- Growth underpinned by US Main Event division
- Catalyst: Asset sales

Why it didn't work

- US Main Event division underperformed
- Dreamworld tragedy



Source: IRESS



What we like: Research-driven

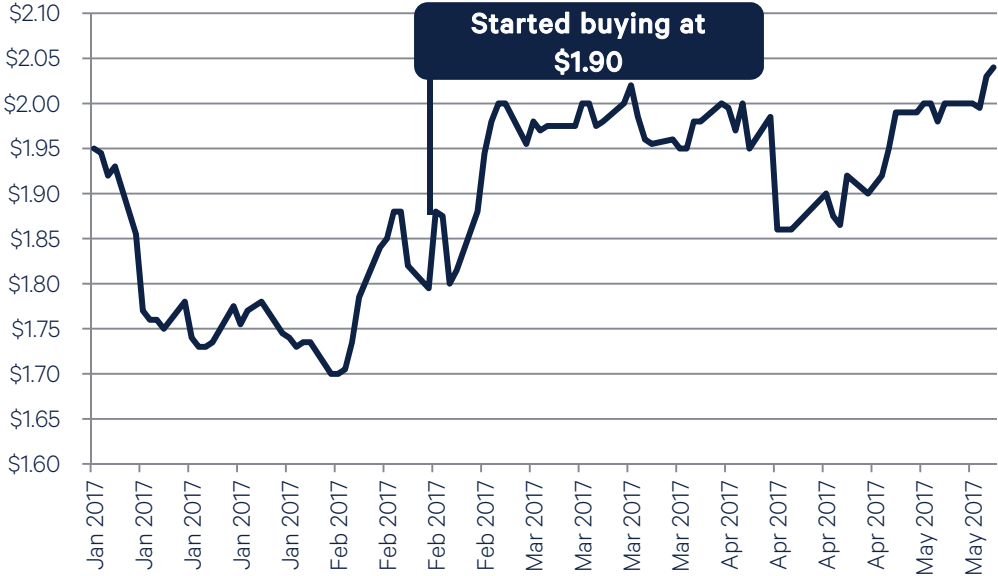
iSelect Limited (ASX: ISU)

Background

- Largest comparison website in Australia
- New CEO reinvigorating the business
- Improved cash flow conversion

Catalysts

- Non-health insurance verticals driving earnings
- Capital management options
- Favourable industry thematic



Source: IRESS



What we like: Market-driven

Woolworths Limited (ASX: WOW)

Background

- Largest supermarket chain in AUS and NZ
- Underperformance to Coles
- New management team

Catalysts

- Divestments of Masters and petrol business
- Earnings momentum
- Store optimisation



Source: IRESS

Wilson Asset Management

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