

# Investment update

As at 31 January 2018



wilsonassetmanagement.com.au  
ABN 34 086 587 395

## Snapshot

Pre-tax net tangible assets

**\$2.07**

Fully franked  
dividend yield

**6.3%**

Gross assets

**\$1,363.9m**

Performance  
(p.a. since August 1999)

**17.7%**

## WAM Capital Limited

ASX code	WAM
Date of listing	Aug 1999
Gross assets	\$1,363.9m
Market cap	\$1,605.4m
Share price	\$2.45
NTA before tax	\$2.07
Shares on issue	655,257,315
Annualised fully franked interim dividend (FY2018)	15.5c
Fully franked dividend yield	6.3%

## Investment objectives

- Deliver shareholders a rising 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
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 Capital Limited (ASX: WAM) is a listed investment company managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange. WAM Capital also provides exposure to relative value arbitrage and market mispricing opportunities.

## 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.

## FY2018 interim results

WAM Capital **announced** its FY2018 interim results to the market on Monday 12 February. Highlights from the announcement include:

- Record interim profit before tax of \$119.4 million (+49.8% on 2016)
- 10.4% investment portfolio performance, outperforming the index
- 9.1% increase in the pre-tax NTA for the six months to 31 December 2017
- Increased fully franked interim dividend of 7.75 cents per share.

## 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 24.3% at 31 January to 40.7% as at 12 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	206.80c*
NTA after tax and before tax on unrealised gains	206.36c**
NTA after tax	200.31c**

\*The NTA before tax figure is after the payment of \$37k (0.006cps) in tax during the month.

\*\*This includes 0.33cps of tax assets resulting from the acquisition of an unlisted investment company in April 2017.

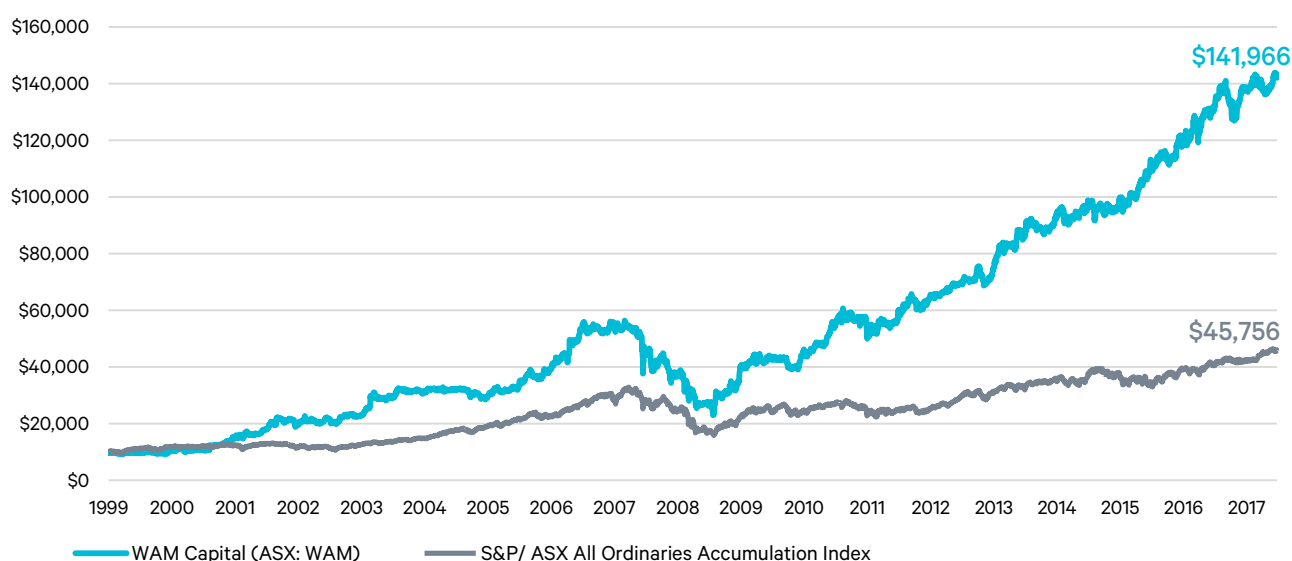
## Performance

Performance at 31 January 2018	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio*	1.2%	10.4%	11.7%	13.5%	17.7%	16.2%	13.4%	17.7%
S&P/ASX All Ordinaries Accumulation Index	-0.3%	8.8%	8.9%	13.0%	8.0%	9.2%	5.2%	8.4%
<b>Outperformance</b>	<b>+1.5%</b>	<b>+1.6%</b>	<b>+2.8%</b>	<b>+0.5%</b>	<b>+9.7%</b>	<b>+7.0%</b>	<b>+8.2%</b>	<b>+9.3%</b>

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

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

### WAM Capital versus the Index



#### Notes:

- The above graph reflects the period from inception in August 1999 to 31 January 2018.
- WAM Capital's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
- The S&P/ASX All Ordinaries Accumulation Index has 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 Capital portfolio.

## Diversified portfolio

Investment type	December 2017		January 2018	
	\$m	%	\$m	%
Listed equities	1,062.2	78.7	1,032.7	75.7
Short portfolio	(0.1)	(0.0)	(0.1)	(0.0)
Fixed interest & cash	286.9	21.3	331.3	24.3
<b>Gross assets</b>	<b>1,349.0m</b>	<b>100.0</b>	<b>1,363.9m*</b>	<b>100.0</b>
<b>Total shares on issue</b>	<b>655,257,315</b>		<b>655,257,315</b>	

\*This figure is after the payment of \$37k in tax during the month.

## Top 20 holdings

Code	Company	Code	Company
NEC	Nine Entertainment Co Holdings Limited	PSI	PSC Insurance Group Limited
SVW	Seven Group Holdings Limited	IMD	Imdex Limited
PIA	Pengana International Equities Limited	GUD	GUD Holdings Limited
APT	Afterpay Touch Group Limited	PNI	Pinnacle Investment Management Group Limited
TGG	Templeton Global Growth Fund Limited	TAH	Tabcorp Holdings Limited
ASL	Ausdrill Limited	NGI	Navigator Global Investments Limited
SDA	Speedcast International Limited	SGF	SG Fleet Group Limited
PRY	Primary Health Care Limited	SCO	Scottish Pacific Group Limited
SIQ	Smartgroup Corporation Limited	CCP	Credit Corp Group Limited
EHL	Emeco Holdings Limited	WDE	Wealth Defender Equities Limited

## Fully franked dividends

On 12 February 2018, the Board announced a fully franked interim dividend of 7.75 cents per share, an increase of 3.3% on the previous year. The dividend will be paid on 27 April 2018 and will trade ex on 12 April 2018. The 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.

### Key dividend dates

Ex dividend date	12 April 2018
Record date	13 April 2018
Last election date for DRP	17 April 2018
Payment date	27 April 2018

### Fully franked dividends since inception

Cents per share



\*Annualised interim dividend

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.