

Investment update

As at 31 January 2018



Snapshot

Pre-tax net tangible assets

\$1.37

Gross assets

\$196.4m

WAM Microcap Limited

ASX code	WMI
Date of listing	June 2017
Gross assets	\$196.4m
Market cap	\$212.8m
Share price	\$1.52
NTA before tax	\$1.37
Shares on issue	140,000,001

Investment objectives

- Deliver investors a 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
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 Microcap Limited (ASX: WMI) is a listed investment company managed by Wilson Asset Management. Listed in June 2017, WAM Microcap provides investors with diversified exposure to a portfolio of undervalued growth companies with a market capitalisation of less than \$300 million at the time of acquisition.

Market overview

The S&P/ASX Small Ordinaries Accumulation Index closed down 0.5% in January, the first negative month for the Index this financial year. After a stellar six months, the small resources sector gave up some of its gains, dragging on the Index in January. A raft of profit updates from our holdings and quarterly reports assisted performance during the month. Positive updates from Austock, Emeco and Noni B all contributed to performance in January.

From an economic standpoint, retail sales surprised on the upside, being positive in November, up 1.2%. 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.

As we approach reporting season we are mildly positive about company earnings, with the Australian economy showing small signs of strength over the last year. Over the next two months the team will meet with over 200 companies which is an important time to assess current positions and search for new investment ideas to enter the portfolio.

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 correction in early February. 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 3.0% in the month to date.

We have recently realised gains in positions that have reached our valuation, seeing the company's cash position approaching 20%.

Net tangible asset (NTA) figures

NTA before tax	137.20c
NTA after tax and before tax on unrealised gains	136.57c
NTA after tax	129.30c

Performance

Performance at 31 January 2018	1 Mth	3 Mths	6 Mths	Fin YTD	Since inception (June-17)
WMI Investment Portfolio*	2.7%	13.8%	23.4%	28.4%	30.7%
S&P/ASX Small Ordinaries Accumulation Index	-0.5%	6.6%	17.7%	18.1%	18.0%
Outperformance	+3.2%	+7.2%	+5.7%	+10.3%	+12.7%

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

Diversified portfolio

Investment type	December 2017		January 2018	
	\$m	%	\$m	%
Listed equities	162.3	84.8	161.8	82.4
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	29.1	15.2	34.6	17.6
Gross assets	191.4	100.0	196.4	100.0
Total shares on issue	140,000,001		140,000,001	

Top 20 holdings

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