



# 2019 Full Year Results

## From the Chairman



Dear Fellow Shareholder,

WAM Active recorded an operating profit before tax of \$0.4 million and an operating profit after tax of \$0.7 million in the 2019 financial year. The after tax figure was boosted by a \$0.3 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

The Board of Directors declared a fully franked final dividend of 2.95 cents per share. The final dividend brings the 2019 fully franked full year dividend to 5.9 cents per share.

The fully franked dividend has been achieved through the performance of the portfolio since inception and the profits reserve available and is consistent with the Company's investment objective of delivering investors a stream of fully franked dividends. Since inception in 2008, WAM Active has paid 65.8 cents per share in fully franked dividends to shareholders. The Company's profits reserve is currently 6.8 cents per share, before the payment of the fully franked final dividend of 2.95 cents per share.

The 2019 financial year was a dynamic year for equity markets, beginning with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching. By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative

tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights as interest rates fell and the global economy weakened.

Over the financial year, large-cap companies outperformed small-cap companies in most major global equity markets during a time of heightened volatility.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year. The WAM Active investment portfolio increased 3.6% in the 12-month period, climbing 4.5% in the final quarter and rebounding 10.8% in the six months to 30 June 2019. The Bloomberg AusBond Bank Bill Index (Cash) rose by 2.0% for the year.

We were highly active during the period, with the equity component of the investment portfolio turning over 3.1 times during the year with 218 individual companies traded. Over the 12-months we adjusted our cash levels continuously while averaging 31.2% throughout the period.

During the year we participated in 30 initial public offerings and capital raisings open only to institutional investors and we deployed tactical positions in the information technology sector, trading 25 individual companies during the period.

The largest contributors to the investment portfolio's performance during the period included: financial technology business, Afterpay Touch Group (ASX: APT); artificial intelligence and machine learning specialist, Appen (ASX: APX); English language focused education provider, IDP Education (ASX: IEL); restaurant franchisee business, Collins Foods (ASX: CKF); and medical biodegradable polymers developer, Polynovo (ASX: PNV).

The investment portfolio has achieved a return of 12.1% per annum since inception in 2008, with less volatility than the market, as measured by its standard deviation.

We remain cautious about the direction of the Australian market, as the record low interest rates have driven up valuations and increased speculation. The investment portfolio's cash level ended the year at 26.3%.

Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process. Despite our circumspect outlook, we are confident in our ability to continue to identify and act on mispricing opportunities in all market conditions, while taking the least risk possible.

We look forward to providing an update at our Investor Conference Call on Tuesday, 10 September 2019 at 3:30pm – 4:30pm (Sydney time) and seeing you at our [Shareholder Presentations](#) in November 2019. Dial-in details are as follows:

**Australia dial-in number:** 1300 254 410

**International dial-in number:** +61 3 8687 0634

**Guest code:** 3013976

Thank you for your support of WAM Active,

**Geoff Wilson AO**  
Chairman

\*As at 31 July 2019.



## Highlights

Investment portfolio performance

+3.6%

Fully franked full year dividend

5.9c

Fully franked dividend yield

5.9%\*

Equity portion of portfolio turnover

3.1 times

## Fully franked final dividend

The Board declared a fully franked final dividend of 2.95 cents per share. This brings the fully franked full year dividend to 5.9 cents per share. The DRP will be operating for the final dividend.

### Key dividend dates

Dividend ex-date	4 October 2019
Record date	7 October 2019
Last election date for DRP	9 October 2019
Payment date	18 October 2019

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. Since inception in January 2008, WAM Active has paid 65.8 cents per share in fully franked dividends to shareholders.

\*Based on the 30 June 2019 share price of \$0.995 per share.

## Performance

as at 30 June 2019

	3 mths	6 mths	1 yr	3yrs %pa	5yrs %pa	10yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio	4.5%	10.8%	3.6%	10.2%	10.7%	12.7%	12.1%
S&P/ASX All Ordinaries Accumulation Index	7.8%	19.8%	11.0%	12.6%	9.0%	10.0%	4.8%
<b>Outperformance</b>	<b>-3.3%</b>	<b>-9.0%</b>	<b>-7.4%</b>	<b>-2.4%</b>	<b>+1.7%</b>	<b>+2.7%</b>	<b>+7.3%</b>
Bloomberg AusBond Bank Bill Index (Cash)	0.4%	1.0%	2.0%	1.9%	2.1%	3.0%	3.4%
<b>Outperformance</b>	<b>+4.1%</b>	<b>+9.8%</b>	<b>+1.6%</b>	<b>+8.3%</b>	<b>+8.6%</b>	<b>+9.7%</b>	<b>+8.7%</b>

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

## Top 20 holdings

as at 30 June 2019

Code	Company	%
IEL	IDP Education Limited	4.2%
CSL	CSL Limited	4.1%
SVW	Seven Group Holdings Limited	4.0%
PIA	Pengana International Equities Limited	3.8%
TGG	Templeton Global Growth Fund Limited	3.5%
APT	Afterpay Touch Group Limited	3.3%
CKF	Collins Foods Limited	3.1%
CTD	Corporate Travel Management Limited	2.9%
DOW	Downer EDI Limited	2.4%
CAR	Carsales.com Limited	2.4%
MP1	Megaport Limited	2.1%
SDF	Steadfast Group Limited	2.1%
ASL	Ausdrill Limited	2.0%
CIM	Cimic Group Limited	1.9%
APX	Appen Limited	1.9%
ALU	Altium Limited	1.6%
ECX	Eclix Group Limited	1.6%
WOR	WorleyParsons Limited	1.4%
NGI	Navigator Global Investments Limited	1.4%
BKW	Brickworks Limited	1.4%