

# July 2020 Investment Update

|                           | Pre-tax NTA |
|---------------------------|-------------|
| W   A   M <i>Capital</i>  | \$1.61      |
| W   A   M <i>Leaders</i>  | \$1.17      |
| W   A   M <i>Global</i>   | \$2.33      |
| W   A   M <i>Microcap</i> | \$1.38      |
| W   A   M <i>Research</i> | \$0.99      |
| W   A   M <i>Active</i>   | \$0.94      |

## Dear Fellow Shareholders,

I have just finished applying for my WAM Microcap (ASX: WMI) Share Purchase Plan (SPP) entitlement of \$30,000, currently being offered to all WAM Microcap shareholders. The issue price for each SPP share is expected to be \$1.379, being the Company's net tangible asset (NTA) backing per share as at 31 July 2020, a healthy discount to the Thursday, 13 August 2020 closing share price of \$1.525 per share.

Shares acquired under the SPP will receive the fully franked final dividend of 3.0 cents per share and fully franked special dividend of 3.0 cents per share [announced](#), together with significant investment portfolio outperformance. Please refer to the [SPP Booklet](#) for more information and call us on (02) 9247 6755 if you have any questions. The WAM Microcap Board of Directors intends to offer WAM Microcap professional and sophisticated investors the ability to participate in a Placement at the same price and under the same terms as the SPP.

If you were unable to join us for our Investor Q&A webinar, you can listen to the [recording](#).

### WAM Global: 100% increase in fully franked final dividend

The WAM Global (ASX: WGB) Board of Directors [announced](#) a fully franked final dividend of 4.0 cents per share, bringing the FY2020 fully franked full year dividend to 7.0 cents per share, which represents a 250% increase on FY2019 and a 100% increase on the FY2019 fully franked final dividend. The Company has a profits reserve available of 30.1 cents per share as at 31 July 2020, providing 4.3 years of dividend coverage. The announcement was covered in [The Australian](#). If you were unable to join our Investor Q&A webinar, you can listen to the [recording](#).

### WAM Leaders and WAM Capital: investment portfolio outperformance and fully franked full year dividends

In July, the WAM Leaders (ASX: WLE) Board of Directors [announced](#) a fully franked final dividend of 3.25 cents per share, bringing the FY2020 fully franked full year dividend to 6.5 cents per share and the WAM Capital (ASX: WAM) Board of Directors [declared](#) a fully franked final dividend of 7.75 cents per share, bringing the FY2020 fully franked full year dividend to 15.5 cents per share.

We look forward to sharing the full year results and Annual Reports for our listed investment companies over the next two weeks.

Wilson Asset Management will be hosting a WAM Capital, WAM Research and WAM Active Investor Q&A webinar on Friday, 4 September 2020 at 2.30pm (Sydney time) with me, Lead Portfolio Manager Oscar Oberg and Portfolio Manager Tobias Yao. To participate, dial 1800 850 171 and enter passcode 795466 or visit this [website](#).

### WAM Alternatives Assets Update

Blue Sky Alternatives Access Fund Limited (ASX: BAF) will hold an extraordinary general meeting on 8 September 2020 to vote to transition the company management to Wilson Asset Management (International) Pty Limited and change its name to WAM Alternative Assets Limited with the ASX code WMA. We look forward to the opportunity to provide existing shareholders with a brighter future and hope to introduce WAM Alternative Assets to the Wilson Asset Management Family following a successful outcome at the EGM. If you would like to receive further updates, please [register](#) now.

### July equity market update

Easing social distancing measures led to an increase in coronavirus cases in many countries, including Australia. Hopes for a vaccine have provided some cause for optimism and conditions for equity markets remain highly accommodative given the sustained commitment of central banks to stimulate economies and renewed fiscal initiatives. The US second quarter reporting season commenced in July with companies beating a low bar of earnings estimates in many cases, with technology companies leading the charge to lift the US S&P 500 Index and NASDAQ Composite Index by 5.5% and 6.8%, respectively, for the month in local terms. The MSCI World Index (AUD) closed up 0.6% and China's CSI 300 Index up 12.8%, while the UK FTSE 100 Index fell 4.4%, the Euro Stoxx 600 Index fell 1.1% and Japan's TOPIX Index fell 4.0% in local terms.

During the month, Victoria experienced a stark increase in coronavirus cases, prompting the government to re-instate lockdown measures and restrict interstate travel, with Treasurer Josh Frydenberg warning the measures would cost the economy \$1 billion per week. Reserve Bank of Australia Governor Philip Lowe recently responded to the continued spread of coronavirus and return of interstate travel restrictions with the recommencement of its bond buying program. The Australian earnings season has proven volatile to date, as the true impact of coronavirus on domestic companies is revealed. The S&P/ASX All Ordinaries Accumulation Index closed up 0.9% for the month.

Thank you for your support,



Geoff Wilson AO  
Chairman &  
Chief Investment Officer



## LIC snapshot

| LIC                       | Focus   | Share price* | NTA before tax Jul-20 | Cash weighting* | Fully franked full year dividend | Profits reserve# |
|---------------------------|---|--------------|-----------------------|-----------------|----------------------------------|------------------|
| W   A   M <i>Capital</i>  | The most compelling undervalued growth opportunities in the Australian market         | \$2.03       | \$1.61                | 12.8%           | 15.5cps                          | 8.7cps           |
| W   A   M <i>Leaders</i>  | Actively investing in the highest quality Australian companies                        | \$1.18       | \$1.17                | 5.5%            | 6.5cps                           | 16.2cps          |
| W   A   M <i>Global</i>   | The world's most compelling undervalued growth companies                              | \$1.995      | \$2.33                | 5.1%            | 7.0cps                           | 30.1cps          |
| W   A   M <i>Microcap</i> | The most exciting undervalued growth opportunities in the Australian micro-cap market | \$1.525      | \$1.38                | 15.6%           | 9.0cps**                         | 33.9cps          |
| W   A   M <i>Research</i> | The most compelling undervalued growth opportunities in the Australian market         | \$1.40       | \$0.99                | 12.6%           | 9.8cps <sup>^</sup>              | 27.7cps          |
| W   A   M <i>Active</i>   | Market mispricing opportunities in the Australian market                              | \$0.99       | \$0.94                | 6.0%            | 6.0cps <sup>^</sup>              | 7.1cps           |

\*As at 13 August 2020.

\*\*Includes the fully franked special dividend of 3.0 cents per share.

<sup>^</sup>Annualised fully franked interim dividend.

<sup>#</sup>The profits reserve figures are as at 31 July 2020.

# W | A | M Leaders

Actively investing in the highest quality Australian companies.

## Portfolio update

Our holdings in gold miner Newcrest Mining (ASX: NCM) and base metals producer Oz Minerals (ASX: OZL) significantly contributed to the investment portfolio outperformance during the month.

The price of gold reached a record high in July, as the safe-haven asset continued to benefit from deflationary pressures, geopolitical tensions, investor uncertainty and a weakening US dollar. We have selectively participated in the gold rally through increased exposure to high-quality gold producers. Of these, our preferred company is Australia's largest listed gold miner, Newcrest Mining, due to its strong fundamentals. Newcrest Mining has recently delivered strong production numbers, presents growth optionality through its Havieron project and Red Chris asset and is helmed by a solid management team.

Oz Minerals is a copper-focused international mining company based in South Australia. In Latin America, the spread of the coronavirus saw copper production slow, which resulted in approximately 15% of world copper production coming offline. Copper is considered an economic bellwether and has benefitted from the reopening of economies, increasing 41% from March lows to July highs. In July, Oz Minerals reported a 21.5% increase in copper production on the prior quarter and raised its full year production guidance. We have increased WAM Leaders' exposure to base metals, such as copper, based on our positive outlook for the global economy over the medium term.

Market capitalisation  
(ASX: WLE)

\$900.8m\*

Gross assets

\$950.3m

Listed equities

\$891.6m

Investment portfolio performance  
(pa since inception May 2016)

10.2%<sup>^</sup>

S&P/ASX 200 Accumulation Index: 6.5%

Dividends paid since inception  
(per share)

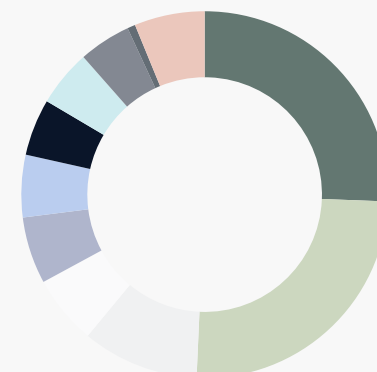
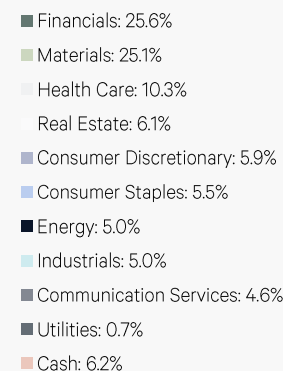
16.9c

Fully franked dividend yield

5.7%\*

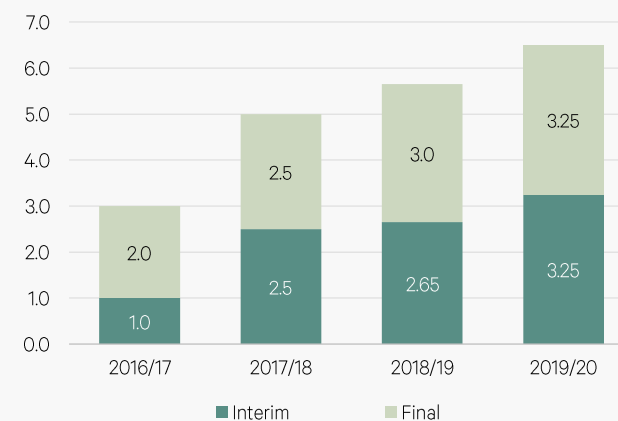
<sup>^</sup>Based on the 31 July 2020 share price of \$1.145 per share and the FY20 fully franked full year dividend of 6.5 cents per share. WAM Leaders has 786,731,577 shares on issue.  
<sup>\*</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends

Cents per share



## Net Tangible Assets (NTA) per share

|          | NTA before tax | NTA after tax and before tax on unrealised gains | NTA after tax |
|----------|----------------|--|---------------|
| Jul 2020 | 117.11c*       | 117.11c  | 117.21c       |
| Jun 2020 | 117.61c        | 119.23c  | 116.67c       |

\*The July 2020 NTA before tax is after income tax payable of \$10.1m (1.28 cents per share), including the FY2020 tax provision.

## Top 20 holdings (in alphabetical order)



## Portfolio update

Our research-driven holding City Chic Collective (ASX: CCX) and market-driven holding NEXTDC (ASX: NXT) significantly contributed to the investment portfolio outperformance during the month.

Omni-channel retailer City Chic Collective specialises in plus-size women's fashion with a footprint that spans Australasia, the US and Europe. City Chic reported unaudited FY2020 sales of \$194.5 million, a 31% increase on FY2019. The company also completed an \$80 million capital raising to fund the potential acquisition of the e-commerce assets of Catherines, a US based plus-size women's retailer owned by Ascena Retail Group (NASDAQ: ASNA), which is to be sold via auction following bankruptcy. We believe the acquisition is de-risked and the return on capital metrics are strong.

The technology sector continued its strong momentum in July, with many companies coming through the coronavirus pandemic unscathed with minimal customer churn and increased adoption of their services. NEXTDC enables business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software. In July, the company reported an increase in contracted commitments at its New South Wales data centres, bringing the contracted customer commitments, plus expansion options, to nearly 60 megawatts. Revenue recognition for the new contracts is expected to commence during FY2021. The company continues to see strong demand as working from home accelerates the transition to cloud based services for users.

## Net Tangible Assets (NTA) per share

|          | NTA before tax       | NTA after tax and before tax on unrealised gains* | NTA after tax* |
|----------|----------------------|---|----------------|
| Jul 2020 | 160.55c <sup>^</sup> | 167.30c   | 170.28c        |
| Jun 2020 | 158.84c              | 165.27c   | 168.13c        |

<sup>^</sup>The July 2020 NTA before tax is after net income tax payable of \$9.8m (1.35 cents per share).

\*Includes 0.90 cents per share of tax assets resulting from the acquisition of unlisted investment companies and 8.52 cents per share of income tax losses available to the Company in future periods.

## Market capitalisation

(ASX: WAM)

\$1,396.5m<sup>#</sup>

## Gross assets

\$1,180.7m

## Listed equities

\$1,007.5m

## Investment portfolio performance

(pa since inception Aug 1999)

15.7%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 7.8%

## Dividends paid since inception

(per share)

246.25c

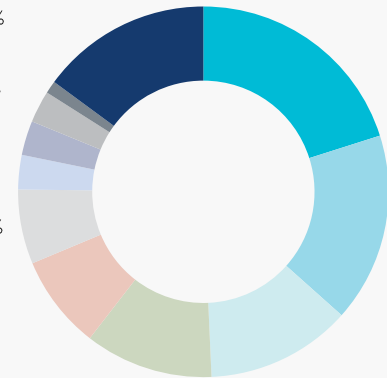
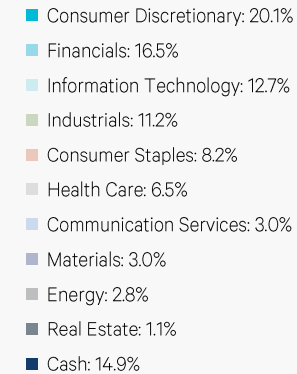
## Fully franked dividend yield

8.1%<sup>#</sup>

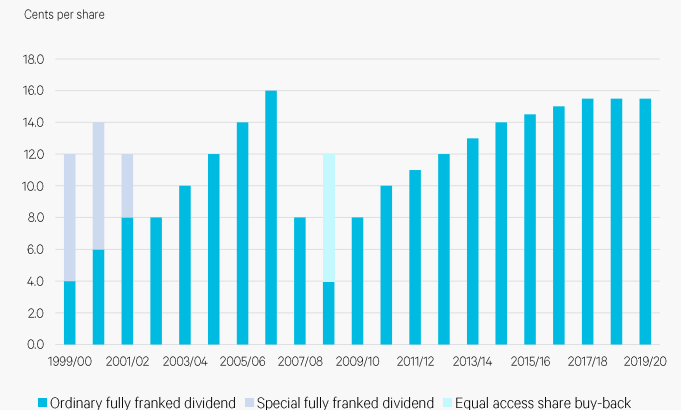
<sup>#</sup>Based on the 31 July 2020 share price of \$1.925 per share and the FY20 fully franked full year dividend of 15.5 cents per share. WAM Capital has 725,465,456 shares on issue.

<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends



## Top 20 holdings (in alphabetical order)



# W | A | M Global

The world's most compelling undervalued growth companies.

## Portfolio update

A solid start to the global reporting season drove strong investment portfolio performance in July. Significant contributors included health technology company Edwards Lifesciences (NYSE: EW), medical equipment company Thermo Fisher Scientific (NYSE: TMO) and home improvement retailer Lowe's (NYSE: LOW).

Founded in 1958, Edwards Lifesciences is a leader in medical innovations for structural heart disease and critical care monitoring. We are positive on the long term shift away from conventional, open heart surgery towards the less invasive catheter-based surgery, where Edwards dominate. While earnings were impacted in the second quarter as patients and providers turned their focus to the coronavirus pandemic response, the company reported USD925 million in revenue, beating consensus expectations by 16%. Management also raised earnings per share guidance by 11% to USD1.75 - USD1.95, driven by Q2 upside and improved operating leverage resulting from the faster recovery in procedures than expected.

Thermo Fisher provides scientific instrumentation, consumables, software and services to healthcare and other industries. The company reported an increase in second quarter revenue of 10% to USD6.9 billion in July, with a USD1.3 billion contribution from coronavirus. Earnings per share increased 29% year on year. During the quarter, Thermo Fisher secured a multi-year pharmaceutical services contract with the US Biomedical Advanced Research and Development Authority to support accelerated vaccine development and production. TMO guidance for Q3 revenue growth of 15% was significantly ahead of market expectations.

Lowe's operates a chain of more than 2,200 retail home improvement and hardware stores throughout the US and Canada. Lowe's has been a beneficiary of social distancing measures as consumers spend more time at home completing renovations and 'do-it-yourself' projects, driving increased foot traffic to stores. In July, the company announced the launch of EGO products, making it the exclusive nationwide supplier of sustainable battery-powered outdoor equipment. The company paid a quarterly cash dividend of USD0.55 per share in July and is expected to report its quarterly results on 19 August. Lowe's is also undergoing a transformation program, which should unlock higher margins for the group over time.

## Net Tangible Assets (NTA) per share

|          | NTA before tax | NTA after tax and before tax on unrealised gains | NTA after tax |
|----------|----------------|--|---------------|
| Jul 2020 | 232.90c*       | 237.05c  | 231.31c       |
| Jun 2020 | 227.66c        | 230.26c  | 225.27c       |

\*The July 2020 NTA before tax is after the provision for tax of \$7.2m (3.41 cents per share) for the 2020 financial year.

## Market capitalisation

(ASX: WGB)

\$426.6m<sup>#</sup>

## Gross assets

\$501.6m\*

## Listed equities

\$471.7m

## Investment portfolio performance

(pa since inception June 2018)

6.6%<sup>^</sup>

MSCI World Index (AUD): 7.4%

## Fully franked full year dividend

7.0c

## Cash weighting

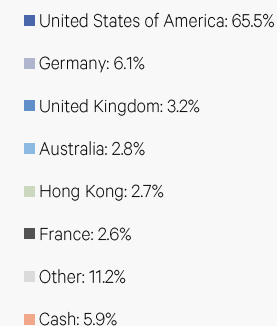
5.9%

<sup>#</sup>Based on the 31 July 2020 share price of \$2.01 per share and 212,249,854 shares on issue.

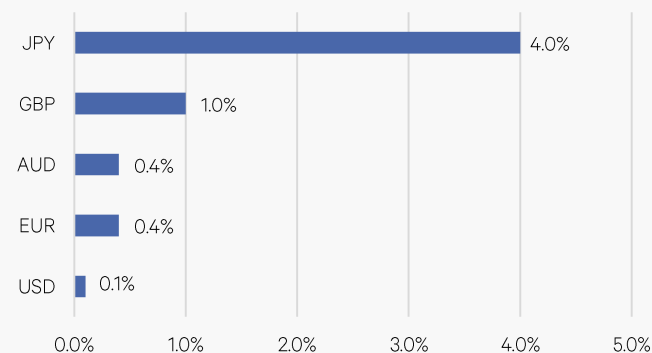
<sup>\*</sup>Gross assets exclude the \$1.3m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by geographical exposure



## Cash currency exposure



## Top 20 holdings (in alphabetical order)

|                         |            |             |        |         |           |           |                |             |                          |
|-------------------------|------------|-------------|--------|---------|-----------|-----------|----------------|-------------|--------------------------|
| 神戸物産<br>KOBEBUSANDEV.CO | Tencent 腾讯 | ARISTA      | AON    | avantor | Auto Zone | CME Group | DOLLAR GENERAL | EA          | Edwards                  |
| 3038 JP                 | 700 HK     | ANET US     | AON US | AVTR US | AZO US    | CME US    | DG US          | EA US       | EW US                    |
| FIS                     | Hasbro     | Hello FRESH | ice    | intuit  | LOWE'S    | Microsoft | Nomad Foods    | softwareONE | Thermo Fisher SCIENTIFIC |
| FIS US                  | HAS US     | HFG GR      | ICE US | INTU US | LOW US    | MSFT US   | NOMD US        | SWON SW     | TMO US                   |

# W | A | M *Microcap*

The most exciting undervalued growth opportunities in the Australian micro-cap market.

## Portfolio update

A number of our micro-cap holdings reported unaudited results during July. Significant contributors to the investment portfolio outperformance included recipe and meal kit provider Marley Spoon (ASX: MMM) and software solution company Objective Corporation (ASX: OCL).

Founded in 2014, Marley Spoon is a subscription-based meal kit provider operating in 8 countries. The company continues to see strong growth as a result of the coronavirus lockdown, as consumers increase their online ordering of meals and its continuing global expansion. The company raised full year revenue growth guidance from 30% to 70%, announcing significant period on period revenue growth in all regions and operational improvements that have driven increased profitability.

Information technology software and services supplier, Objective Corporation, provides solutions to enable digital transformation in government and financial organisations. In a July trading update, the company announced its unaudited FY2020 full year results, reporting an increase of 21% in its annual recurring revenue, which makes up approximately 75% of total revenue for the company. The company's EBITDA increased 22% over the period, demonstrating the strong operating leverage of the business.

## WAM Microcap Share Purchase Plan

The WAM Microcap Board of Directors recently announced a Share Purchase Plan (SPP) to eligible shareholders<sup>1</sup>. The issue price for each SPP share is expected to be \$1.379\*, being the Company's net tangible asset (NTA) backing per share as at 31 July 2020. The WAM Microcap share price closed at \$1.525 per share on Thursday, 13 August 2020. The Offer will close on Thursday, 20 August 2020.

<sup>1</sup>Shareholders on the WAM Microcap register as at 7:00pm (Sydney time) on Friday, 31 July 2020 with a registered address in Australia or New Zealand.

## Net Tangible Assets (NTA) per share

|          | NTA before tax | NTA after tax and before tax on unrealised gains | NTA after tax |
|----------|----------------|--|---------------|
| Jul 2020 | 137.90c*       | 137.05c  | 132.85c       |
| Jun 2020 | 131.27c        | 131.17c  | 127.68c       |

\*The July 2020 NTA before tax is after the provision for tax of \$1.1m (1.80 cents per share) for the 2020 financial year.

## Market capitalisation (ASX: WMI)

\$195.1m<sup>#</sup>

## Gross assets

\$203.7m

## Listed equities

\$171.3m

## Investment portfolio performance (pa since inception June 2017)

17.8%<sup>^</sup>

S&P/ASX Small Ordinaries Accumulation Index: 6.2%

## Dividends paid since inception (per share)

15.75c

## Fully franked full year dividend

6.0c

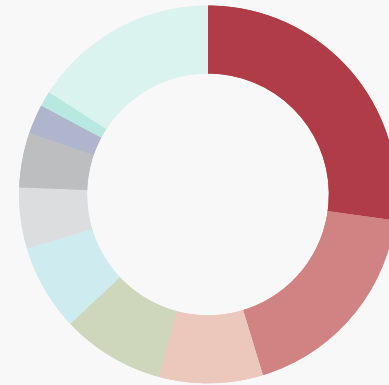
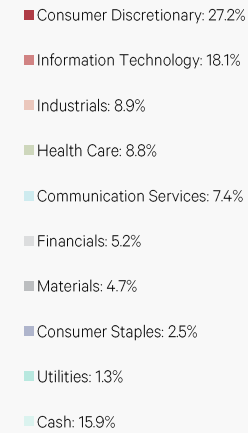
## Fully franked special dividend

3.0c

<sup>#</sup>Based on the 31 July 2020 share price of \$1.375 per share and 141,855,810 shares on issue.

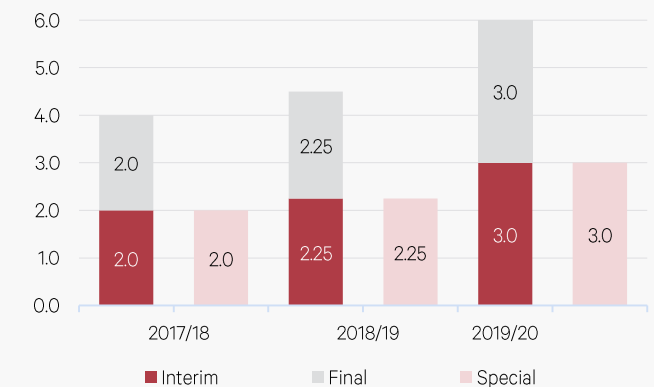
<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends

Cents per share



## Top 20 holdings (in alphabetical order)



## Portfolio update

Research-driven holdings such as fashion retailer City Chic Collective (ASX: CCX) and automotive parts and services software company Infomedia (ASX: IFM) significantly contributed to the investment portfolio outperformance during the month, as the uptick in e-commerce and shift towards digitisation during the coronavirus pandemic prove to be ongoing trends.

Omni-channel retailer City Chic Collective specialises in plus-size women's fashion with a footprint that spans Australasia, the US and Europe. City Chic reported unaudited FY2020 sales of \$194.5 million, a 31% increase on FY2019. The company also completed an \$80 million capital raising to fund the potential acquisition of the e-commerce assets of Catherines, a US based plus-size women's retailer owned by Ascena Retail Group (NASDAQ: ASNA), which is to be sold via auction following bankruptcy. We believe the acquisition is de-risked and the return on capital metrics are strong.

Infomedia is a leading software solutions provider for the global automotive industry. The company has maintained its forward-looking guidance for FY2020 and holds a net cash balance sheet, which it is able to deploy into synergistic acquisitions in the medium term. Over the long-term, we believe that car manufacturers will continue to focus on the parts and services element of the value chain to engage in better margins across the business.

## Market capitalisation (ASX: WAX)

\$260.3m<sup>#</sup>

## Gross assets

\$196.6m

## Listed equities

\$171.0m

## Investment portfolio performance (pa since change in investment strategy July 2010)

14.0%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 7.8%

## Dividends paid since inception (per share)

109.2c

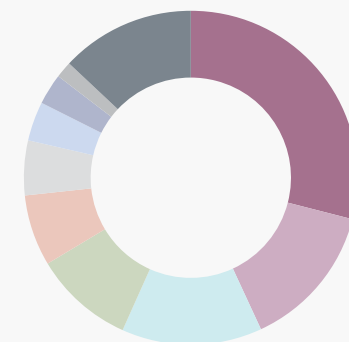
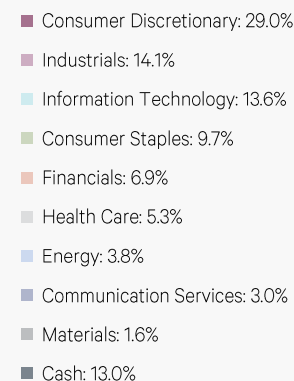
## Annualised fully franked interim dividend yield

7.3%<sup>#</sup>

<sup>#</sup>Based on the 31 July 2020 share price of \$1.345 per share and the annualised FY20 fully franked interim dividend of 9.8 cents per share. WAM Research has 193,532,143 shares on issue.

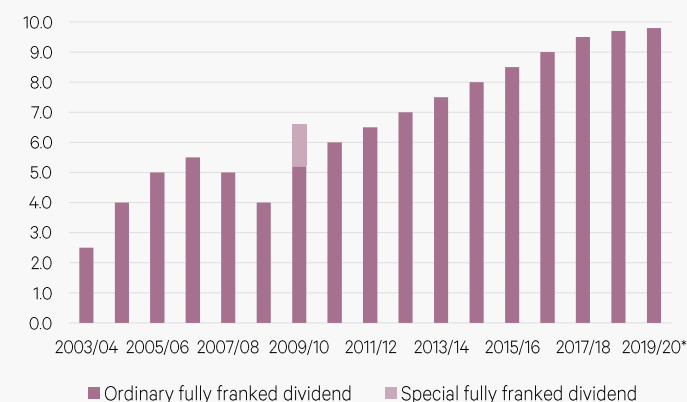
<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends

Cents per share



<sup>\*</sup>Annualised interim dividend

## Net Tangible Assets (NTA) per share

|          | NTA before tax      | NTA after tax and before tax on unrealised gains <sup>*</sup> | NTA after tax <sup>*</sup> |
|----------|---------------------|---|----------------------------|
| Jul 2020 | 99.21c <sup>^</sup> | 103.42c   | 104.10c                    |
| Jun 2020 | 98.72c              | 101.86c   | 102.55c                    |

<sup>\*</sup>The July 2020 NTA before tax is after net income tax payable of \$3.3m (1.72 cents per share).

<sup>\*</sup>Includes 5.78 cents per share of income tax losses available to the Company in future periods.

## Top 20 holdings (in alphabetical order)



# W | A | M Active

Market mispricing opportunities in the Australian market.

## Portfolio update

Our market-driven holdings in payment platform provider Sezzle Inc (ASX: SZL) and data centre operator NEXTDC (ASX: NXT) significantly contributed to the investment portfolio performance during the month, as we continue to take advantage of market mispricing opportunities.

The technology sector continued its strong momentum in July, with many companies coming through the coronavirus pandemic unscathed with minimal customer churn and increased adoption of their services. Based in the US, Sezzle is a financial technology company and payment platform offering consumers interest-free installment payment plans. In July, the company announced it had raised \$79.1 million through a Placement to accelerate its growth strategy. The company also announced a partnership with Plaid, a US-based financial technology solutions provider, allowing consumers to connect their bank accounts to Sezzle to facilitate payments. The partnership will also allow Sezzle to lower processing costs across the business.

NEXTDC enables business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software. In July, the company reported an increase in contracted commitments at its New South Wales data centres, bringing the contracted customer commitments, plus expansion options, to nearly 60 megawatts. Revenue recognition for the new contracts is expected to commence during FY2021. The company continues to see strong demand as working from home accelerates the transition to cloud services for users.

## Net Tangible Assets (NTA) per share

|          | NTA before tax      | NTA after tax and before tax on unrealised gains* | NTA after tax* |
|----------|---------------------|---|----------------|
| Jul 2020 | 93.90c <sup>^</sup> | 98.07c  | 98.06c         |
| Jun 2020 | 92.73c              | 96.86c  | 96.86c         |

<sup>^</sup>The July 2020 NTA before tax is after net income tax payable of \$252k (0.54 cents per share).  
<sup>\*</sup>Includes 4.16 cents per share of income tax losses available to the Company in future periods.

## Market capitalisation (ASX: WAA)

\$44.8m<sup>#</sup>

## Gross assets

\$44.2m

## Listed equities

\$40.1m

## Investment portfolio performance (pa since inception Jan 2008)

11.1%<sup>^</sup>

Bloomberg AusBond Bank Bill Index (Cash): 3.2%

## Dividends paid since inception (per share)

71.7c

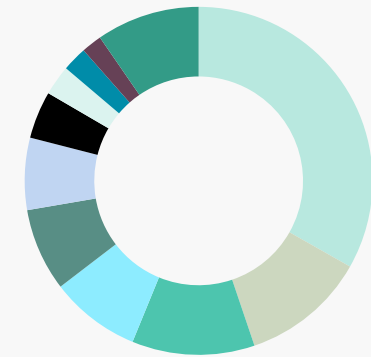
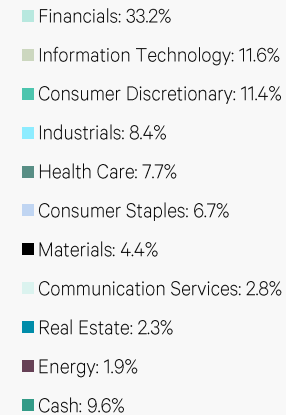
## Annualised fully franked interim dividend yield

6.3%<sup>#</sup>

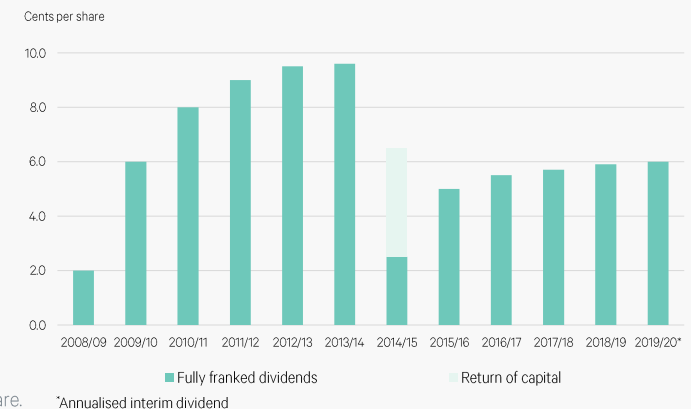
<sup>#</sup>Based on the 31 July 2020 share price of \$0.96 per share and the annualised FY20 fully franked interim dividend of 6.0 cents per share. WAM Active has 46,620,288 shares on issue.

<sup>^</sup>Investment portfolio performance is before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends



## Top 20 holdings (in alphabetical order)

