

WAM Leaders increases fully franked final dividend to 2.0 cents and delivers \$39.3m full year pre-tax profit

ASX announcement
& media release

Highlights

- 2.0 cents per share fully franked final dividend. Shareholders who exercise their options before 17 November 2017 will be eligible to receive the fully franked final dividend
- 8.5% increase in the portfolio, outperforming the market by 1.2%, since the portfolio became fully invested in August 2016
- Full year pre-tax profit of \$39.3 million and after-tax profit of \$29.2 million*

WAM Leaders Limited (ASX: WLE) today announces a maiden fully franked final dividend of 2.0 cents per share, representing a 100.0% increase on the company's inaugural interim dividend and bringing the fully franked full year dividend to 3.0 cents.

The portfolio has increased by 8.5% against the S&P/ASX 200 Accumulation Index's 7.3% since the portfolio became fully invested in August 2016.

The company announces the maiden full year operating profit before tax of \$39.3 million and an operating profit after tax of \$29.2 million for the period to 30 June 2017.

WAM Leaders Chairman Geoff Wilson said the Board was pleased to deliver a solid increase in the fully franked dividend.

"During a challenging and unpredictable year, the investment portfolio has delivered strong performance that has allowed the Board to declare a maiden fully franked final dividend that is 100.0% greater than the inaugural interim dividend," Mr Wilson said.

"The investment team has delivered risk-adjusted returns for shareholders, with the investment portfolio outperforming the Index by 1.2% since becoming fully invested in August 2016. This outperformance was achieved with an average cash weighting of 27%," he said.

Wilson Asset Management Portfolio Manager Matthew Haupt said the company's flexible mandate allowed optimal asset allocation during FY2017 and believed this would continue in the current financial year.

"Our flexible mandate allowed us to gain exposure to the strength of the large-cap rally while providing significant protection in the form of cash holdings," Mr Haupt said.

"Our investments in Qantas (ASX: QAN), Aristocrat Leisure (ASX: ALL), Treasury Wine Estates (ASX: TWE), Challenger (ASX: CGF) and Insurance Australia Group (ASX: IAG) were some of the strongest contributors to the investment portfolio performance during the last 12 months."

"Opportunities we are currently exposed to include the increase in US and Australian infrastructure investment, the strengthening US dollar and US interest rates, and the hardening of the Australian insurance cycle," Mr Haupt said.

*Profit figures are unaudited. Audited full year results will be announced to the market on or before 31 August 2017.

Performance at 30 June 2017	3 months	6 months	Since inception %pa (May-16)	Since fully invested %pa (Aug-16)
WLE Investment Portfolio*	1.0%	4.1%	11.5%	8.5%
S&P/ASX 200 Accumulation Index	-1.6%	3.2%	11.9%	7.3%
Outperformance	+2.6%	+0.9%	-0.4%	+1.2%

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

Maiden fully franked final dividend and options

The maiden fully franked final dividend of 2.0 cents will be paid on 5 December 2017 and will trade ex on 23 November 2017.

Shareholders who exercise their options before 17 November 2017 will be eligible to receive the fully franked 2.0 cent final dividend. Options provide holders the opportunity to purchase WAM Leaders shares without paying brokerage fees at the exercise price of \$1.10, against the 14 July 2017 share price of \$1.12. Options last traded at 2.2 cents on 14 July 2017.

The options expire on 17 November 2017 and will cease trading on the ASX on 13 November 2017. The dividend reinvestment plan (DRP) will operate without a discount for the final dividend. The last election date for the DRP will be 28 November 2017.

The Board is committed to paying an increasing stream of fully franked dividends, provided the Company has sufficient profit reserves and franking credits, and is within prudent business practices.

Investment portfolio performance

Mr Haupt said the company performed well during a turbulent period in the Australian and global equity markets.

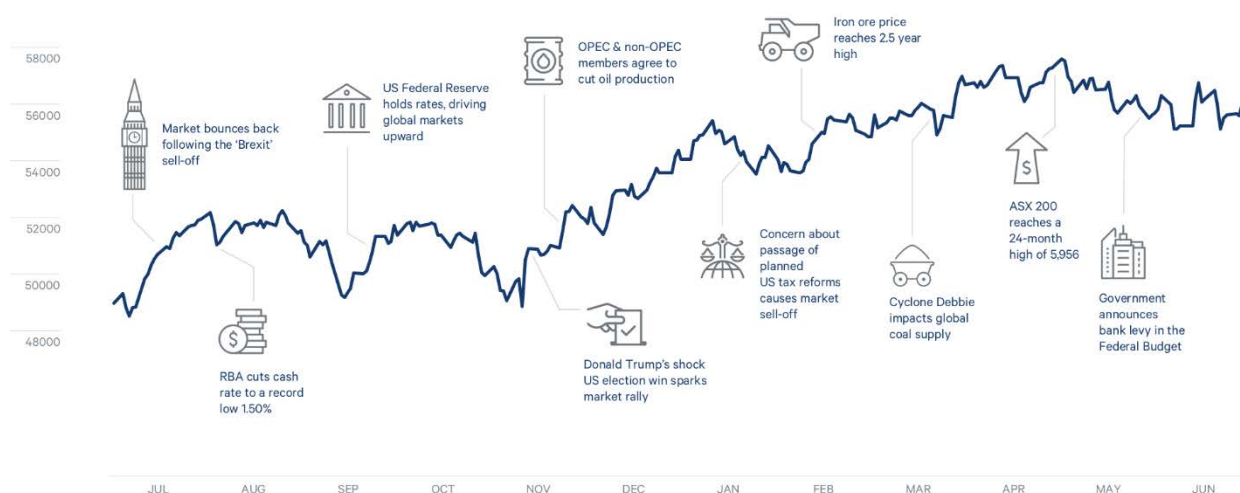
“Following the \$394.3 million capital raising in May 2016, we commenced deploying the capital under our research and market-driven investment processes, achieving full investment in August. Towards the end of 2016 we made significant changes to the portfolio, reducing our exposure to mid-cap holdings and consolidating our large-cap positions,” Mr Haupt said.

“Notably, we invested in the four major banks as we gained comfort with the short-term negative sectoral headwinds, particularly capital requirements and falling interest rates. In April, we reduced our holdings in the banks primarily due to elevated valuations and the potential for increased capital requirements. We decreased exposure from over 20% of the portfolio at the start of April 2017 to less than 5% before the Federal budget was announced on 9 May 2017.

“We positioned the portfolio to take advantage of increasing global bond yields and the hardening of the insurance cycle, investing in other diversified financial and insurance companies during the year. These included Insurance Australia Group (ASX: IAG), Computershare (ASX: CPU) and Suncorp Group (ASX: SUN), which were significant drivers of performance, particularly towards the end of the financial year.

“We invested in consumer-staple focused companies as increasing energy prices and mortgage repayments arising from bank-led interest rates position the consumer to focus more on home spending, a potential driver of earning upgrades for companies like Woolworths (ASX: WOW). Woolworths also stands to benefit from its significant investment in price reductions and from its divestment program.

“Throughout the year, we also established and added to positions in BHP Billiton (ASX: BHP) and Rio Tinto (ASX: RIO) as global economic growth, particularly in China, provided a cause for optimism in the resources sectors. In June, we capitalised on the declining oil price, which fell to seven-month lows, to increase our holdings in Woodside Petroleum (ASX: WPL) and Oil Search (ASX: OSH),” Mr Haupt said.



Equity market outlook

Mr Haupt said the investment team was cautiously optimistic in its outlook for FY2018.

“We believe the greatest challenge in FY2018 is the evolution of central banks’ policies. Since the global financial crisis, the 50 largest central banks around the world have cut interest rates 700 times and injected \$9 trillion of liquidity into global markets,” Mr Haupt said.

“With global economic conditions improving, the debate is now centred on how quickly central banks should increase interest rates and withdraw liquidity.

“In the short term, we believe economic growth and corporate earnings will ease the tension between central banks and equity markets globally and allow the Australian share market to continue to rise. Further, the Reserve Bank of Australia’s monetary policy remains supportive of investment, with the cash rate at a record low. We expect this will continue during the next 12 months.

“We believe companies that will outperform in FY2018 are those exposed to infrastructure investment, increasing insurance premiums and the global economic recovery,” Mr Haupt said.

Top 10 holdings

Code	Company	Market value \$	Market value as % gross assets
NAB	National Australia Bank Limited	23,549,941	4.9%
WOW	Woolworths Limited	21,236,587	4.4%
CPU	Computershare Limited	18,833,151	3.9%
IAG	Insurance Australia Group Limited	18,047,892	3.8%
WBC	Westpac Banking Corporation	17,136,460	3.6%
BHP	BHP Billiton Limited	16,722,327	3.5%
CBA	Commonwealth Bank of Australia	15,651,090	3.3%
CGF	Challenger Limited	15,350,458	3.2%
MQG	Macquarie Group Limited	11,857,496	2.5%
CSL	CSL Limited	10,366,329	2.2%

About WAM Leaders

WAM Leaders Limited (ASX: WLE) is a listed investment company managed by Wilson Asset Management. Listed in May 2016, WAM Leaders provides investors with diversified exposure to a portfolio of undervalued growth companies within the S&P/ASX 200 Index.

About Wilson Asset Management

Established in 1997, Wilson Asset Management is the investment manager for six of Australia's leading listed investment companies: WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX), WAM Active (ASX: WAA) and Century Australia (ASX: CYA); and is responsible for over \$2 billion in shareholder capital on behalf of more than 55,000 retail investors. Wilson Asset Management also created Australia's first listed investment companies to provide investors with access to leading fund managers while supporting our future generation: Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG).

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