

## 2019 Half Year Results



Dear Shareholders,

During the six-month period to 31 December 2018, equity market volatility increased as investor sentiment oscillated with global macroeconomic and political news. Slowing economic growth in major global markets, quantitative tightening (QT) and rising interest rates in the United States (US), the US-China trade war and the ongoing Brexit drama were some of the major drivers of the significant fluctuations in equity prices during the period.

In Australia, the second half of the calendar year was defined by weaker economic growth, Federal Government instability and a raft of interventionist proposals from the Opposition, the Royal Commission into the Banking, Superannuation and Financial Services Industry, falling property prices and diminishing consumer and business sentiment.

These factors weighed on the Australian equity market with small and mid-cap companies suffering the most during the period with the S&P/ASX All Ordinaries Accumulation Index falling by 7.3%.

Given our long-held view of an impending bear market, we adjusted our cash holding to preserve shareholder capital and ensure

liquidity in the portfolio. Our cash level increased from 33.2% to 48.6% during the period, reducing our exposure from 64 to 48 individual companies.

The holdings that performed well during the period included: Afterpay Touch Group (ASX: APT), Macquarie Media (ASX: MRN), Asaleo Care (ASX: AHY), CIMIC Group (ASX: CIM) and Fairfax Media (ASX: FXJ). The detractors to the portfolio performance were Seven Group Holdings (ASX: SVW), The a2 Milk Company (ASX: A2M), Smartgroup Corporation (ASX: SIQ), Aristocrat Leisure (ASX: ALL) and WPP AUNZ (ASX: WPP).

Despite significant volatility in the equity market, the Board of Directors is pleased to declare an increased fully franked interim dividend of 2.95 cents per share, representing an annualised dividend yield of 5.8%. The dividend has been achieved through the performance of the investment portfolio since inception and the profits reserve available. This is consistent with our investment objective of delivering investors a stream of fully franked dividends. Since inception in 2008, WAM Active has paid 62.8 cents per share in fully franked dividends to shareholders.

Overall, the investment portfolio decreased 6.5% in the half year to 31 December 2018, resulting in a reduction of \$3 million in assets, which led to an operating loss after tax of \$2.5 million.

At the end of 2018 our market outlook was extremely bearish due to signs that the US Federal Reserve would raise interest rates in 2019 and QT would continue at unprecedented levels. At the same time, leading economic indicators were pointing to a slowing global economy. The combined impact of these factors on equity markets would have been brutal. This did not occur and the major turning point in January was the unexpected about-face of the US Federal Reserve, holding interest rates for the foreseeable future and indicating that QT might be over. This change in approach provided equity markets with strong support.

Also during January, President Xi Jinping increased China's stimulus significantly, which will have implications for global economic growth, with particular relevance to Australia. We remain focused on these macroeconomic factors and their impact on markets and company results.

The investment portfolio's cash level is currently 34.1%, down from 48.6% on 31 December 2018, reflecting this change in outlook. The investment portfolio has increased 3.4% in the month to date.

We look forward to providing an update to our WAM Active shareholders during our Investor Conference Call on 19 March 2019 and meeting you at our next Shareholder Presentations in May 2019.

Thank you for your support of WAM Active and good luck investing in 2019,

**Geoff Wilson AO**  
Chairman & Chief Investment Officer

\*Based on 26 February 2019 share price of \$1.01

## Fully franked interim dividend

The Board declared a fully franked interim dividend of 2.95 cents per share.

### Key dividend dates

Ex dividend date	<b>10 April 2019</b>
Record date	<b>11 April 2019</b>
Last election date for DRP	<b>15 April 2019</b>
Payment date	<b>26 April 2019</b>

The Board is committed to paying a regular income 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 62.8 cents per share in fully franked dividends to shareholders.

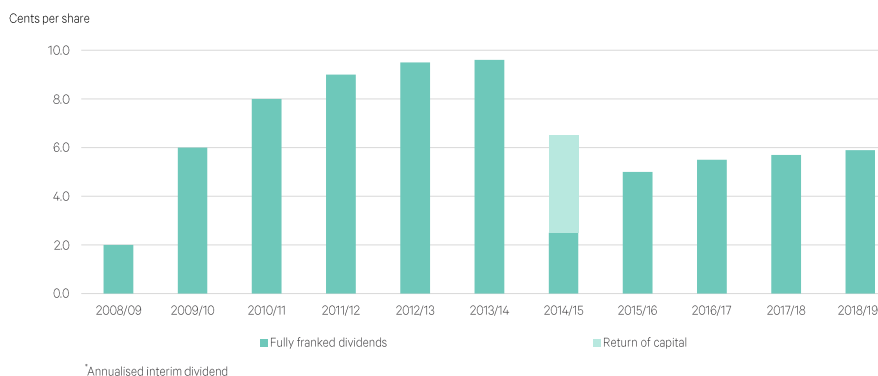
## Performance

as at 31 December 2018

	6 mths	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio*	-6.5%	-2.7%	7.6%	9.8%	14.0%	11.6%
S&P/ASX All Ordinaries Accumulation Index	-7.3%	-3.5%	6.6%	5.7%	9.1%	3.3%
<b>Outperformance</b>	<b>+0.8%</b>	<b>+0.8%</b>	<b>+1.0%</b>	<b>+4.1%</b>	<b>+4.9%</b>	<b>+8.3%</b>
UBS Bank Bill Index (Cash)	1.0%	1.9%	1.9%	2.2%	3.1%	3.5%
<b>Outperformance</b>	<b>-7.5%</b>	<b>-4.6%</b>	<b>+5.7%</b>	<b>+7.6%</b>	<b>+10.9%</b>	<b>+8.1%</b>

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

## Fully franked dividends since inception



## Top 20 holdings in alphabetical order

as at 31 December 2018

Code	Company
ALU	Altium Limited
AZJ	Aurizon Holdings Limited
CGF	Challenger Limited
CIM	CIMIC Group Limited
CWY	Cleanaway Waste Management Limited
CKF	Collins Foods Limited
CLF	Concentrated Leaders Fund Limited
CSL	CSL Limited
DOW	Downer EDI Limited
IEL	IDP Education Limited
MQG	Macquarie Group Limited
MRN	Macquarie Media Limited
PIA	Pengana International Equities Limited
SVW	Seven Group Holdings Limited
SIQ	Smartgroup Corporation Limited
SDF	Steadfast Group Limited
TGG	Templeton Global Growth Fund Limited
TGP	360 Capital Group Limited
WIC	Westoz Investment Company Limited
WOW	Woolworths Group Limited