

## Chairman's update

Geoff Wilson AO



- 3.0c per share fully franked final dividend
- 6.7% fully franked full year dividend yield\*
- 11.0%<sup>^</sup> investment portfolio performance since inception
- Investment portfolio turnover of 3.9 times

We remained focused on taking the least risk possible to protect shareholders' capital during a highly volatile period for the Australian equity market. The S&P/ASX All Ordinaries Accumulation Index fell 7.2%<sup>^</sup> in the 12 months to 30 June 2020 while the investment portfolio declined by 0.3%<sup>^</sup>.

We were highly active during the period, with the equity component of the investment portfolio turning over 3.9 times during the year, with 216 individual companies traded. Over the 12-months we adjusted our cash levels continuously, averaging 20.2% throughout the period.

Since listing in 2008, we have provided shareholders with exposure to active trading strategies aimed at delivering risk-adjusted returns over the long term. WAM Active has achieved an investment portfolio return of 11.0%<sup>^</sup> per annum since inception in 2008, with less volatility than the market, as measured by its standard deviation.

The Board of Directors is pleased to deliver a fully franked final dividend of 3.0 cents per share. The final dividend brings the FY2020 fully franked full year dividend to 6.0 cents per share, and represents a fully franked dividend yield of 6.7%<sup>\*</sup>.

Since inception, WAM Active has paid 71.7 cents per share in fully franked dividends to shareholders.

WAM Active reported an operating loss before tax of \$1.4 million for the year and an operating loss after tax of \$0.8 million, mainly due to the decline in the investment portfolio over the period. The after tax figure was boosted by a \$0.6 million income tax benefit, primarily delivered through franking credits received on franked dividend income from investee companies and the tax benefit on the operating loss for the period.

We would like to thank all WAM Active shareholders for your continued support of the Company during the 2020 financial year and hope you are safe and well as we live through the dramatic changes brought about by the coronavirus pandemic. We look forward to providing an update during our Investor Q&A webinar on Friday, 4 September 2020 at 2:30pm (Sydney time) and our next instalment of WAM Vault in November. To participate in the webinar, dial 1800 850 171 and enter passcode 795466 or visit this [website](#).

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

<sup>\*</sup>Based on the 30 June 2020 share price of \$0.90 per share.

Fully franked  
full year dividend

6.0c

Fully franked full year  
dividend yield\*

6.7%

Dividends paid since inception  
(per share)

71.7c

## Fully franked final dividend

The Board declared a fully franked final dividend of 3.0 cents per share. The DRP will operate without a discount for the final dividend.

Since inception in January 2008, WAM Active has paid 71.7 cents per share in fully franked dividends to shareholders.

### Key dividend dates

Ex dividend date	19 October 2020
Record date	20 October 2020
Last election date for DRP	22 October 2020
Payment date	30 October 2020

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits 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 on profits.

The Company has a profits reserve of 7.1 cents per share as at 31 July 2020, before the payment of the fully franked final dividend of 3.0 cents per share.



We were highly active during the FY2020 year, taking advantage of market mispricing opportunities and remaining focused on preserving shareholder capital.

The 2020 financial year was one of continued challenges. The WAM Active investment portfolio performed strongly in the first half of the financial year and turned over 3.9 times in the 12 month period to 30 June 2020. The 2019 September quarter was marked by weaker-than-expected economic growth, rising unemployment and sluggish wage growth, leading the Reserve Bank of Australia to cut the official interest rate for the third time in 2019 to a low of 0.75%. The search for yield led to a mispricing of assets and low rates pushed investors up the risk curve into less liquid securities throughout the December quarter and into the new year.

As the coronavirus spread in February 2020, we took advantage of the heightened market volatility to exit low liquidity positions that had performed strongly over the prior 12-24 months, as well as indebted and cyclical companies. The improvement in the portfolio's liquidity allowed us to reduce our equity exposure promptly and with minimal impact. After peaking with approximately 44% cash on 13 March 2020, we deployed our cash selectively into companies which we believed would emerge from the coronavirus in a much stronger position, capitalising on mispricing opportunities presented by the market volatility.

The investment portfolio increased 18.4% in the June quarter while holding on average 17% cash. The portfolio benefitted from a number of capital raisings undertaken during the quarter. Since the onset of the coronavirus we have participated in 14 capital raisings, with the average gain of 19.5%. Companies that raised capital included Webjet (ASX: WEB), NEXTDC (ASX: NXT), Megaport (ASX: MP1), Ramsay Health Care (ASX: RHC) and Ingenia Communities (ASX: INA). The technology sector continued its strong performance coming through the coronavirus period unscathed with minimal customer churn and increased adoption of their services.

The greatest individual contributors to the investment portfolio performance during the period included Temple & Webster Group (ASX: TPW); EML Payments (ASX: EML); Fisher & Paykel Healthcare Corporation (ASX: FPH); Afterpay (ASX: APT); Carsales.com (ASX: CAR); The a2 Milk Company (ASX: A2M); Tyro Payments (ASX: TYR); oOh!Media (ASX: OML); Megaport (ASX: MP1); and Kogan.com (ASX: KGN).

We remain focused on employing our proven investment process and will continue to seek opportunities irrespective of market conditions. We believe the portfolio is well positioned to capitalise on these opportunities in FY2021.

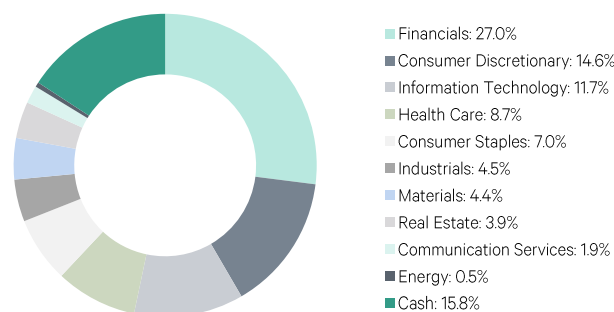
## Investment portfolio performance

as at 30 June 2020

	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio	-0.3%	6.1%	9.5%	10.4%	11.0%
Bloomberg AusBond Bank Bill Index (cash)	0.8%	1.5%	1.7%	2.7%	3.2%
<b>Outperformance</b>	<b>-1.1%</b>	<b>+4.6%</b>	<b>+7.8%</b>	<b>+7.7%</b>	<b>+7.8%</b>
S&P/ASX All Ordinaries Accumulation Index	-7.2%	5.4%	6.2%	7.8%	3.8%
<b>Outperformance</b>	<b>+6.9%</b>	<b>+0.7%</b>	<b>+3.3%</b>	<b>+2.6%</b>	<b>+7.2%</b>

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

## Portfolio composition by sector



## Top 20 holdings with portfolio weightings

as at 30 June 2020

Code	Company	%
AUI	Australian United Investment Company Limited	6.5%
CKF	Collins Foods Limited	4.9%
A2M	The a2 Milk Company Limited	4.5%
PIA	Pengana International Equities Limited	4.3%
TGG	Templeton Global Growth Fund Limited	4.0%
DOW	Downer EDI Limited	4.0%
INA	Ingenia Communities Group	3.9%
SGR	The Star Entertainment Group Limited	3.3%
KBC	Keybridge Capital Limited	3.0%
HLS	Healius Limited	2.9%
FPH	Fisher & Paykel Healthcare Corporation Limited	2.8%
MIN	Mineral Resources Limited	2.7%
RHC	Ramsay Health Care Limited	2.5%
NXT	NEXTDC Limited	2.5%
APX	Appen Limited	2.4%
TPW	Temple & Webster Group Limited	2.4%
SDF	Steadfast Group Limited	2.4%
PPH	Pushpay Holdings Limited	2.4%
BKL	Blackmores Limited	2.0%
BVS	Bravura Solutions Limited	1.6%