

Chairman's update

Geoff Wilson AO



- 185.8% increase in operating profit before tax
- 3.25c per share fully franked interim dividend, 22.6% increase
- 27.3% investment portfolio performance in CY2019, outperforming the Index by 3.9%

WAM Leaders achieved a 185.8% increase in operating profit before tax to \$56.2 million and a 201.9% increase in operating profit after tax to \$43.3 million in its FY2020 half year results. The operating profit for the period is reflective of the solid investment portfolio performance and the growth in assets over the period.

The Board of Directors were pleased to deliver a fully franked interim dividend of 3.25 cents per share, representing a 22.6% increase on the prior corresponding period and currently representing an annualised fully franked dividend yield of 5.1%. Since inception in May 2016, WAM Leaders has paid 13.65 cents per share in fully franked dividends to shareholders.

The fully franked dividend has been achieved through the strong performance of the investment 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. The Company's profits reserve at the end of the period was 16.8 cents per share and forms part of the net tangible assets (NTA).

The investment portfolio increased 6.6% during the period, outperforming the

S&P/ASX 200 Accumulation Index by 3.5%, and ended the 2019 calendar year up 27.3%, outperforming the Index by 3.9%.

This outperformance was achieved due to strong portfolio positioning during a period defined by dynamic geopolitical and macroeconomic events that provided thematic investment opportunities within the large-cap segment of the Australian market.

We were pleased the Company exceeded \$1 billion in assets during the period, a significant growth on the \$394.3 million raised following its initial public offering in May 2016.

WAM Leaders' provided shareholders with a total shareholder return of 13.6% in the six months to 31 December 2019, reflecting the Company's solid investment portfolio performance and the reduction in the share price discount to NTA.

We look forward to providing an update to our WAM Leaders shareholders during our Investor Conference Call on Thursday 12 March 2020 at 4.00pm – 5.00pm (Sydney time) and meeting you at our next Shareholder Presentations in May 2020.

*Based on the 6 February 2020 share price of \$128 per share.

Dividend increase

22.6%

Annualised fully franked interim dividend

6.5c

Annualised fully franked dividend yield*

5.1%

Fully franked interim dividend

The Board declared a fully franked interim dividend of 3.25 cents per share, representing a 22.6% increase on the FY2019 fully franked interim dividend.

Since inception in May 2016, WAM Leaders has paid 13.65 cents per share in fully franked dividends to shareholders.

Key dividend dates

Ex dividend date	15 April 2020
Record date	16 April 2020
Last election date for DRP	20 April 2020
Payment date	28 April 2020

The Board is committed to paying a 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.

The Company's profits reserve at the end of the period was 16.8 cents per share and forms part of the NTA.



Lead Portfolio
Manager's
update

Matthew Haupt

We positioned the portfolio in anticipation of improving liquidity and economic conditions, increasing our exposure to high-quality companies within beneficiary sectors such as materials.

Core holdings, including the major miners, rallied on the partial resolution of Brexit and the US-China trade dispute, which had weighed on the global economic outlook. The shift in these factors, combined with the appearance of green shoots in leading economic indicators in Asia and Europe, saw mining heavyweights BHP Group (ASX: BHP), Rio Tinto (ASX: RIO) and Fortescue Metals Group (ASX: FMG) surge 6.0%, 8.3% and 21.5% in the December quarter. Global biotechnology manufacturer CSL (ASX: CSL) continued its march higher, rising 28.3% during the six-month period, with strong price and volume growth across almost all of its divisions. Nickel producer Western Areas (ASX: WSA) increased 54.2% as nickel supply contracted from Indonesian export bans, increasing demand in batteries.

During the period, the major banks were detractors to performance as the Australian economy stagnated and scandals within the sector continued.

The Australian economy outlook was downgraded by the Reserve Bank of Australia (RBA) as conditions deteriorated despite rate cuts and tax refunds. As an open economy reliant on trade, the global slowdown has significantly impacted Australia. Our biggest trading partners, including China, Korea and Japan, all had very poor March and June quarters so the drag domestically was expected. This allowed the RBA to cut rates for the third time in 2019 which should provide economic growth with a floor, lift house prices and increase activity. Employment remains strong and we expect conditions in Australia will pick up with global activity in 2020.

While we have seen the early signs of a global economic recovery, equity markets are susceptible to shocks as global growth remains around trend and a major growth driver remains wanting. We remain hopeful credit expansion in China may provide this catalyst and have positioned the portfolio accordingly.

Our primary thesis during the period, the stabilisation of the global economy, appears to have concluded and we are closely monitoring macroeconomic and market movements for the next key thematic and continuing to focus on investing in solid companies with strong fundamentals and demonstrable tailwinds.

Performance

as at 31 December 2019

	Fin YTD	1 yr	3 yrs %pa	Since inception %pa (May-16)
WLE Investment Portfolio	6.6%	27.3%	13.2%	12.8%
S&P/ASX 200 Accumulation Index	3.1%	23.4%	10.3%	10.7%
Outperformance	+3.5%	+3.9%	+2.9%	+2.1%

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

Top 20 holdings with portfolio weightings

as at 31 December 2019

Code	Company	%
BHP	BHP Group Limited	8.0%
CBA	Commonwealth Bank of Australia	5.7%
CSL	CSL Limited	5.6%
RIO	Rio Tinto Limited	4.1%
AMC	Ancor plc	4.0%
WPL	Woodside Petroleum Limited	3.5%
WBC	Westpac Banking Corporation	3.2%
NAB	National Australia Bank Limited	2.7%
MQG	Macquarie Group Limited	2.6%
S32	South32 Limited	2.2%
RHC	Ramsay Health Care Limited	2.0%
TLS	Telstra Corporation Limited	2.0%
WOW	Woolworths Group Limited	2.0%
QBE	QBE Insurance Group Limited	2.0%
CGF	Challenger Limited	2.0%
FMG	Fortescue Metals Group Limited	2.0%
BXB	Brambles Limited	1.9%
STO	Santos Limited	1.7%
IPL	Incitec Pivot Limited	1.7%
OZL	OZ Minerals Limited	1.7%