

Chairman's update

Geoff Wilson AO



- 165.2% increase in operating profit before tax
- 17.1%[^] investment portfolio performance, outperforming the Index by 3.9%[^] during the period
- 32.0% total shareholder return in the six months to 31 December 2020

WAM Leaders Limited (ASX: WLE) achieved a 165.2% increase in operating profit before tax to \$149.2 million and a 147.2% increase in operating profit after tax to \$107.1 million in its FY2021 half year results. The operating profit for the period is reflective of the strong investment portfolio performance and the growth in assets over the period.

The WAM Leaders investment portfolio increased 17.1%[^], outperforming the S&P/ASX 200 Accumulation Index by 3.9%[^], with an average cash holding of 4.5% during the half year to 31 December 2020. The investment portfolio increased 12.7%[^] in the 2020 calendar year, outperforming the Index by 11.3%[^], with an average cash holding of 6.9%.

In a highly volatile environment, the investment team achieved this outperformance by deploying capital into oversold positions and beneficiaries of the changing macro and fiscal environments.

This outperformance led to a total shareholder return of 32.0% over the six months to 31 December 2020, reflecting the return of the share price premium to net tangible assets (NTA) during the period.

The Board of Directors have declared a fully franked interim dividend of 3.5 cents per share, representing a 7.7% increase on the FY2020 fully franked interim dividend, an annualised fully franked dividend yield of 5.1%^{*} and a grossed-up dividend yield of 7.4%^{**}.

The fully franked dividend has been achieved through the strong performance of the investment portfolio since inception and the profits reserves available. This is consistent with the Company's investment objective of delivering investors a stream of fully franked dividends.

In September 2020, WAM Leaders completed a Share Purchase Plan (SPP) raising more than \$55 million from over 3,600 shareholders. The additional capital allowed us to actively pursue opportunities as they arose in the market.

We remain positive on the outlook for equities, as central banks maintain accommodative policies and the rollout of vaccinations continues to benefit equity markets.

^{*}Based on the 31 December 2020 share price of \$1.36 per share.
^{**}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.
[^]Investment portfolio performance and Index returns are before expenses, fees and taxes.

Dividend increase

+7.7%

Annualised fully franked interim dividend

7.0c

Annualised fully franked dividend yield^{*}

5.1%

Fully franked interim dividend

The Board has declared a fully franked interim dividend of 3.5 cents per share, representing a 7.7% increase on the FY2020 fully franked interim dividend.

The Dividend Reinvestment Plan (DRP) will be operating without a discount for the interim dividend.

Since inception in May 2016, WAM Leaders has paid 20.15 cents per share in fully franked dividends to shareholders.

Key dividend dates

Ex dividend date	14 April 2021
Record date	15 April 2021
Last election date for DRP	19 April 2021
Payment date	26 April 2021

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves, franking credits and it is within prudent business practices.

The Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is dependent upon the receipt of franked dividends from investments and payment of tax on profits.

The Company's profits reserve at the end of the period was 24.3 cents per share, before the payment of the fully franked interim dividend of 3.5 cents per share, representing 3.5 years of dividend coverage.



Lead Portfolio Manager's update

Matthew Haupt

The unprecedented stimulus measures deployed in 2020 supported equities despite the economic shocks. WAM Leaders' outperformance during the six and 12 months to 31 December 2020 was achieved by successfully navigating the large swings in the macro and fiscal environments and by identifying stock specific opportunities.

The first half of the fiscal year was characterised by two distinct quarters. The September quarter performance was dominated by companies leveraged to coronavirus beneficiaries and to the ultra-low rate environment.

The December quarter saw a change in leadership of the market. This was caused by the successful vaccine trials which saw a significant shift to cyclical companies and companies leveraged to steeper yield curves. Optimism around a pickup in economic growth continued to be accommodated by very dovish central banks and governments committed to extending fiscal support.

The WAM Leaders portfolio remained heavily invested in financials, energy, and commodities throughout the half as we remained very much of the view that a recovery was imminent.

Within the portfolio we continued to hold large positions in commodities off the back of Chinese stimulus. Our confidence came from monitoring Chinese credit data as it continued to surprise on the upside throughout the year. We played this theme through stocks such as BHP Group (ASX: BHP), Rio Tinto (ASX: RIO), Fortescue Metals Group (ASX: FMG) and OZ Minerals (ASX: OZL).

We also remained positive on Australian banks over the period. The rationale was the Australian economy was performing well and we thought their provisions were likely too conservative. The support from the regulators and the government to the sector allowed us to invest with a high level of confidence that they would trade through this period and emerge overly provisioned and over capitalised post the lockdowns.

We still remain positive on the outlook for financials, base metals, and the energy sector.

We believe the current environment is still extremely supportive of equities despite high valuations. The WAM Leaders investment portfolio is well placed to continue to benefit from the economic recovery and we remain overweight in the most sensitive sectors.

Investment portfolio performance

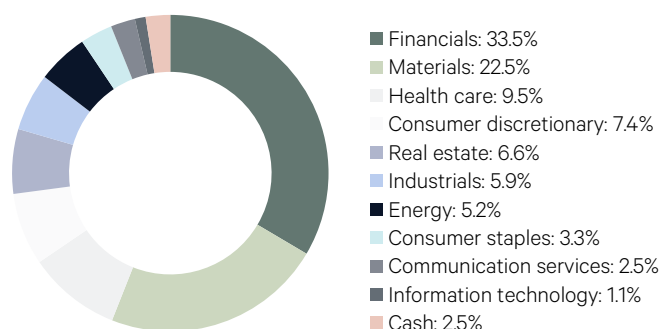
as at 31 December 2020

	Fin YTD	1 yr	3 yrs %pa	Since inception %pa (May-16)
WLE Investment Portfolio	17.1%	12.7%	12.0%	12.8%
S&P/ASX 200 Accumulation Index	13.2%	1.4%	6.7%	8.7%
Outperformance	+3.9%	+11.3%	+5.3%	+4.1%

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

Portfolio composition by sector

as at 31 December 2020



Top 25 holdings in alphabetical order

as at 31 December 2020

Code	Company
ANZ	Australia and New Zealand Banking Group Limited
BHP	BHP Group Limited
CBA	Commonwealth Bank of Australia
CSL	CSL Limited
FMG	Fortescue Metals Group Limited
GMG	Goodman Group
IAG	Insurance Australia Group Limited
IGO	IGO Limited
NAB	National Australia Bank Limited
OZL	OZ Minerals Limited
QAN	Qantas Airways Limited
QBE	QBE Insurance Group Limited
RHC	Ramsay Health Care Limited
RIO	Rio Tinto Limited
S32	South32 Limited
SCG	Scentre Group
SGR	The Star Entertainment Group Limited
SHL	Sonic Healthcare Limited
STO	Santos Limited
TCL	Transurban Group
TLS	Telstra Corporation Limited
WBC	Westpac Banking Corporation
WES	Wesfarmers Limited
WOW	Woolworths Group Limited
WPL	Woodside Petroleum Limited