

# August 2020 Investment Update

	Pre-tax NTA
W   A   M <i>Capital</i>	\$1.74
W   A   M <i>Leaders</i>	\$1.20
W   A   M <i>Global</i>	\$2.37
W   A   M <i>Microcap</i>	\$1.49
W   A   M <i>Research</i>	\$1.09
W   A   M <i>Active</i>	\$0.99

## Dear Fellow Shareholders,

The investment team performed well during the August reporting season following a [solid FY2020](#). Notable themes during reporting season included a 're-opening' trade in impacted sectors such as travel and real estate; continued outperformance from coronavirus beneficiaries, such as online retail and consumer staples companies; and management teams' hesitation to provide forward guidance. Cuts to dividends were a dominant narrative, following the global trend that saw more than USD100 billion in dividends negated in the June quarter. This background highlights the strength of our LICs' FY2020 fully franked final dividends, particularly the significant increases delivered by WAM Leaders (ASX: WLE) and WAM Global (ASX: WGB). You can read our LICs' full year results and annual reports and access our Investor Q&A recordings [here](#).

All major global indexes rallied in local terms during August. The S&P/ASX All Ordinaries Accumulation Index rose by 3.7%, the US S&P 500 Index by 7.0%, the NASDAQ Composite Index by 9.6%, China's CSI 300 Index by 2.6%, Japan's TOPIX Index by 8.2%, the UK FTSE 100 Index by 1.1% and the Euro Stoxx 600 Index by 2.9%. The MSCI World Index (AUD) increased 3.5% for the month.

### Introducing WAM Alternative Assets

On Tuesday, shareholders of Blue Sky Alternatives Access Fund Limited (ASX: BAF) overwhelmingly voted in favour of our proposal to see the Company join the Wilson Asset Management stable as WAM Alternative Assets Limited (ASX: WMA) at an Extraordinary General Meeting (EGM). In managing WAM Alternative Assets, we will provide Australian retail shareholders with access to alternative investment opportunities managed by a strong team. We will engage with current shareholders and market to new shareholders with a plan to return the share price to a premium to net tangible assets (NTA). We look forward to announcing the Portfolio Manager responsible for WAM Alternative Assets in the coming days.

### Contango Income Generator Limited (ASX: CIE) update

The Contango Income Generator Limited (ASX: CIE) Board of Directors is seeking to implement an illogical proposal at its upcoming EGM on Friday, 18 September. The Board's proposal would fundamentally change CIE's investment strategy, and appoint an investment manager with a poor track record of managing listed investment companies (LICs), on unfavourable terms for shareholders. Shares in the single LIC managed by WCM Investment Management is currently trading at a 14.1% discount to their NTA backing and yet the Board's proposal would see a significant increase in fees paid by shareholders. The Board has denied CIE shareholders the opportunity to vote on our superior proposal at the upcoming EGM. We will continue to pursue our superior [proposal](#) for shareholders and replacement of the current Board of CIE. If you would like to receive further updates, please [register](#) now.

### WAM Capital bids for Concentrated Leaders Fund Limited (ASX: CLF)

WAM Capital (ASX: WAM) recently [announced](#) a conditional off-market takeover bid for Concentrated Leaders Fund Limited (ASX: CLF). The Offer Consideration is 2 WAM Capital Shares for every 3.7 CLF shares. If the bid is successful, WAM Capital shareholders will benefit from realising all or part of WAM Capital's holding of 11.9% of CLF shares that were purchased at a discount to NTA. In addition, the all scrip offer allows WAM Capital shareholders to benefit from the issuance of shares accretive to the Company's NTA per share.

I recently spoke with The Australian about WAM Alternative Assets, CIE and CLF, you can read the article [here](#).

### WAM Leaders' Share Purchase Plan

WAM Leaders' [Share Purchase Plan](#) (SPP) is currently underway, entitling existing shareholders to increase their interest in the Company by up to \$30,000 of additional shares at the expected Issue Price of \$1.1711 per share, without paying brokerage costs, and to receive the increased fully franked final dividend of 3.25 cents per share\*. The Offer is expected to close on Tuesday, 22 September 2020.

As always, please get in touch if you have any questions or feedback. You can call me, Head of Corporate Affairs James McNamara or Corporate Affairs Advisor Olivia Harris on (02) 9247 6755 or email [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

Thank you for your support,



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

\*Assumes shares issued under the SPP are held on the dividend record date of Tuesday, 20 October 2020.



## LIC snapshot

LIC	Focus	Share price*	NTA before tax Aug-20	Cash weighting*	Fully franked full year dividend	Profits reserve#
W   A   M <i>Capital</i>	The most compelling undervalued growth opportunities in the Australian market	\$2.15	\$1.74	12.9%	15.5cps	17.5cps
W   A   M <i>Leaders</i>	Actively investing in the highest quality Australian companies	\$1.155	\$1.20	5.8%	6.5cps	18.4cps
W   A   M <i>Global</i>	The world's most compelling undervalued growth companies	\$2.08	\$2.37	7.1%	7.0cps	32.9cps
W   A   M <i>Microcap</i>	The most exciting undervalued growth opportunities in the Australian micro-cap market	\$1.445	\$1.49	16.7%	9.0cps**	31.0cps
W   A   M <i>Research</i>	The most compelling undervalued growth opportunities in the Australian market	\$1.41	\$1.09	10.3%	9.8cps	34.9cps
W   A   M <i>Active</i>	Market mispricing opportunities in the Australian market	\$1.07	\$0.99	6.5%	6.0cps	10.8cps

\*As at 10 September 2020.

\*\*Includes the fully franked special dividend of 3.0 cents per share.

#The profits reserve figures are as at 31 August 2020.

## Portfolio update

The WAM Research investment portfolio delivered strong outperformance during the month. Significant contributors included research-driven holdings in communications technology company Codan (ASX: CDA) and natural skin and haircare products company BWX (ASX: BWX).

Based in South Australia, Codan develops electronics solutions for the government, NGO, corporate and consumer markets globally. In August, Codan announced FY2020 full year sales of \$348 million, the highest in the company's history, attributable to record sales in its metal detection and communications segments and the completion of several major contracts. Codan also announced a record net profit after tax of \$64 million, with EPS (earnings per share) up 39% in FY2020. We believe Codan will continue to build on its sales momentum and new product development with a very strong balance sheet allowing the business to make earnings accretive acquisitions.

BWX is a wellness business operating five leading skincare brands: Sukin, Andalou Naturals, USPA, Mineral Fusion and Nourished Life. In August, the company reported FY2020 revenue growth of 26% to \$187.7 million and a 59% increase in net profit after tax to \$15.2 million. In the second half of FY2020, the business continues to progress towards achieving its profit target of a \$50 million supermarket skincare business in Australia and a \$100 million mass market business in the US over the medium term. BWX expects a strong business outlook of at least 10% growth in revenue and EBITDA (earnings before interest, taxes, depreciation and amortisation) in FY2021.

## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
Aug 2020	109.36c	112.29c	111.28c
Jul 2020	99.21c	103.42c	104.10c

\*Includes 5.78 cents per share of income tax losses available to the Company in future periods.

## Market capitalisation (ASX: WAX)

\$287.4m<sup>#</sup>

## Gross assets

\$215.0m

## Listed equities

\$194.5m

## Investment portfolio performance (pa since change in investment strategy July 2010)

15.1%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 8.1%

## Dividends paid since inception (per share)

109.2c

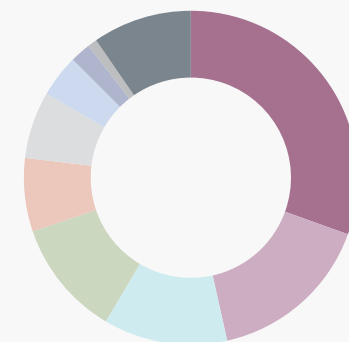
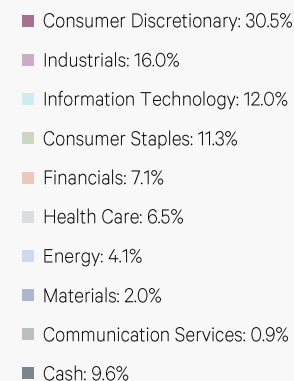
## Fully franked dividend yield

6.6%<sup>#</sup>

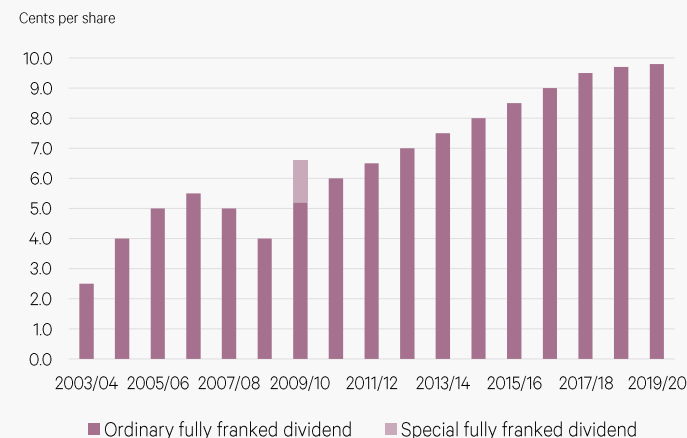
<sup>#</sup>Based on the 31 August 2020 share price of \$1.485 per share and the FY20 fully franked full year dividend of 9.8 cents per share. WAM Research has 193,532,143 shares on issue.

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

## Portfolio by sector



## History of fully franked dividends



## Top 20 holdings (in alphabetical order)



## Portfolio update

The WAM Capital investment portfolio delivered strong outperformance during the month, in what was the best August reporting season in the Company's history. Significant contributors to the investment portfolio outperformance included research-driven holdings in communications technology company Codan (ASX: CDA) and medical imaging services company Integral Diagnostics (ASX: IDX).

Based in South Australia, Codan develops electronics solutions for the government, NGO, corporate and consumer markets globally. In August, Codan announced FY2020 full year sales of \$348 million, the highest in the company's history, attributable to record sales in its metal detection and communications segments and the completion of several major contracts. Codan also announced a record net profit after tax of \$64 million, with EPS (earnings per share) up 39% in FY2020. We believe Codan will continue to build on its sales momentum and new product development with a very strong balance sheet allowing the business to make earnings accretive acquisitions.

Integral Diagnostics provides diagnostic imaging services through 64 radiology clinics, including 20 hospital sites, throughout Australia and New Zealand. In August, the company reported a 21.9% increase in operating net profit after tax to \$31.2 million with 18.7% revenue growth driven by acquisitions and new radiology sites. Government assistance allowed Integral Diagnostics to retain highly skilled employees during the coronavirus pandemic and meet demand as social distancing restrictions were lifted outside of Victoria and New Zealand.

## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
Aug 2020	173.50c	177.39c	179.43c
Jul 2020	160.55c	167.30c	170.28c

\*Includes 0.90 cents per share of tax assets resulting from the acquisition of unlisted investment companies and 8.52 cents per share of income tax losses available to the Company in future periods.

## Market capitalisation (ASX: WAM)

\$1,552.5m<sup>#</sup>

## Gross assets

\$1,255.6m

## Listed equities

\$1,129.0m

## Investment portfolio performance (pa since inception Aug 1999)

16.1%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 8.0%

## Dividends paid since inception (per share)

246.25c

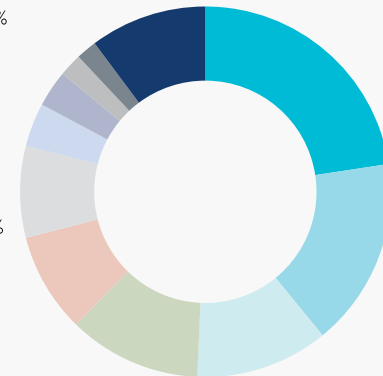
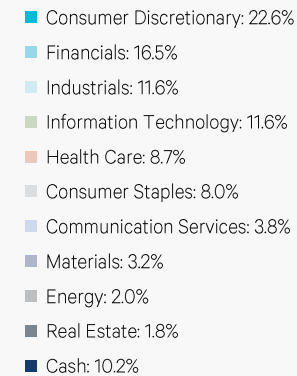
## Fully franked dividend yield

7.2%<sup>#</sup>

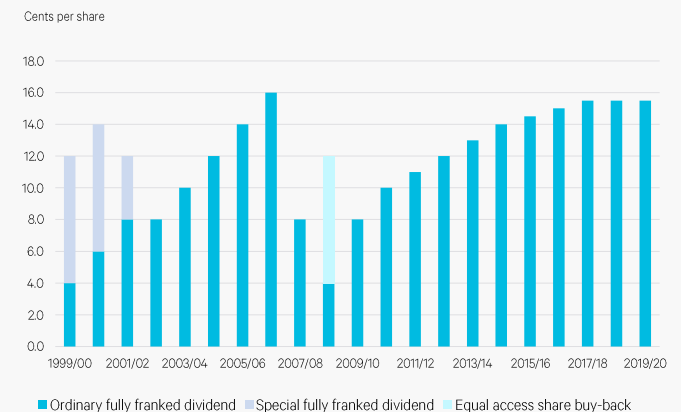
<sup>#</sup>Based on the 31 August 2020 share price of \$2.14 per share and the FY20 fully franked full year dividend of 15.5 cents per share. WAM Capital has 725,465,456 shares on issue.

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

## Portfolio by sector



## History of fully franked dividends



## Top 20 holdings (in alphabetical order)

adairs	AUSTAL LIMITED	AUI	Bapcor	BWX	CODAN	Downer	Elders	healius	integral
ADH	ASB	AUI	BAP	BWX	CDA	DOW	ELD	HLS	IDX
INFOMEDIA	Ingenia	PENGANA INTERNATIONAL	Pushpay	Steadfast	THE STAR	Sigma Healthcare	SEALINK	TGG	VIVA Energy Australia
IFM	INA	PIA	PPH	SDF	SGR	SIG	SLK	TGG	VEA

# W | A | M Leaders

Actively investing in the highest quality Australian companies.

## Portfolio update

WAM Leaders continues its strong performance since inception. In August, significant contributors to the investment portfolio performance included integrated property company Goodman Group (ASX: GMG) and shopping centre owner Scentre Group (ASX: SCG).

Goodman Group owns, develops and manages industrial real estate in 17 countries. Goodman Group has benefitted from the structural shifts presented by coronavirus as companies continue to invest in logistics and supply chains. In August, the company reported an increase in operating profit of 12.5% to \$1.1 billion and reported a forecast increase of 9.9% for FY2021. The company continues to see strong growth as logistics and warehousing prove to be critical infrastructure during the pandemic and stands to benefit from the lifting of social distancing measures over the medium term.

Scentre Group operates shopping centres under the Westfield brand throughout Australia and New Zealand. Given its exposure to bricks and mortar retail, Scentre Group shares were significantly impacted by the coronavirus lockdown, trading between 30-40% below the company's net tangible asset backing during this period. The company recently reported 93% of stores are open across the company's portfolio as lockdown restrictions have eased, excluding Victorian centres, with occupancy at 99% at the end of FY2020. The company is well placed to weather the uncertainty facing the retail sector as it owns its properties, providing collateral for debt facilities and the ability to sell assets if required.

## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Aug 2020	120.01c	119.15c	119.41c
Jul 2020	117.11c	117.11c	117.21c

## Market capitalisation

(ASX: WLE)

\$912.6m\*

## Gross assets

\$954.5m

## Listed equities

\$892.2m

## Investment portfolio performance

(pa since inception May 2016)

10.6%<sup>^</sup>

S&P/ASX 200 Accumulation Index: 7.1%

## Dividends paid since inception

(per share)

16.9c

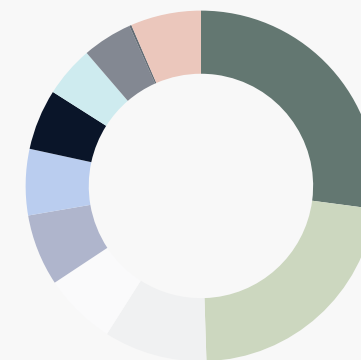
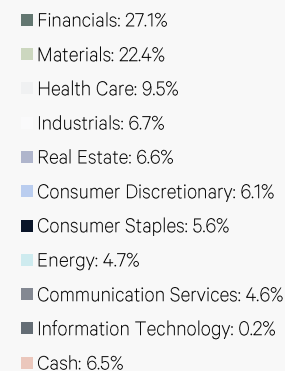
## Fully franked dividend yield

5.6%\*

<sup>^</sup>Based on the 31 August 2020 share price of \$1.16 per share and the FY20 fully franked full year dividend of 6.5 cents per share. WAM Leaders has 786,731,577 shares on issue.

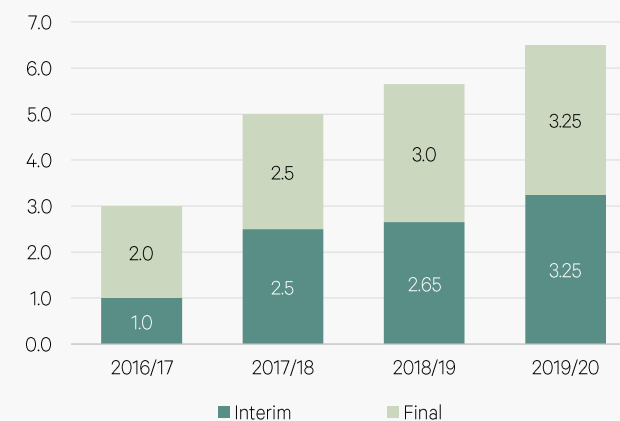
\*Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends

Cents per share



## Top 20 holdings (in alphabetical order)



# W | A | M Global

The world's most compelling undervalued growth companies.

## Portfolio update

Significant contributors to the investment portfolio performance during the month included US home improvement retailer Lowe's (NYSE: LOW), European advertising company Ströer (ETR: SAX) and US financial software provider Intuit (NASDAQ: INTU).

US home improvement retailer, Lowe's, reported a strong result in August which exceeded market expectations. Sales for the second quarter were USD27.3 billion, an increase of 34.2% on the prior corresponding period, with adjusted diluted EPS (earnings per share) increasing 74% to USD3.75. Strong sales were driven by a consumer focus on the home, core repair and maintenance activities, and wallet share shift away from other discretionary spending. Lowe's is implementing a transformation program and has been significantly investing to improve its technology and operational platforms in order to meet customer demand and grow the business.

Headquartered in Germany, Ströer is a leading multi-channel digital media company that provides out-of-home and online advertising and customer and market data. In August, Ströer announced earnings for the first six months of 2020, surpassing Q2 targets set in May. Despite experiencing a decrease in revenue due to the coronavirus pandemic, the company successfully implemented strict cost saving measures, with cost-of-sales decreasing by EUR43.3 million. We see a longer term structural growth opportunity in Germany in outdoor advertising as print and TV advertising see accelerated declines post coronavirus. The company has the potential to drive earnings higher in coming years as it digitalises its network and drives additional programmatic sales on its outdoor billboards.

Intuit is the leading provider of accounting and tax filing software to individuals and small businesses through its QuickBooks and TurboTax platforms. In August, the company reported a solid earnings beat, with 13% year-on-year revenue growth in the 12 months to 31 July 2020. This performance was driven by a strong shift towards online and assisted offerings, with key initiatives QuickBooks Online and TurboTax Live growing revenue and its customer base. With the pending acquisition of Credit Karma, Intuit is set to benefit from the continued shift towards digitalisation of tax filing, accounting and consumer finance.

## Market capitalisation (ASX: WGB)

\$456.3m<sup>#</sup>

## Gross assets

\$510.5m<sup>\*</sup>

## Listed equities

\$483.8m

## Investment portfolio performance (pa since inception June 2018)

7.2%<sup>^</sup>

MSCI World Index (AUD): 8.7%

## Fully franked full year dividend

7.0c

## Cash weighting

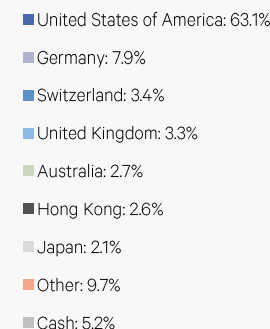
5.2%

<sup>#</sup>Based on the 31 August 2020 share price of \$2.15 per share and 212,249,854 shares on issue.

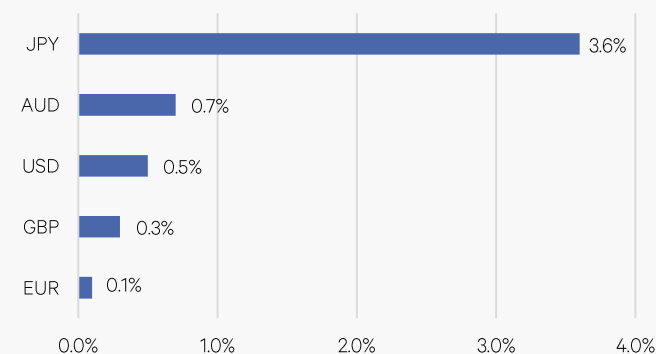
<sup>\*</sup>Gross assets exclude the \$1.0m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

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

## Portfolio by geographical exposure



## Cash currency exposure



## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Aug 2020	236.96c	241.21c	234.15c
Jul 2020	232.90c	237.05c	231.31c

## Top 20 holdings (in alphabetical order)

3038 JP	700 HK	ANET US	AON US	AVTR US	AZO US	CME US	DG US	EA US	EW US
FIS US	HAS US	ICE US	INTU US	LOW US	MSFT US	NOMD US	SAX GR	SWON SW	TMO US

# W | A | M *Microcap*

The most exciting undervalued growth opportunities in the Australian micro-cap market.

## Portfolio update

The WAM Microcap investment portfolio delivered strong outperformance during the month. Significant contributors included workforce management company People Infrastructure (ASX: PPE) and securities share trading platform SelfWealth (ASX: SWF).

People Infrastructure manages workforce and staffing services in the healthcare, information technology and general staffing sectors. Despite experiencing challenges during the coronavirus pandemic, the company delivered a 34.5% increase in revenue and strong operating cashflow generation of \$27.1 million in FY2020. People Infrastructure maintains a conservative balance sheet and we see the potential for earnings accretive acquisitions over the medium term.

SelfWealth is an Australian owned and operated online brokerage platform. In August, the company reported year-on-year increases of 313% in revenue, 299% in total trades and 235% in active traders in light of the heightened market volatility caused by the coronavirus pandemic. SelfWealth reported its first positive quarterly cash flow in the fourth quarter of FY2020. The company continues to benefit from the shift to digitisation and sees expansion opportunities in the US market.

## WAM Microcap Share Purchase Plan and Placement

WAM Microcap successfully raised \$88 million through an oversubscribed Share Purchase Plan and Placement in August and we have progressively deployed the cash into selected portfolio holdings. The current cash weighting as at 10 September is 16.7%.

## Market capitalisation (ASX: WMI)

\$302.4m<sup>#</sup>

## Gross assets

\$312.3m

## Listed equities

\$254.5m

## Investment portfolio performance (pa since inception June 2017)

21.7%<sup>^</sup>

S&P/ASX Small Ordinaries Accumulation Index: 8.4%

## Dividends paid since inception (per share)

15.75c

## Fully franked full year dividend

6.0c

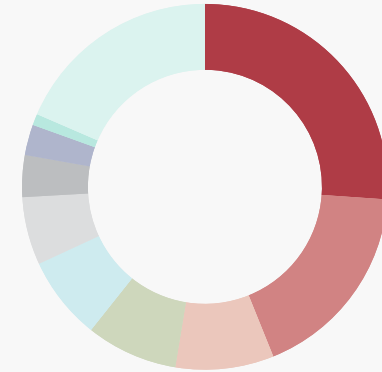
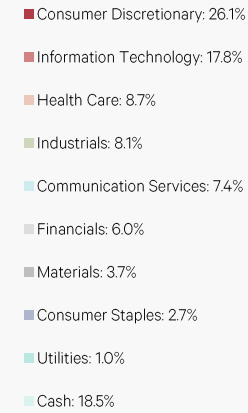
## Fully franked special dividend

3.0c

<sup>#</sup>Based on the 31 August 2020 share price of \$1.47 per share and 205,688,357 shares on issue. During the month, 63,832,547 shares were issued under the Share Purchase Plan and Placement.

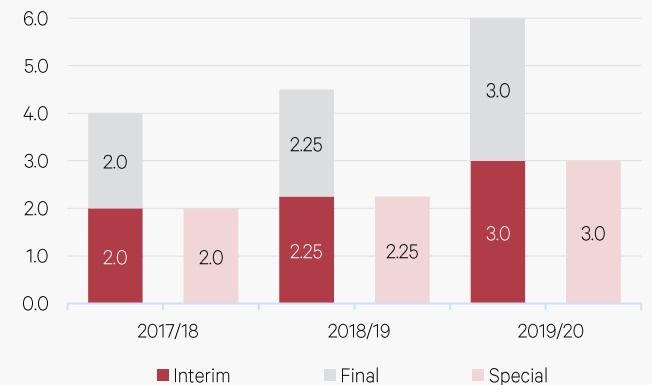
<sup>^</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends

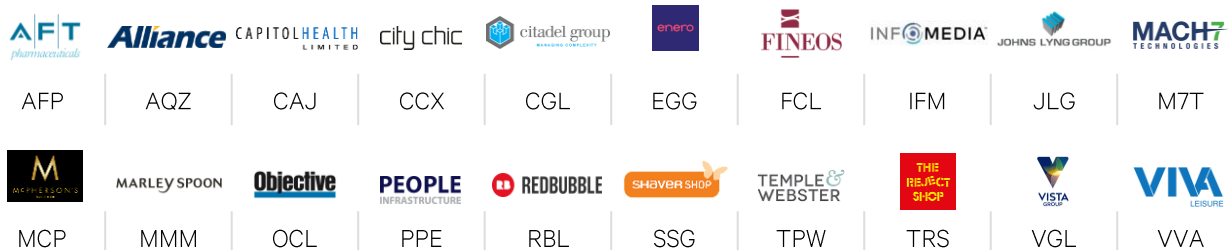
Cents per share



## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Aug 2020	148.73c	147.41c	142.01c
Jul 2020	137.90c	137.05c	132.85c

## Top 20 holdings (in alphabetical order)



# W | A | M *Active*

Market mispricing opportunities in the Australian market.

## Portfolio update

The WAM Active investment portfolio delivered solid performance during the month with significant contributors including market-driven holdings in IT service management company Pushpay Holdings (ASX: PPH) and contract services provider NRW Holdings (ASX: NWH).

New Zealand-based Pushpay provides a donor management system, finance tools and live-streaming service to religious organisations and non-profit groups in the US, Australia, Canada and New Zealand. Pushpay has benefitted from coronavirus lockdown restrictions as churches embrace digitisation and live-streams for their services. Pushpay previously upgraded earnings guidance to between USD50-54 million for the financial year ending March 2021 and is expected to report interim financial results in November.

NRW Holdings provides diversified services across the mining, energy, civil infrastructure and urban development sectors. In August, NRW Holdings reported record revenue of \$2.1 billion, up 83% on FY2019 and a 74% increase in EBITDA (earnings before interest, tax, depreciation and amortisation) to \$250 million. The company also announced a 100% increase on its final dividend. NRW Holdings continues to see opportunities in public infrastructure and increased investments in iron ore projects.

## Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
Aug 2020	99.05c	101.70c	101.69c
Jul 2020	93.90c	98.07c	98.06c

\*Includes 4.16 cents per share of income tax losses available to the Company in future periods.

## Market capitalisation (ASX: WAA)

\$49.9m<sup>#</sup>

## Gross assets

\$46.0m

## Listed equities

\$45.0m

## Investment portfolio performance (pa since inception Jan 2008)

11.6%<sup>^</sup>

Bloomberg AusBond Bank Bill Index (Cash): 3.2%

## Dividends paid since inception (per share)

71.7c

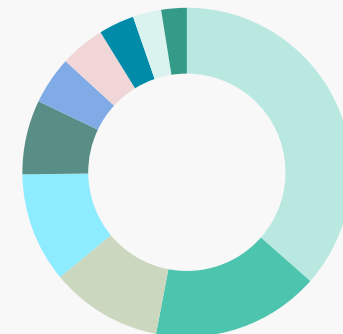
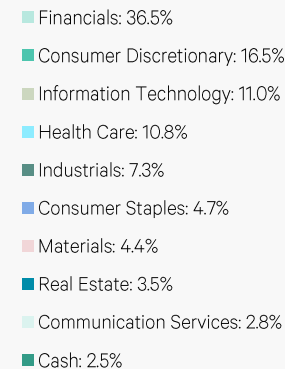
## Fully franked dividend yield

5.6%<sup>#</sup>

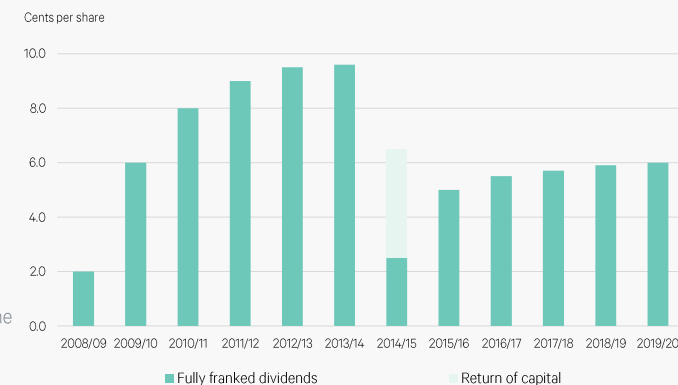
<sup>#</sup>Based on the 31 August 2020 share price of \$1.07 per share and the FY20 fully franked full year dividend of 6.0 cents per share. WAM Active has 46,620,288 shares on issue.

<sup>^</sup>Investment portfolio performance is before expenses, fees and taxes.

## Portfolio by sector



## History of fully franked dividends



## Top 20 holdings (in alphabetical order)

