

## March 2020 Investment Update

The below pre-tax NTA figures are **before** the fully franked dividends due to be paid during April 2020.

Pre-tax NTA

W | A | M *Capital* \$1.42

W | A | M *Leaders* \$1.03

W | A | M *Global* \$2.21

W | A | M *Microcap* \$1.04

W | A | M *Research* \$0.89

W | A | M *Active* \$0.82

### Dear Fellow Shareholders,

All major equity market indexes entered bear markets at record pace as fears of a self-induced global recession set in for investors during March. The rapid spread of the coronavirus globally saw lockdown measures enacted and unprecedented fiscal and monetary stimulus announced during the month. The US Congress approved a US\$2 trillion stimulus package, while the US Federal Reserve recommenced quantitative easing and reduced its benchmark interest rates to near zero. The UK Government announced GBP330 billion in loan guarantees to businesses and the European Central Bank said it would buy EUR750 billion in bonds. Despite the record stimulus measures, volatility spiked and price dislocation spread in response to constant news flow about the infectious disease. In local terms, the US S&P 500 Index fell by 12.4%, the UK FTSE 100 Index by 13.4%, the Euro Stoxx 600 Index by 14.4%, China's CSI 300 Index by 6.4% and Japan's TOPIX Index by 6.1% for the month. The MSCI World Index (AUD) fell 8.6%.

The Australian Government announced targeted stimulus packages during March, including a \$17.6 billion economic plan and a \$130 billion wage subsidy, bringing the total government support to \$320 billion and approximately 11% of gross domestic product. The Reserve Bank of Australia cut the cash rate, revealed Australia's first quantitative easing program and announced \$90 billion in funding for businesses. The S&P/ASX All Ordinaries Accumulation Index fell 20.9% in March.

#### Generational opportunities emerging under lockdown

We are collectively experiencing a major disruption to all aspects of our lives. Health workers are grappling to control the coronavirus, the sick are fighting the disease, the newly unemployed are trying to adjust and working-from-home arrangements are almost compulsory for those still working. Although this period is temporary and the need for isolation and social distancing will pass, generational traits are emerging and behavioural changes are taking place. Over time, this coronavirus shift will create opportunities for investors. In a column for the [Australian Financial Review](#), I discussed the potential for investment opportunities to arise from this dynamic period.

#### Investor Q&A Call

A record 1,885 shareholders joined us for an Investor Q&A Call on Wednesday 1 April, where our Lead Portfolio Managers, Catriona Burns, Matthew Haupt and Oscar Oberg, and I answered a number of interesting questions about our listed investment companies (LICs) and our views on equity markets. The last month was brutal in a number of ways and the themes discussed in the call reflected the heightened volatility and uncertainty in equity markets and our lives. The Lead Portfolio Managers provided a detailed update on the changes we have made to the investment portfolios in recent weeks. We are pleased with the portfolio construction of our LICs and are poised to act on opportunities as they emerge. We would like to thank everyone who dialled in and provided their questions. If you were unable to participate, you can listen to the [recording](#) and view the [slides](#), or read the [transcript](#). The [Australian Financial Review](#) and [The Australian](#) also covered the call.

Thank you for your support, as always please ask us any question you have by calling us on (02) 9247 6755 or email [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

Good luck investing,



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



# W | A | M Global

The world's most compelling undervalued growth companies.

## Portfolio update

As we saw mounting evidence of the coronavirus spreading outside of China, we rapidly reduced our exposure to companies within the travel, entertainment and consumer discretionary sectors and exited positions such as global aerospace firm Airbus (EPA: AIR), ticketing provider and live entertainment business CTS Eventim AG & Co (ETR: EVD) and travel engine Booking Holdings (NASDAQ: BKNG). The share prices of these high-quality companies have since fallen further and may soon provide opportunities for reinvestment.

In March, we continued to strengthen the defensive characteristics of the investment portfolio and take advantage of emerging opportunities arising from the global response to the coronavirus. We exited positions in highly cyclical or indebted companies, including financial services and integrated payments company American Express (NYSE: AXP) and building technology company United Technologies (NYSE: UTX). We also invested in companies that stand to benefit from the behavioural changes arising from the coronavirus outbreak. We believe that post coronavirus, companies will seek to diversify their supply chains further to better manage risk and we will see ongoing trends to increase automation, more online shopping, greater use of video conferencing and cloud technology usage as social distancing and working from home practices are normalised, and a return to thriftiness as unemployment increases and wages are reduced. We have invested in or increased our holdings in fast-moving consumer goods producers Nomad Foods (NYSE: NOMD) and Nestle (SWX: NESN), low-cost food retailers Kobe Bussan (TYO: 3038) and Costco Wholesale (NASDAQ: COST), global video gaming and entertainment businesses Activision Blizzard (NASDAQ: ATVI), Electronic Arts (NASDAQ: EA) and Ubisoft Entertainment (EPA: UBI) and multinational internet-related services conglomerate Tencent Holdings (HKG: 0700). We view structural tailwinds for the non-cash payments sector and have also invested in or added to positions in online payments systems provider PayPal Holdings (NASDAQ: PYPL), financial services technology and outsourcing services provider Fidelity National Information Services (NYSE: FIS) and multinational financial services corporation Visa (NYSE: V).

The WAM Global investment portfolio's cash weighting is currently 19.2%. Although we remain cautious, we will continue to take advantage of opportunities and actively manage risk within the portfolio.

## Net Tangible Assets (NTA) per share

The below NTA figures are before the fully franked interim dividend of 3.0 cents per share due to be paid on 28 April 2020. The shares will trade ex-dividend on 15 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Mar 2020	220.93c	222.62c	221.50c
Feb 2020	241.92c	239.90c	236.16c

## Market capitalisation (ASX: WGB)

\$349.5m<sup>#</sup>

## Gross assets

\$467.0m<sup>\*</sup>

## Listed equities

\$376.0m

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

2.8%<sup>^</sup>

MSCI World Index (AUD): 5.0%

## Annualised fully franked interim dividend

6.0c

## Cash weighting

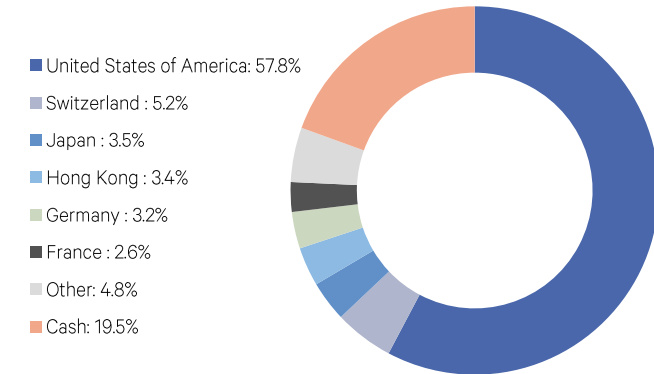
19.5%

<sup>#</sup>Based on the 31 March 2020 share price of \$1.65 per share and 211,848,149 shares on issue.

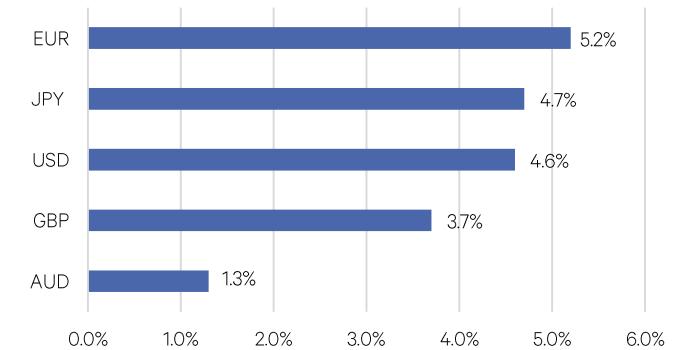
<sup>\*</sup>Gross assets exclude the \$2.3m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

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

## Portfolio by geographical exposure



## Cash currency exposure



## Top 20 holdings (in alphabetical order)

神戶物産 KOBEBUSSAN.CO.LTD	Tencent 腾讯	AON	Auto Zone	CME Group	COSTCO WHOLESALE	DOLLAR GENERAL	FIS	Hasbro	Hello FRESH
3038 JP	700 HK	AON US	AZO US	CME US	COST US	DG US	FIS US	HAS US	HFG GR
ICE	intuit.	logitech	LOWE'S	Microsoft	Nestlé	Nomad Foods	PayPal	ThermoFisher SCIENTIFIC	UBISOFT
ICE US	INTU US	LOGN SW	LOW US	MSFT US	NESN SE	NOMD US	PYPL US	TMO US	UBI FP

# W | A | M Capital

The most exciting undervalued growth opportunities in the Australian market.

## Portfolio update

Small and mid-cap companies, including those held in the WAM Capital investment portfolio, were impacted by the fast, deep and broad sell-off during March. At the beginning of the month we restructured the portfolio to increase liquidity and reduce our exposure to cyclical sectors, in particular mining services and retail companies. We sold our positions in buy-now-pay-later companies, as these are yet to be stress-tested through a recession, and despite government stimulus, the millennial customer base faces growing levels of unemployment in the coming months. The liquidity of our top 20 holdings at 31 March has increased by 30% since 29 February which gives us the ability to reduce our equity exposure in the event of further economic uncertainty caused by coronavirus.

During the month we invested in or added to our positions in agricultural companies and larger, high quality businesses trading at depressed valuations. The outlook for agricultural companies such as Elders (ASX: ELD), GrainCorp (ASX: GNC) and Costa Group Holdings (ASX: CGC) has strengthened significantly given the increase in demand for produce and easing drought conditions in Queensland and New South Wales. Heightened volatility presented the opportunity to invest in companies with resilient earnings at attractive valuations, such as waste solutions provider Cleanaway Waste Management (ASX: CWY), intellectual property services provider IPH (ASX: IPH), and telecommunications and information technology company TPG Telecom (ASX: TPG).

The WAM Capital investment portfolio's cash weighting is currently 32.6%. Although we remain cautious, the increased liquidity in the portfolio, high cash weighting and flexible mandate positions us well. We continue to focus on investing in high-quality companies at attractive valuations and see continued opportunities for discounted capital raisings as companies continue to raise equity to strengthen their balance sheets.

## Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 7.75 cents per share due to be paid on 28 April 2020. The shares will trade ex-dividend on 20 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
Mar 2020	141.78c	150.96c	158.45c
Feb 2020	176.68c	179.25c	182.64c

\*Includes 0.83 cents per share of tax assets resulting from the acquisition of unlisted investment companies.

## Market capitalisation (ASX: WAM)

\$1,262.2m<sup>#</sup>

## Gross assets

\$1,024.8m

## Listed equities

\$656.6m

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

14.9%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 7.0%

## Dividends paid since inception (per share)

238.50c

## Annualised fully franked interim dividend yield

8.9%<sup>#</sup>

<sup>#</sup>Based on the 31 March 2020 share price of \$1.75 per share and the annualised FY20 fully franked interim dividend of 15.5 cents per share. WAM Capital has 721,264,927 shares on issue.

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

## Top 20 holdings (in alphabetical order)

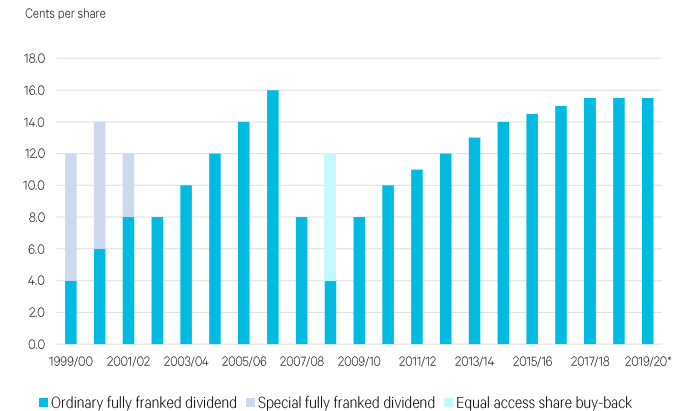
 A2M	 AUI	 BRICKWORKS	 Breville	 BWX	 COSTA	 Domino's	 Elders	 Fisher & Paykel HEALTHCARE	 INFOMEDIA
IPH	JLG	PIA	PSI	SDF	SIG	SSM	SVW	TGG	TPM

## Portfolio by sector

- Financials: 16.6%
- Consumer Discretionary: 9.6%
- Consumer Staples: 9.4%
- Industrials: 9.1%
- Information Technology: 5.7%
- Health Care: 5.0%
- Materials: 3.4%
- Telecommunication Services: 2.3%
- Real Estate: 1.0%
- Cash: 37.9%



## History of fully franked dividends



\*Annualised interim dividend

# W | A | M Leaders

Actively investing in the highest quality Australian companies.

## Portfolio update

The fastest bear market to emerge in history impacted the ASX 200 and the WAM Leaders investment portfolio during the month. In response to the late February sell-off, we acted swiftly to remove companies with cyclical and leveraged characteristics, such as those within the consumer discretionary, real estate and infrastructure sectors, and increased our cash weighting.

During March, we took advantage of the market volatility to opportunistically increase our iron ore, gold and consumer staples and oversold quality companies at attractive prices. We expect Fortescue Metals Group (ASX: FMG) and Rio Tinto (ASX: RIO) to benefit from a rise in demand for iron ore as China increases stimulatory infrastructure spending in response to the coronavirus. We also invested further in Saracen Mineral Holdings (ASX: SAR) and Newcrest Mining (ASX: NCM) as investors sold down gold in favour of the US dollar, a short-term trend we expect to reverse. Anticipating higher revenue during the lockdown period, we also increased our holdings in Woolworths Group (ASX: WOW), Coles Group (ASX: COL) and Amcor (ASX: AMC).

We actively managed the portfolio during March, selectively increasing cash at times and deploying capital, along with rotating holdings, as opportunities arose toward the end of the period. During March, we remained relatively fully invested and currently hold 91.9% of the portfolio in highly liquid equities.

We remain diligent and focused on the rapidly changing news flow and company valuations. We continue to monitor coronavirus containment measures and remain focused on investing in high-quality and industry leading companies with strong balance sheets.

## Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 3.25 cents per share due to be paid on 28 April 2020. The shares will trade ex-dividend on 15 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Mar 2020	102.51c	104.10c	107.18c
Feb 2020	123.28c	121.31c	121.46c

## Market capitalisation (ASX: WLE)

\$785.1m<sup>#</sup>

## Gross assets

\$816.5m

## Listed equities

\$756.3m

## Investment portfolio performance (pa since inception May 2016)

6.0%<sup>^</sup>

S&P/ASX 200 Accumulation Index: 2.9%

## Dividends paid since inception (per share)

13.65c

## Annualised fully franked interim dividend yield

6.5%<sup>#</sup>

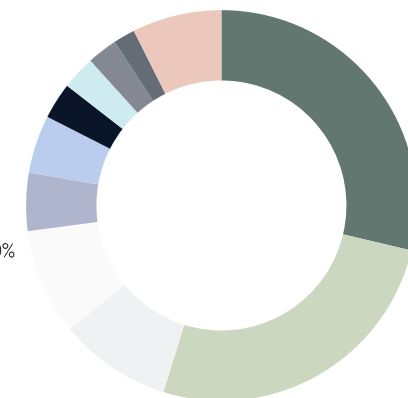
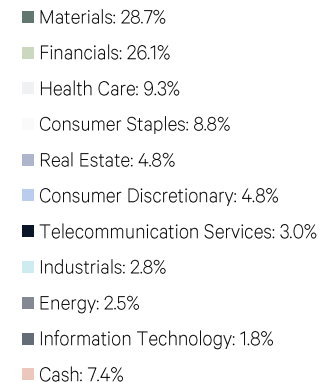
<sup>#</sup>Based on the 31 March 2020 share price of \$1.00 per share and the annualised FY20 fully franked interim dividend of 6.5 cents per share. WAM Leaders has 785,142,815 shares on issue.

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

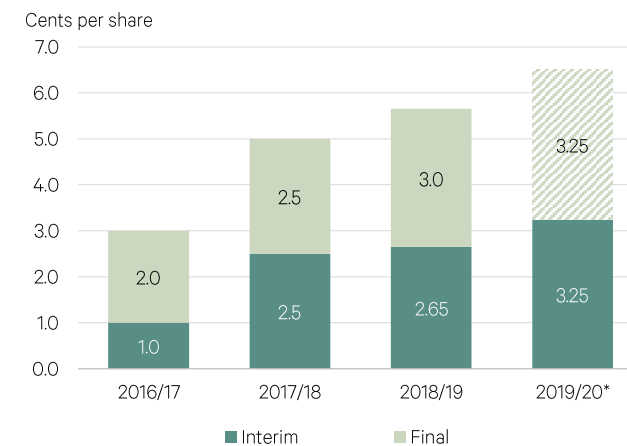
## Top 20 holdings (in alphabetical order)

 A2M	 AMC	 ANZ	 BHP	 CBA	 COL	 CSL	 FMG	 GMG	 MQG
 NAB	 ORA	 OZL	 RIO	 SAR	 SGR	 TLS	 WBC	 WOW	 WSA

## Portfolio by sector



## History of fully franked dividends



\*Annualised interim dividend

# W | A | M *Microcap*

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

## Portfolio update

The S&P/ASX Small Ordinaries Accumulation Index continued its fall in March as micro-cap companies withdrew or downgraded their profit guidance due to the economic impact caused by measures taken to contain the coronavirus outbreak. Over the course of the month, the team has conducted extensive sensitivity analysis, looking at debt and cash levels of various companies held by WAM Microcap, while rebalancing the portfolio to ensure its medium-term performance.

We have reduced our exposure to companies with minimal liquidity within cyclical sectors such as mining services and retail. We continue to hold companies with solid balance sheets that will fare better coming out of this economic downturn, adding to positions within telecommunications, such as OptiComm (ASX: OPC) and MNF Group (ASX: MNF), and pharmaceuticals such as Probiotec (ASX: PBP). We are positive about companies that have turned this short-term disruption into a permanent competitive advantage, such as online furniture retailer Temple & Webster Group (ASX: TPW) and online consumer retail and services brand Kogan.com (ASX:KGN), which are benefitting from the push to online shopping during the coronavirus outbreak.

The WAM Microcap investment portfolio's cash weighting is currently 32.1%. We continue to hold elevated cash levels as we are cautious around the micro-cap market although we are positive about opportunities to participate in discounted capital raisings as companies raise equity to strengthen their balance sheets.

## Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 3.0 cents per share due to be paid on 21 April 2020. The shares traded ex-dividend on 6 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax after tax
Mar 2020	103.85c	104.10c	109.32c
Feb 2020	133.13c	129.14c	129.70c

## Market capitalisation (ASX: WMI)

\$147.8m<sup>#</sup>

## Gross assets

\$147.4m

## Listed equities

\$93.3m

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

6.2%<sup>^</sup>

S&P/ASX Small Ordinaries Accumulation Index: -1.3%

## Dividends paid since inception (per share)

12.75c

## Annualised fully franked interim dividend

6.0c

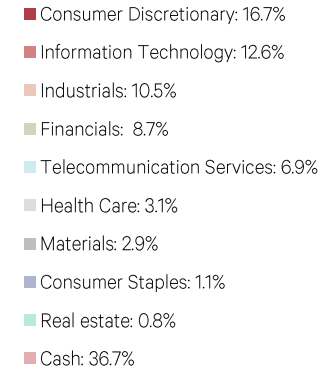
<sup>#</sup>Based on the 31 March 2020 share price of \$1.045 per share and 141,434,234 shares on issue.

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

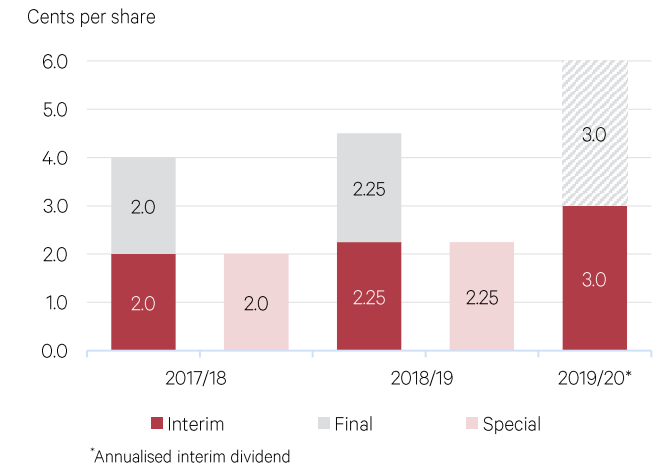
## Top 20 holdings (in alphabetical order)

AFG	BBN	CCX	CUP	EGH	GDG	HIL	IFM	JIN	JLG
KGN	MNF	OFX	OPC	PBP	SLM	TPW	TRS	UWL	VVA

## Portfolio by sector



## History of fully franked dividends



# W | A | M Research

The most exciting undervalued growth opportunities in the Australian market.

## Portfolio update

The fast and broad sell-off of small and mid-cap companies during the month impacted the WAM Research investment portfolio in March. As the economic impact of the measures taken to contain coronavirus became clear, we quickly reduced our exposure to cyclical sectors such as mining services and retail as well as our positions in less liquid companies within the portfolio.

We have increased the investment portfolio's liquidity and continue to hold defensive companies with strong balance sheets. We see opportunities in companies that are positioned to fare better after an economic downturn, such as emergency building works company Johns Lyng Group (ASX: JLG). We have also added to our position in companies that we consider are recession resilient such as telecommunications and information technology company TPG Telecom (ASX: TPG) and pharmaceutical retailer and distributor Sigma Healthcare (ASX: SIG).

The WAM Research investment portfolio's cash weighting is currently 36.4%. We remain focused on investing in undervalued companies positioned for growth and possessing a catalyst for a share price increase.

## Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 4.9 cents per share due to be paid on 21 April 2020. The shares traded ex-dividend on 6 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Mar 2020	88.60c	92.79c	96.94c
Feb 2020	113.33c	112.84c	114.08c

## Market capitalisation (ASX: WAX)

\$232.5m<sup>#</sup>

## Gross assets

\$170.7m

## Listed equities

\$101.3m

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

12.3%<sup>^</sup>

S&P/ASX All Ordinaries Accumulation Index: 6.2%

## Dividends paid since inception (per share)

104.30c

## Fully franked dividend yield

8.1%<sup>#</sup>

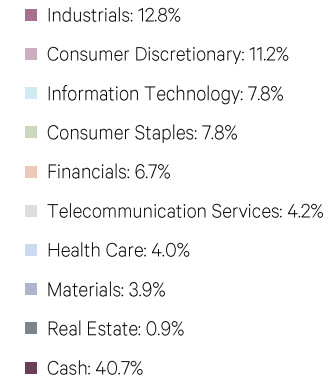
<sup>#</sup>Based on the 31 March 2020 share price of \$1.21 per share and the annualised FY20 fully franked interim dividend of 9.8 cents per share. WAM Research has 192,128,647 shares on issue.

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

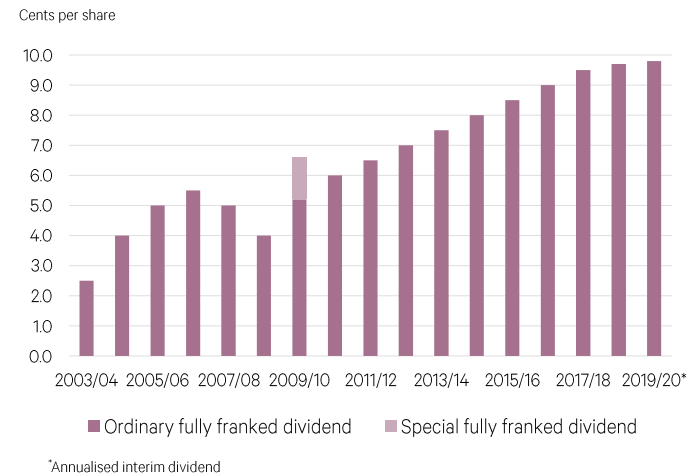
## Top 20 holdings (in alphabetical order)

 AFG	 ALL	 ASB	 BAP	 BKW	 BRG	 BWX	 CCX	 CDA	 CWY
 ELD	 IFM	 JLG	 MYR	 PSI	 REA	 SIG	 SSM	 SVW	 TPM

## Portfolio by sector



## History of fully franked dividends



# W | A | M *Active*

Market mispricing opportunities in the Australian market.

## Portfolio update

WAM Active is focused on deploying capital to take advantage of market mispricing opportunities. We utilised heightened market volatility to exit low liquidity positions and closed out trades as required by the dramatic change in market conditions driven by the coronavirus in March. We were highly active during the month, exiting 25 positions in the portfolio and investing in 34 new positions.

The WAM Active investment portfolio's cash weighting is currently 27.0%, and we are well placed to take advantage of market mispricing opportunities as they present themselves in this highly volatile environment. We are currently participating in the wave of discounted equity raisings within the Australian market, as companies look to strengthen their balance sheets. In April to date, this included Webjet Limited (ASX: WEB) and NEXTDC Limited (ASX: NXT), which were conducted at a 37.8% and 15.0% discount to their last traded price before the announcement of the raising.

## Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 3.0 cents per share due to be paid on 28 April 2020. The shares will trade ex-dividend on 15 April 2020.

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
Mar 2020	81.75c	90.04c	90.03c
Feb 2020	99.65c	102.43c	102.43c

## Market capitalisation (ASX: WAA)

\$36.0m<sup>#</sup>

## Gross assets

\$38.3m

## Listed equities

\$26.8m

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

9.7%<sup>^</sup>

Bloomberg AusBond Bank Bill Index (Cash): 3.3%

## Dividends paid since inception (per share)

68.70c

## Fully franked dividend yield

7.7%<sup>#</sup>

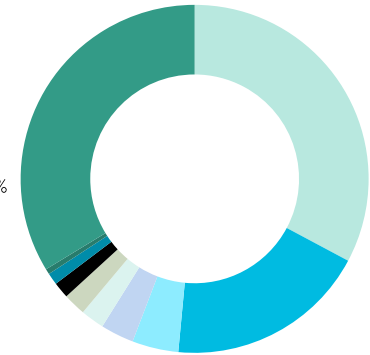
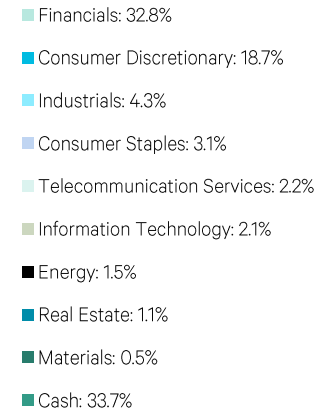
<sup>#</sup>Based on the 31 March 2020 share price of \$0.775 per share and the annualised FY20 fully franked interim dividend of 6.0 cents per share. WAM Active has 46,400,066 shares on issue.

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

## Top 20 holdings (in alphabetical order)



## Portfolio by sector



## History of fully franked dividends

