

July 2019 Investment Update

Pre-tax NTA

W | A | M *Capital* \$1.91

W | A | M *Leaders* \$1.27

W | A | M *Global* \$2.39

W | A | M *Microcap* \$1.40

W | A | M *Research* \$1.21

W | A | M *Active* \$1.06

Dear Fellow Shareholders,

The 2020 financial year began strongly as the MSCI World Index (AUD) increased 2.3% and the S&P/ASX All Ordinaries Accumulation Index reached an 11-and-a-half year high, closing up 3.0% in July.

Central banks' decisions were again the markets' primary focus. On the last day of the month – the United States (US) Federal Reserve lowered the cash rate for the first time since 2008 by 0.25% to a range of 2.0% to 2.25%. The market's reaction reflected a sense of disappointment arising from Chairman Powell's suggestion that the decrease in interest rates was not a signal of the start of a "lengthy cutting cycle", but rather a "mid-cycle policy adjustment".

The US second quarter earnings season began in July, and by month's end over 60.0% of the S&P 500 Index companies had reported. There has been a divergence in the results as industrial businesses downgraded earnings citing slowing growth and trade wars, while technology and healthcare sectors delivered consistent growth. European markets delivered mixed results during the month, with the United Kingdom's (UK) FTSE 100 Index up 2.2% and the Euro Stoxx 50 Index down 0.1% in local terms.

The pattern of central banks implementing dovish monetary policy was replicated domestically as the Reserve Bank of Australia delivered a second consecutive cash rate cut in July – the last time this occurred was in 2012 – setting a record low cash rate of 1.0%. Governor Lowe again cited rising unemployment and a slowing economy as his primary concerns.

Following the equity market rally in July, August has seen a higher level of volatility due to the trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. Time will tell if this is the beginning of the end of the longest bull market in history or a minor correction. Notably, the recent devaluation of the Renminbi by the People's Bank of China, which partly offset the impact of new tariffs, indicates that the trade war could be a long-term geopolitical consideration for financial markets, given the multiple levers that can be used to extend the strategic conflict.

We remain cautious about the direction of equity markets, as the record low interest rates have driven up valuations and increased speculation. Our investment team continues to focus on capital preservation as we invest carefully in companies that meet our rigorous investment process. We place a high value on earnings certainty in this fragile economic environment.

Full year results and fully franked dividends

Over the last few weeks, three of our six listed investment companies (LICs) announced their dividends and full year results.

WAM Leaders **announced** a 20.0% increase in the fully franked final dividend to 3.0 cents per share. The final dividend brings the record fully franked full year dividend to 5.65 cents per share, representing a full franked dividend yield of 5.0%.

WAM Global **declared** an inaugural fully franked final dividend of 2.0 cents per share. The fully franked dividend has been achieved through the 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.

WAM Microcap **declared** a 12.5% increase in the fully franked final dividend of 2.25 cents per share, bringing the fully franked full year dividend to 4.5 cents per share. The Board also declared an additional fully franked special dividend of 2.25 cents per share to be paid to shareholders.

WAM Leaders, WAM Global and WAM Microcap are currently trading at attractive discounts to net tangible assets (NTA) of 10.9%, 15.5%* and 12.2%*. I believe the LICs' share prices will move to a premium to NTA as the solid track records of performance continue and the fully franked dividends increase over time. As at 31 July, the profits reserves for WAM Leaders, WAM Global and WAM Microcap were 15.0, 14.9 and 25.3 cents per share.

Survey about our monthly investment updates

You will notice our monthly investment update has a new look, please complete this brief [survey](#) to assist us in delivering the highest standard of shareholder communications.

Investor conference call

We look forward to providing an update to our shareholders at our Investor Conference Call on Tuesday, 10 September 2019 at 3.30pm (Sydney time) and meeting you at our next [Shareholder Presentations](#) in November 2019.

Good luck investing.



Geoff Wilson AO
Chairman &
Chief Investment Officer

*Based on 13 August 2019 share price of \$1.135 per share.

**Based on 13 August 2019 share price of \$2.02 per share.

*Based on 13 August 2019 share price of \$1.23 per share.



W | A | M Capital

Focus: small to mid-cap Australian companies (ASX:WAM)

Portfolio update

The WAM Capital investment portfolio increased 4.6% in July.

Research-driven portion of the investment portfolio:

A significant contributor to the portfolio outperformance was Austal (ASX: ASB). ASB is a global ship builder and defence contractor. We first invested in the company as we believed the market had underestimated its earnings potential in its US shipbuilding business and that the recent growth in its ferry business would lead to future earnings upgrades as ASB built its order book.

In July, ASB provided its earnings before interest and tax (EBIT) guidance of approximately \$92.0 million for FY19, which was 7.0% above analysts expectations. Another highlight of the announcement was that ASB now holds a substantial order book of commercial ferry contracts, which is driving ASB's strong outlook for EBIT in FY20 of greater than \$105.0 million. ASB closed up 18.8% in July.

Market-driven portion of the investment portfolio:

A significant contributor to the portfolio outperformance was Megaport (ASX: MP1). MP1 connects enterprise customers to cloud computing through its proprietary software defined network. During July, MP1 provided a market update maintaining its growth trajectory, indicating that revenue grew by 21.9% in the quarter ending June 2019 and 77.5% for FY19. Pleasingly, MP1 has expanded its footprint to an additional 36 locations, reaching a total of 300 installed locations and data centres across 20 countries. We first invested in MP1 due to our belief that MP1 would beat analyst expectations around the number of its installed locations. MP1 closed up 11.3% in July.

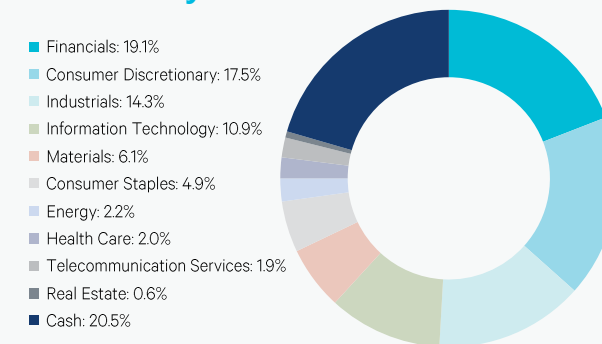
NTA before tax	Gross assets	Performance (pa since Aug 1999)
191.44c*	\$1,384.0m	16.8%

NTA after tax and before tax on unrealised gains	Listed equities	Fully franked dividend yield
190.39c**	\$1,100.2m	7.2%#

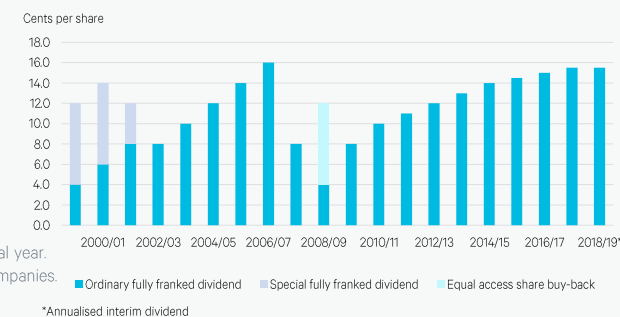
NTA after tax	Market capitalisation	Dividends paid since inception (per share)
192.41c**	\$1,550.0m^	230.75c

*The NTA before tax is after the provision for tax of \$2.3m (0.32 cents per share) for the 2019 financial year.
 **Includes 0.83 cents per share of tax assets resulting from the acquisition of unlisted investment companies.
 #Based on the 31 July 2019 share price of \$2.16 per share and 717,571,132 shares on issue.
 ^Based on the annualised FY19 fully franked interim dividend of 15.5 cents per share.

Portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

A2M	AMA	APT	APX	ASB	ASL	CCP	CKF	GNC	HVN
MYR	PIA	PSI	SDF	SSM	SVW	TGG	VEA	VOC	XRO

Performance at 31 July 2019

	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio	4.6%	14.9%	5.6%	9.4%	13.3%	15.2%	16.8%
S&P/ASX All Ordinaries Accumulation Index	3.0%	18.6%	12.9%	11.4%	8.7%	9.5%	8.7%
Outperformance	+1.6%	-3.7%	-7.3%	-2.0%	+4.6%	+5.7%	+8.1%
S&P/ASX Small Ordinaries Accumulation Index	4.5%	15.6%	7.6%	9.3%	9.2%	5.9%	5.8%
Outperformance	+0.1%	-0.7%	-2.0%	+0.1%	+4.1%	+9.3%	+11.0%

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

W | A | M Leaders

Focus: large-cap Australian companies
(ASX:WLE)

Portfolio update

The WAM Leaders investment portfolio increased 2.3% in July. We made significant changes to the composition of the portfolio during the month, increasing our weightings to companies with greater Australian earnings given the supportive environment provided by the Reserve Bank of Australia's two policy adjustments and adding select mid-cap companies, overall adding 10 new positions to the portfolio.

Contributors to the WAM Leaders investment portfolio performance for the month included National Australia Bank (ASX: NAB) and Western Areas (ASX: WSA). We first invested in NAB due to the belief that its incoming chief executive officer Ross McEwan would recreate his turnaround success at the Royal Bank of Scotland (LON: RBS). In July, shares in NAB rose to 11-month highs when the bank announced that Mr McEwan would commence by April 2020. NAB closed up 6.7% for the month.

Perth-headquartered WSA is a nickel mining company with high-grade nickel production assets in Australia and base metals exploration and development projects across the country. The material is critical for manufacturing batteries and stainless steel. The spot price for nickel has delivered over double the performance of gold in the last two months, due to increasing demand and stagnating supplies. The tightness on the supply side has been exacerbated by speculation as the Indonesian Government considers bringing forward the planned ban on exports of mineral ores. Indonesia is the largest nickel exporter in the world, accounting for 21.5% of total supply.

In addition, WSA announced the successful execution of an offtake sale and purchase agreement with Japanese mining and refining conglomerate Sumitomo Metal Mining (5713: JP) for the delivery of premium high-grade nickel sulphide precipitate on 19 July. WSA closed up 12.0% for the month.

NTA before tax	Gross assets	Performance (pa since May 2016)
127.44c*	\$1,013.7m	13.1%

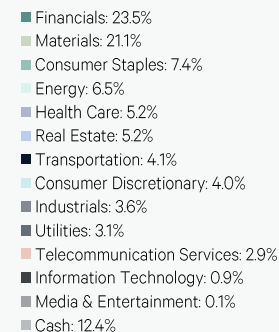
NTA after tax and before tax on unrealised gains	Listed equities	Record fully franked full year dividend
127.16c	\$892.8m	5.65c

NTA after tax	Market capitalisation	Dividends paid since inception (per share)
124.29c	\$925.0m [^]	10.65c

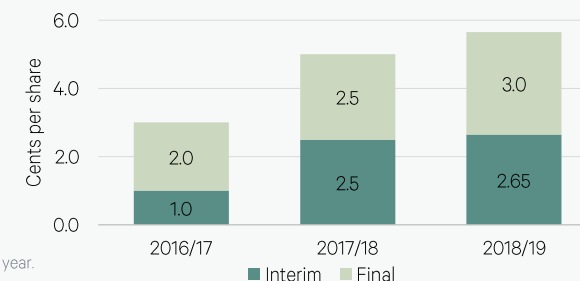
*The NTA before tax is after the provision for tax of \$11.8m (1.51 cents per share) for the 2019 financial year.

[^]Based on the 31 July 2019 share price of \$1.18 per share and 783,890,791 shares on issue.

Portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

ANZ	APA	BHP	CBA	CSL	CALTEX	EVN	FMG	GMG	MQG
NAB	NCM	RIO	STO	TCL	TLS	TWE	WBC	WES	WOW

Performance at 31 July 2019

	1 mth	3 mths	1 yr	2 yrs %pa	Since inception %pa (May-16)
WLE Investment Portfolio	2.3%	7.8%	12.0%	15.3%	13.1%
S&P/ASX 200 Accumulation Index	2.9%	8.6%	13.3%	13.9%	12.2%
Outperformance	-0.6%	-0.8%	-1.3%	+1.4%	+0.9%

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

Focus: small to mid-cap international companies
(ASX:WGB)

Portfolio update

The WAM Global investment portfolio increased 4.2% in July, outperforming the MSCI World Index (AUD) which rose 2.3% and the MSCI World SMID Cap Index which increased 2.2% in AUD terms. The best performing sectors were information technology, communication services and consumer staples sectors, while energy and materials sectors underperformed. The majority of developed equity markets rallied in local terms: the US S&P 500 Index by 1.4%; Japan's TOPIX by 0.9%; China's CSI 300 Index by 1.1%; and the UK FTSE 100 Index by 2.2%. The Euro Stoxx 50 Index fell by 0.1%.

On the final day of June, the US and China negotiated a temporary truce in the ongoing trade war, but through July negotiations appeared to be breaking down again. The major focus for July was the monetary policy decision by the US Federal Reserve. The Federal Open Market Committee (FOMC) met on 31 July and ultimately decided to reduce the cash rate by 0.25% to a range of 2.0% to 2.25%. Federal Reserve Chairman Jerome Powell commented after the FOMC meeting that the cut was a mid-term policy adjustment, cautioning against the assumption that this was the start of an easing cycle. This statement disappointed investors, given futures markets had already priced in further cuts for 2019. The S&P 500 Index declined 1.1% in local terms on the day of the announcement.

The US second quarter reporting season began in July and has continued through August. Results were relatively positive although since the beginning of the year, expectations for second quarter earnings of companies in the S&P 500 Index were cut by 6.5%.

Contributors to the investment portfolio performance during the month included Bandai Namco (TYO: 7832), Entertainment One (LON: ETO), CDW Corporation (NASDAQ: CDW) and L3Harris Technologies (NYSE: LHX). On 10 July, Japanese-listed Bandai Namco announced that it would be included in the Nikkei 225 Stock Average Index from 1 August. The forced purchase of shares in the lead up to the inclusion date led to a strong share price rally. Our investment thesis centres on the ability of the business to continue to monetise its intellectual property catalogue over time, the quality management team, net cash balance sheet and valuation discount to offshore peers.

UK listed Entertainment One saw its share price recover strongly after a sell down in June in response to concerns its chief content officer for film and television, Mark Gordon, was leaving. Entertainment One has since confirmed this is not the case and that Mr Gordon will continue to be part of the Entertainment One team now and into the foreseeable future. Mr Gordon is also a significant shareholder in the business which means his interests are well aligned to the company's success.

In July, Illinois-headquartered IT services provider, CDW Corporation, delivered a strong set of results ahead of analyst expectations. The strength of the result was comprehensive with solid sales figures reported across the government, small business and healthcare sectors. The company's full year revenue and earnings per share guidance was also increased.

After the successful merger of L3 Technologies and Harris Corporation on 29 June, L3Harris Technologies reported positive quarterly earnings on 31 July. Supportive of our thesis, the management combination Bill Brown and Chris Kubasik have set a confident tone around the revenue and cost opportunities for the combined entity over the coming years, as well as reporting strong current operational performance.

NTA before tax	Gross assets	Performance (pa since June 2018)
239.01c*	\$506.6m [^]	9.9%

NTA after tax and before tax on unrealised gains	Listed equities	Cash weighting
241.73c	\$454.4m	10.3%

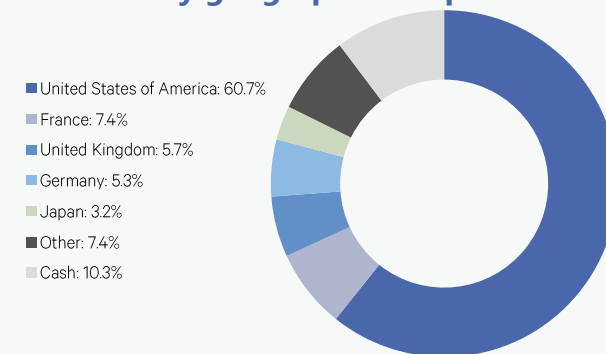
NTA after tax	Market capitalisation	Inaugural fully franked final dividend
234.56c	\$438.0m [#]	2.0c

*The NTA before tax is after the provision for tax of \$3.8m (1.82 cents per share) for the 2019 financial year.

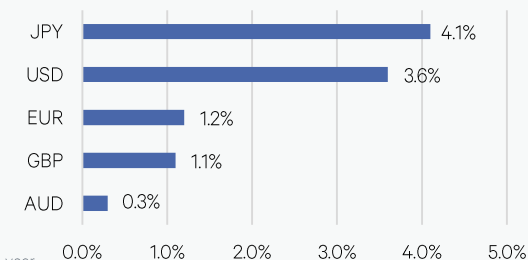
[^]Gross assets exclude the \$4.4m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

[#]Based on the 31 July 2019 share price of \$2.07 per share and 211,607,623 shares on issue.

Portfolio by geographical exposure



Cash currency exposure



Top 20 holdings (in alphabetical order)

3038 JP	AXP US	BDX US	BKNG US	BN FP	CDW US	CME US	DB1 GY	DGE LN	ETO LN
EVD GR	HCA US	INFO US	LHX US	LOGN SW	MKL US	NOMD US	TMO US	UBI FP	UTX US

Performance at 31 July 2019

	1 mth	3 mths	6 mths	1 yr	Since inception %pa (June-18)
WGB Investment Portfolio	4.2%	6.3%	20.4%	13.3%	9.9%
MSCI World Index (AUD)	2.3%	3.1%	15.4%	11.8%	11.3%
Outperformance	+1.9%	+3.2%	+5.0%	+1.5%	-1.4%
MSCI World SMID Cap Index in AUD terms	2.2%	2.2%	13.2%	6.2%	5.1%
Outperformance	+2.0%	+4.1%	+7.2%	+7.1%	+4.8%

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

W | A | M *Microcap*

Focus: micro-cap Australian companies
(ASX:WMI)

Portfolio update

The WAM Microcap investment portfolio increased 7.6% in July.

Significant contributors to the portfolio outperformance included Data#3 (ASX: DTL) and Ecofibre (ASX: EOF). DTL is an information and technology service provider and reported in July that it expects to deliver a record full year result due to a strong Australian technology market.

The announcement disclosed a consolidated net profit before tax for FY19 of \$26.0 million which beat analysts' earnings expectations by approximately 11.0%. We invested in DTL due to its strong exposure to recurring cloud services and continue to see strong momentum in the business and the prospect for further contract wins. DTL closed up 19.8% in July.

EOF is a business specialising in providing innovative hemp derived products to Australian and US retail pharmacies and health practitioners. In July, EOF announced its full year results for FY19 and reported a 519.0% increase in revenue from \$5.7 million to \$35.6 million.

EOF's fully diluted earnings per share also increased 159.0% from a negative 3.7 cents per share to positive 2.2 cents per share. EOF closed up 47.6% in July.

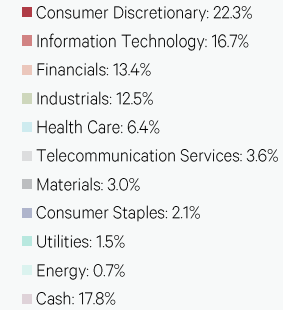
NTA before tax	Gross assets	Performance (pa since June 2017)
140.11c*	\$202.2m	21.1%

NTA after tax and before tax on unrealised gains	Listed equities	Fully franked full year dividend
138.63c	\$166.2m	4.5c

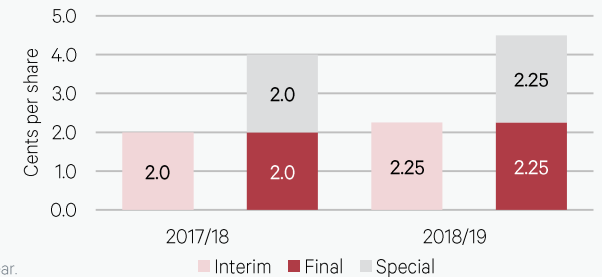
NTA after tax	Market capitalisation	Fully franked special dividend
133.54c	\$180.3m [^]	2.25c

*The NTA before tax is after the provision for tax of \$1.3m (0.94 cents per share) for the 2019 financial year.
[^]Based on the 31 July 2019 share price of \$1.28 per share and 140,861,776 shares on issue.

Portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

AFG	city chic	CML Group	CIRRUS	Data#3	eclipx	enero	ECOFIBRE	FRONTIER	INFO MEDIA
AFG	CCX	CGR	CNW	DTL	ECX	EGG	EOF	FDV	IFM
JOHNS LYNG GROUP	Mitchell	monash ivf	MYER	PFF	prospa	PSC INSURANCE GROUP	THINK	360 Capital	TEMPLE & WEBSTER
JLG	MSV	MVF	MYR	PFP	PGL	PSI	TNK	TOT	TPW

Performance at 31 July 2019

	1 mth	3 mths	6 mths	1 yr	Since inception %pa (Jun-17)
WMI Investment Portfolio	7.6%	9.4%	21.0%	14.1%	21.1%
S&P/ASX Small Ordinaries Accumulation Index	4.5%	4.1%	15.6%	7.6%	13.8%
Outperformance	+3.1%	+5.3%	+5.4%	+6.5%	+7.3%

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

Focus: small to mid-cap Australian companies (ASX:WAX)

Portfolio update

The WAM Research investment portfolio increased 5.4% in July.

Significant contributors to the portfolio outperformance included Austal (ASX: ASB) and Elders (ASX: ELD). ASB is a global ship builder and defence contractor. We first invested in the company as we believed the market had underestimated its earnings potential in its US shipbuilding business and that the recent growth in its ferry business would lead to future earnings upgrades as ASB built its order book.

In July, ASB provided its earnings before interest and tax (EBIT) guidance of approximately \$92.0 million for FY19, which was 7.0% above analysts expectations. Another highlight of the announcement was that ASB now holds a substantial order book of commercial ferry contracts, which is driving ASB's strong outlook for EBIT in FY20 of greater than \$105.0 million. ASB closed up 18.8% in July.

ELD is an Australian-based agribusiness that provides products such as livestock, farm supplies, grain and financial services to the farming communities in Australia and New Zealand. In July, ELD announced its acquisition of Australian Independent Rural Retailers (AIRR) which would allow it to enter the wholesale rural services market with net synergies of \$6.6 million to \$9.3 million per annum and provide ELD access to a national wholesale platform. The purchase of AIRR was funded through a \$137.0 million equity raising and the issue of \$79.0 million new ELD shares to AIRR shareholders as scrip consideration – the \$137.0 million equity raising was successfully completed on 8 August. ELD closed up 20.2% in July.

NTA before tax	Gross assets	Performance (pa since July 2010)
121.11c*	\$238.1m	16.7%

NTA after tax and before tax on unrealised gains	Listed equities	Fully franked dividend yield
124.32c	\$197.1m	6.8%#

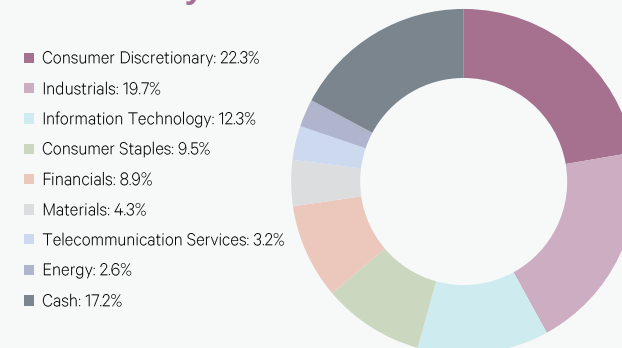
NTA after tax	Market capitalisation	Dividends paid since inception (per share)
120.05c	\$271.1m^	99.45c

*The NTA before tax is after the provision for tax of \$5.1m (2.66 cents per share) for the 2019 financial year.

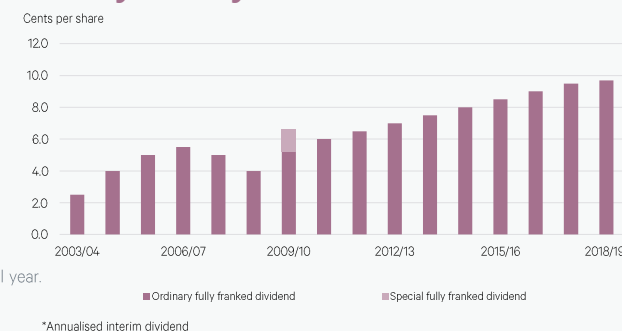
^Based on the 31 July 2019 share price of \$1.42 per share and 190,907,874 shares on issue.

#Based on the annualised FY19 fully franked interim dividend of 9.7 cents per share.

Portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

A2M	AMA	ASB	CCP	CDA	CSR	CWY	EHL	ELD	GNC
HVN	IFM	IVC	MYR	NEC	PSI	SSM	VEA	VOC	XRO

Performance at 31 July 2019

	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAX Investment Portfolio	5.4%	18.3%	6.6%	9.1%	15.5%	18.2%	16.7%
S&P/ASX All Ordinaries Accumulation Index	3.0%	18.6%	12.9%	11.4%	8.7%	11.7%	9.8%
Outperformance	+2.4%	-0.3%	-6.3%	-2.3%	+6.8%	+6.5%	+6.9%

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

W | A | M Active

Focus: mispricing within the Australian equity market (ASX:WAA)

Portfolio update

The WAM Active investment portfolio increased 3.8% in July.

Significant contributors to the portfolio outperformance included Megaport (ASX: MP1) and Magellan Financial Group (ASX: MFG). MP1 connects enterprise customers to cloud computing through its proprietary software defined network. During July, MP1 provided a market update maintaining its growth trajectory, indicating that revenue grew by 21.9% in the quarter ending June 2019 and 77.5% for FY19. Pleasingly, MP1 has expanded its footprint to an additional 36 locations, reaching a total of 300 installed locations and data centres across 20 countries. We first invested in MP1 due to our belief that MP1 would beat analyst expectations around the number of its installed locations. MP1 closed up 11.3% in July.

During July, MFG announced its funds under management and performance fees for the financial year ended 30 June 2019. Pleasingly in June, MFG saw strong net inflows of \$488.0 million and estimated performance fees of \$83.0 million for the year ended 30 June 2019.

On 13 August, MFG declared a final and performance fee dividend of 111.4 cents per share and an increase of 78.0% in its net profit after tax to \$376.9 million for FY19. MFG also announced the successful capital raising of \$275.0 million from institutional investors in order to increase its funds under management on 14 August. We first invested in MFG due to the strong performance achieved over the past few years and the likelihood that this would translate into net inflows that would surpass analyst expectations. MFG closed up 21.3% in July.

NTA before tax	Gross assets	Performance (pa since Jan 2008)
106.19c*	\$50.0m	12.3%

NTA after tax and before tax on unrealised gains	Listed equities	Fully franked dividend yield
106.56c	\$37.9m	5.6%#

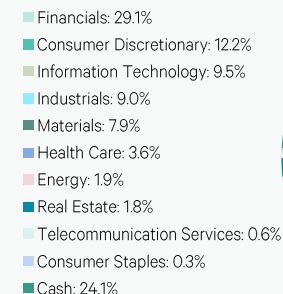
NTA after tax	Market capitalisation	Dividends paid since inception (per share)
106.54c	\$48.5m [^]	65.75c

*The NTA before tax is after the provision for tax of \$230k (0.50 cents per share) for the 2019 financial year.

[^]Based on the 31 July 2019 share price of \$1.05 per share and 46,208,095 shares on issue.

#Based on the annualised FY19 fully franked interim dividend of 5.9 cents per share.

Portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

AHG	APT	APX	ASL	BSL	CAR	CKF	ECX	EML	EQT
IEL	IPH	MFG	MP1	MRN	ORI	PIA	SDF	SVW	TGG

Performance at 31 July 2019

	1 mth	6 mths	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio	3.8%	11.8%	6.1%	10.0%	11.1%	12.1%	12.3%
S&P/ASX All Ordinaries Accumulation Index	3.0%	18.6%	12.9%	11.4%	8.7%	9.5%	5.0%
Outperformance	+0.8%	-6.8%	-6.8%	-1.4%	+2.4%	+2.6%	+7.3%
Bloomberg AusBond Bank Bill Index (Cash)	0.1%	0.9%	1.9%	1.8%	2.1%	3.0%	3.4%
Outperformance	+3.7%	+10.9%	+4.2%	+8.2%	+9.0%	+9.1%	+8.9%

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