

## 2019 Full Year Results

From the  
Chairman

Dear Fellow Shareholder,

WAM Capital reported an operating profit before tax of \$6.0 million and an operating profit after tax of \$14.5 million in the 2019 financial year. The after tax figure was boosted by a \$8.5 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

The Board of Directors declared a fully franked final dividend of 7.75 cents per share. The final dividend brings the 2019 fully franked full year dividend to 15.5 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. Since inception in 1999, WAM Capital has paid 230.75 cents per share in fully franked dividends to shareholders. The Company's profits reserve is currently 13.0\* cents per share, before the payment of the fully franked final dividend of 7.75 cents per share.

The 2019 financial year was a dynamic year for equity markets, beginning with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching.

By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights as interest rates fell and the global economy weakened. The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased only 5.6% in AUD terms.

Large-cap companies drove the US market's gains. The S&P 500 Index climbed 10.4% during the year in local terms. In contrast, the small-cap focused Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year. The WAM Capital investment portfolio increased 2.0% in the 12-month period, climbing 5.4% in the final quarter and rebounding 12.4% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 29.4% throughout the period.

During the period we invested in 307 individual companies and at 30 June we had investments in 114 companies. The largest contributors to the investment portfolio's performance during the

period included: global ship building company and defence contractor, Austal (ASX: ASB); financial technology business, Afterpay Touch Group (ASX: APT); artificial intelligence and machine learning specialist, Appen (ASX: APX); English language focused education provider, IDP Education (ASX: IEL); and leading plus-sized fashion retailer, City Chic Collective (ASX: CCX).

We remain cautious about the direction of the Australian market, as the record low interest rates have driven up valuations and increased speculation. The investment portfolio's cash level ended the year at 25.3%.

Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process. Despite our circumspect outlook, we continue to identify and act on opportunities in the market and are confident that the WAM Capital portfolio is comprised of companies with valuation upside and compelling fundamentals.

We look forward to providing an update at our Investor Conference Call on Tuesday, 10 September 2019 at 3.30pm – 4.30pm (Sydney time) and seeing you at our [Shareholder Presentations](#) in November 2019.

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Thank you for your support of WAM Capital,

**Geoff Wilson AO**  
Chairman

\*As at 31 July 2019.



## Highlights

Operating profit after tax

\$14.5m

Fully franked full year dividend

15.5c

Fully franked full year dividend yield

7.7%\*

## Fully franked final dividend

The Board declared a fully franked final dividend of 7.75 cents per share, bringing the full year dividend to 15.5 cents per share. The DRP will be operating at a 2.5% discount for the final dividend.

Since inception in August 1999, WAM Capital has paid 230.75 cents per share in fully franked dividends to shareholders.

### Key dividend dates

Dividend ex-date	17 October 2019
Record date	18 October 2019
Last election date for DRP	22 October 2019
Payment date	25 October 2019

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits 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.

\*Based on the 30 June 2019 share price of \$2.02 per share.

## Performance

as at 30 June 2019

	3 mths	6 mths	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio	5.4%	12.4%	2.0%	9.4%	12.8%	15.6%	16.7%
S&P/ASX All Ordinaries Accumulation Index	7.8%	19.8%	11.0%	12.6%	9.0%	10.0%	8.6%
<b>Outperformance</b>	<b>-2.4%</b>	<b>-7.4%</b>	<b>-9.0%</b>	<b>-3.2%</b>	<b>+3.8%</b>	<b>+5.6%</b>	<b>+8.1%</b>
S&P/ASX Small Ordinaries Accumulation Index	3.7%	16.8%	1.9%	10.7%	9.3%	6.3%	5.6%
<b>Outperformance</b>	<b>+1.7%</b>	<b>-4.4%</b>	<b>+0.1%</b>	<b>-1.3%</b>	<b>+3.5%</b>	<b>+9.3%</b>	<b>+11.1%</b>

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

## Top 20 holdings

as at 30 June 2019

Code	Company	%
A2M	The a2 Milk Company Limited	2.1%
IEL	IDP Education Limited	2.1%
CSL	CSL Limited	2.1%
ASB	Austral Limited	2.0%
SVM	Seven Group Holdings Limited	2.0%
PIA	Pengana International Equities Limited	2.0%
CCP	Credit Corp Group Limited	1.9%
TGG	Templeton Global Growth Fund Limited	1.8%
IVC	InvoCare Limited	1.8%
SSM	Service Stream Limited	1.7%
APT	Afterpay Touch Group Limited	1.7%
MYR	Myer Holdings Limited	1.6%
PSI	PSC Insurance Group Limited	1.6%
CKF	Collins Food Limited	1.6%
CTD	Corporate Travel Management Limited	1.5%
HVN	Harvey Norman Holdings Limited	1.5%
NEC	Nine Entertainment Co. Holdings Limited	1.2%
CWY	Cleanaway Waste Management Limited	1.2%
AHG	Automotive Holdings Limited	1.2%
DOW	Downer EDI Limited	1.2%