W|A|M Capital

WAM Capital increases fully franked dividend, continues strong performance and growth in assets

ASX announcement & media release

Highlights

- Full year pre-tax profit of $88.9 million and after-tax profit of $68.9 million
- 15.0 cents per share fully franked full year dividend
- 14.1% total shareholder return
- 11.7% investment portfolio performance

WAM Capital Limited (ASX: WAM) today reported an operating profit before tax of $88.9 million and operating profit after tax of $68.9 million for the full year to 30 June 2017.

WAM Capital Chairman Geoff Wilson said the operating profit reflected the relative performance of the portfolio and the growth in assets over the year.

"In FY2017, the company achieved strong growth in assets as they grew by $300 million to $1.2 billion. This growth was achieved through the performance of the investment portfolio, which increased 11.7% for the year and capital management initiatives including a share purchase plan, placements and our first acquisition of an unlisted investment company," Mr Wilson said.

Wilson Asset Management Chief Investment Officer Chris Stott said the company continued to deliver strong risk-adjusted returns for shareholders.

"The investment performance of 11.7% was achieved with an average 63.9% invested in equities, with the investment portfolio recording a standard deviation of 7.1% against the market's 9.2% for the year. The return on the equity portion of our portfolio was 17.2% and the return on the cash portion of the portfolio was 1.9% for the year. The five best performing investments in FY2017 were Credit Corp Group (ASX: CCP), Afterpay Touch Group (ASX: APT), Nick Scali (ASX: NCK), Pinnacle Investment Management Group (ASX: PNI) and Imdex (ASX: IMD)," he said.

Wilson Asset Management Chief Executive Officer Kate Thorley was pleased the company delivered an increased fully franked full year dividend of 15.0 cents per share to shareholders.

"The Board is pleased to deliver shareholders an increased fully franked dividend. It is worth noting our ability to continue paying dividends is reliant on generating profits. This year we welcomed almost 7,000 new shareholders, with more than 27,000 shareholders now invested in the company," she said.

Performance at 30 June 2017	1 Yr	3 Yrs %pa	5 Yrs %pa	10 Yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio*	11.7%	15.9%	17.9%	10.5%	17.6%
S&P/ASX All Ordinaries Accumulation Index	13.1%	6.8%	11.6%	3.5%	8.2%
Outperformance	**-1.4%**	**+9.1%**	**+6.3%**	**+7.0%**	**+9.4%**

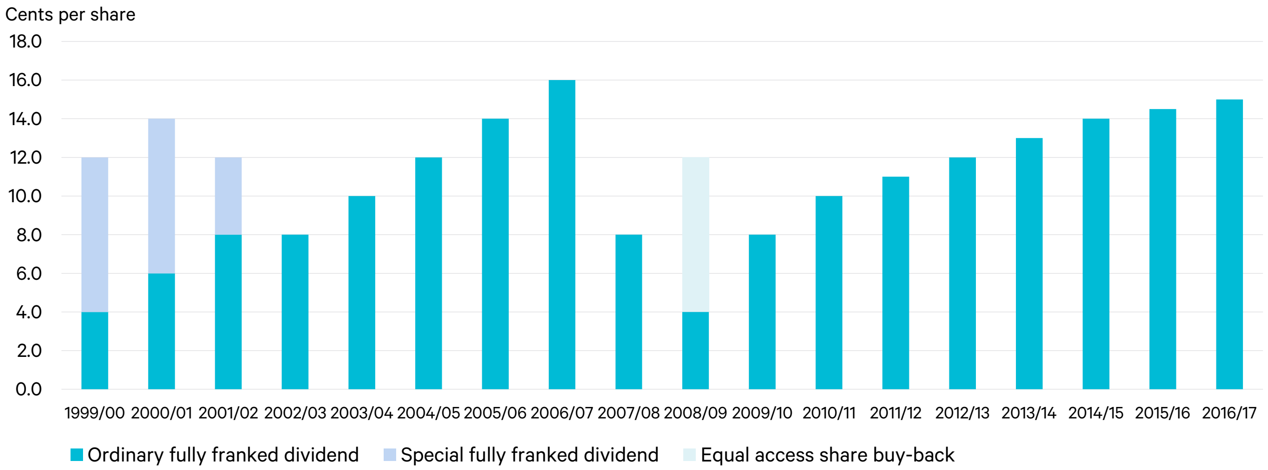
*Investment performance and Index returns are before expenses, fees and taxes.

Increased fully franked dividends

The Board declared a fully franked full year dividend of 15.0 cents per share, an increase of 3.4% on the previous year with the fully franked final dividend being 7.5 cents per share. The final dividend will be paid on 27 October 2017 and will trade ex on 17 October 2017. The dividend reinvestment plan (DRP) is available to shareholders for the final dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 20 October 2017.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the company has sufficient profit 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.

WAM Capital's dividends since inception



Portfolio performance

Mr Stott said the investment team was pleased to deliver strong performance of 11.7% during the period, with the research-driven investment process continuing to identify undervalued growth companies.

"Our largest contributor during the financial year was debt services company Credit Corp (ASX: CCP). We invested in the company after identifying growth in its core business of purchased debt ledgers as well as in its consumer loan book and United States operations. We exited our position when the share price doubled, reaching our price target," Mr Stott said.

"Another strong contributor to performance was Afterpay Touch Group (ASX: APT), one of Australia's fastest growing technology companies, focused on the millennial customer in the online lay-buy segment. During the year, Afterpay purchased competitor Touchcorp completing the acquisition in July 2017. We believe the combined company provides the scale required to take the business global.

"Nick Scali (ASX: NCK) delivered several profit upgrades during the year, buoyed by the growth in the Sydney and Melbourne property markets. With an in-depth understanding of its target customer, Nick Scali provides an optimal product mix and has weathered the retail sector headwinds that have challenged its peers," he said.

Mr Stott said the greatest detractors from performance through the year included RCG Corporation (ASX: RCG), Automotive Holdings Group (ASX: AHG), Ardent Leisure (ASX: AAD) and Hunter Hall Global Value (ASX: HHV).

“RCG shares fell after it disclosed underperformance of its acquired shoe brand business, Hype, and slow growth in its flagship brands, Sketchers and Platypus. Automotive Holdings Group posted a profit downgrade following a slow start to the calendar year for the Australian car market, which saw Western Australia and Queensland record double digit declines on the prior corresponding period. With the company in a turnaround phase, the new management team is still articulating its strategic direction. Ardent Leisure experienced a tragic incident at Dreamworld in October 2016 and its February half year results showed its flagship Main Event asset had materially underperformed market expectations,” he said.

“As the portfolio’s largest holding, Hunter Hall Global Value’s continued underperformance and discount to NTA weighed on its share price performance. The company experienced a tumultuous financial year, with its founder Peter Hall unexpectedly resigning in December 2016. Following a protracted period of underperformance and uncertainty, shareholders voted to begin the necessary process of Board renewal and the implementation of a series of capital management and shareholder engagement initiatives. We continue to monitor Hunter Hall Global Value’s activities under the leadership of the new investment manager Pengana Capital. We were disappointed recently when the new Board announced it was seeking to reset its performance fee high watermark. We are currently exploring this in greater detail,” Mr Stott said.

Equity market outlook

Mr Stott said the investment team entered the 2018 financial year confident the Australian equity market will present attractive investment opportunities.

“During the 2017 financial year, small-to-mid-cap companies underperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index underperforming the S&P/ASX 200 Accumulation Index by 7.1%. An estimated $5 billion was removed from the small-cap sector and invested in other asset classes throughout the year, placing downward pressure on the share prices of the small-to-medium sized listed companies. We believe this adjustment has ended and that the headwinds facing the small-cap sector have abated. Company valuations are more attractive compared to twelve months ago and we are confident in our ability to continue to identify undervalued growth companies,” he said.

“In our view, low-risk trading opportunities will continue to present themselves. We expect the trend of geopolitical event driven volatility experienced in the 2017 financial year will continue and we are well positioned to take advantage of the resulting equity market mispricing. We remain focused on identifying and unlocking value in discounted asset plays, particularly within the listed investment company sector. Wilson Asset Management has a distinct advantage in working with companies to close their share-price discount to NTA and we will continue to take advantage of these opportunities,” Mr Stott said.

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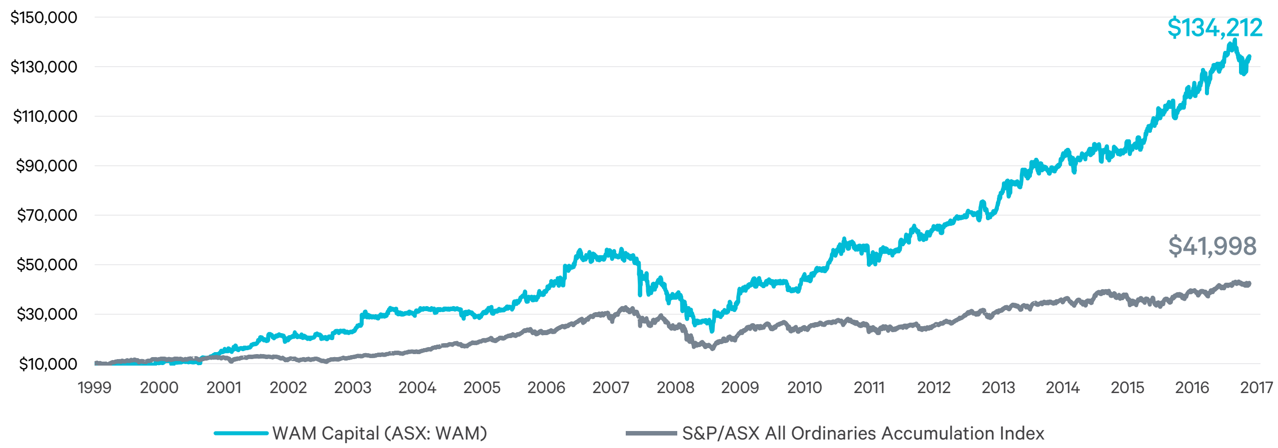
Top holdings as at 30 June 2017

Code	Company	%	Code	Company	%
HHV	Hunter Hall Global Value Limited	2.7%	SXL	Southern Cross Media Group Limited	1.3%
FLT	Flight Centre Travel Group Limited	1.9%	AUB	AUB Group Limited	1.3%
TGG	Templeton Global Growth Fund Limited	1.9%	ISU	iSelect Limited	1.2%
APT	Afterpay Touch Group Limited	1.8%	NCK	Nick Scali Limited	1.2%
ALQ	ALS Limited	1.6%	CL1	Class Limited	1.2%
JHG	Janus Henderson Group PLC	1.5%	SLC	Superloop Limited	1.2%
CPU	Computershare Limited	1.5%	PNI	Pinnacle Investment Management Group Limited	1.1%
CGF	Challenger Limited	1.5%	NEC	Nine Entertainment Co Holdings Limited	1.1%
EHE	Estia Health Limited	1.4%	SGM	Sims Metal Management Limited	1.1%
WOW	Woolworths Limited	1.4%	HT1	HT&E Limited	1.1%

Growth of a $10,000 investment since inception



Notes:

1. The above graph reflects the period from inception in August 1999 to 30 June 2017.
2. WAM Capital's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Capital portfolio.

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About WAM Capital

WAM Capital Limited (ASX: WAM), one of Australia's leading listed investment companies, is managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies, listed on the Australian Securities Exchange. WAM Capital also provides exposure to relative value arbitrage and market mispricing opportunities. WAM Capital's investment objectives are to deliver investors a stream of fully franked dividends, provide capital growth, and preserve capital.

About Wilson Asset Management

Established in 1997, Wilson Asset Management is the investment manager for six of Australia's leading listed investment companies: WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX), WAM Active (ASX: WAA) and Century Australia (ASX: CYA); and is responsible for over $2 billion in shareholder capital on behalf of more than 55,000 retail investors. Wilson Asset Management also created Australia's first listed investment companies to provide investors with access to leading fund managers while supporting our future generation: Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG).

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