W|A|M Capital

WAM Capital delivers record $119.4 million profit and increased dividend

ASX announcement & media release

Highlights

- Record interim profit before tax of $119.4 million (+49.8% on 2016)
- 10.4% investment portfolio performance, outperforming the index
- 9.1% increase in the pre-tax NTA for the six months to 31 December 2017
- 7.75 cents per share fully franked interim dividend

WAM Capital Limited (ASX: WAM) today announces a record operating profit before tax of $119.4 million for the half year to 31 December 2017, a 49.8% increase on the prior corresponding period (2016: $79.7 million) and a 48.0% rise in operating profit after tax to $87.4 million (2016: $59.1 million).

Chairman Geoff Wilson AO said the Company's record profit was driven by sound investment portfolio performance.

"The investment portfolio increased 10.4%, outperforming the S&P/ASX All Ordinaries Accumulation Index in the six months to 31 December 2017.

Mr Wilson said the increase in gross assets and the investment portfolio performance during the period resulted in an increase in the value of the pre-tax net tangible assets (NTA).

"In the past six months WAM Capital's gross assets grew by 8.8% to $1.3 billion. The dividend reinvestment plan (DRP) shortfall placement in November 2017 raised $43.4 million," Mr Wilson said.

"The capital was raised at a price that represented a 19.4% premium to the NTA at the time. This provided shareholders with a $7.0 million benefit that exceeded the management fees for the six months to 31 December 2017," he said.

"We are pleased that WAM Capital's pre-tax NTA, after adjusting for dividends, increased 9.1% during the period, to the benefit to all shareholders," Mr Wilson said.

The Board declared a fully franked interim dividend of 7.75 cents per share, a 3.3% increase on the prior corresponding period.

"The Board is pleased to deliver shareholders an increased fully franked interim dividend that represents an annualised dividend yield of 6.5%," Mr Wilson said.

"WAM Capital is committed to delivering an increasing stream of fully franked dividends and the investment portfolio's sound performance during the period has allowed the Board to achieve this objective," he said.

Performance at 31 December 2017	6 months	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio*	10.4%	12.5%	17.4%	17.1%	12.2%	17.7%
S&P/ASX All Ordinaries Accumulation Index	9.3%	12.5%	9.2%	10.4%	4.0%	8.5%
Outperformance	**+1.1%**	**+0.0%**	**+8.2%**	**+6.7%**	**+8.2%**	**+9.2%**

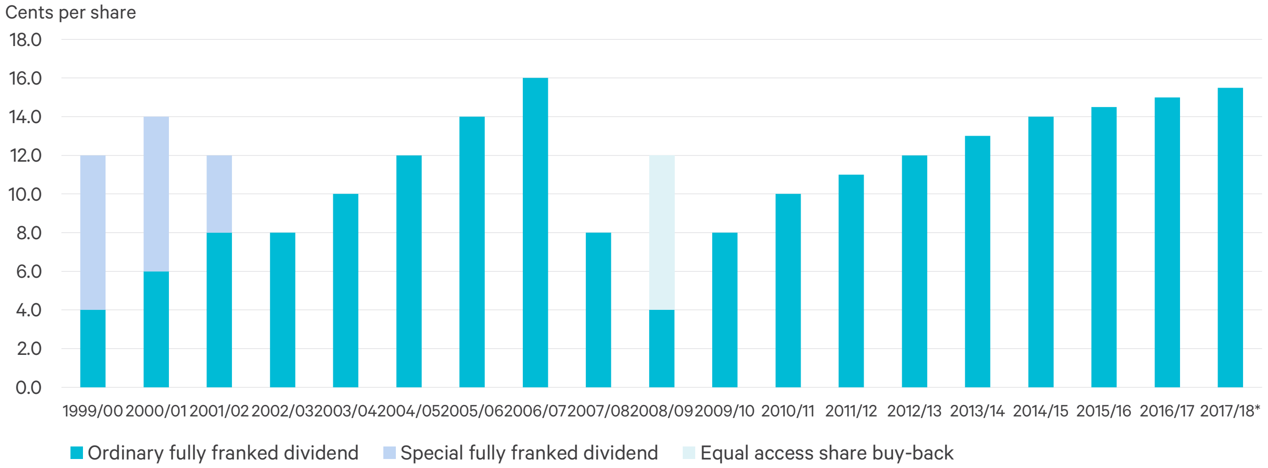
*Investment performance and Index returns are before expenses, fees and taxes.

Increased fully franked dividends

The Board declared a fully franked interim dividend of 7.75 cents per share, an increase of 3.3% on the previous year. The dividend will be paid on 27 April 2018 and will trade ex on 12 April 2018. The DRP is available to shareholders for the interim dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 17 April 2018.

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



*Annualised interim dividend

Portfolio performance

Wilson Asset Management Chief Investment Officer Chris Stott said the investment team was pleased to deliver sound performance of 10.4% during the half. The small-cap sector recovered during the period, driven by the small resources index, which was up 40% for the period.

"Utilising our proven research-driven investment process we continued to identify undervalued growth companies, primarily small-to-medium sized industrial companies. The largest contributor during the period was online lay-buy company Afterpay Touch Group (ASX: APT), which continues to experience significant momentum with its unique offering in the retail sector," Mr Stott said.

"Other contributors included Salary packaging and novated lease provider Smartgroup Corporation (ASX: SIQ), which announced a number of acquisitions, leading to an earnings surprise on the upside. Platinum Asset Management (ASX: PTM) benefitted from improved fund performance and fund flows following a number of lean years.

"Robust economic growth in China led to a rally in resources, driving performance in companies exposed to the sector. Mining technology company Imdex (ASX: IMD) is exposed to the rebound in the resources and mining services sectors, with increased mining activity propelling the company. Seven Group Holdings (ASX: SVW) was a strong performer, as the company benefitted from its acquisition of Coates Hire and an equity raising to support future transactions," Mr Stott said.

Mr Stott said the detractors from performance for the six months to 31 December 2017 included Oneview Healthcare (ASX: ONE), HT&E (ASX: HT1), Qantas Airways (ASX: QAN), iSentia Group (ASX: ISD) and Amaysim Australia (ASX: AYS).

Equity market outlook

Mr Stott said equity markets would face continued uncertainty as central banks continued to normalise interest rates, potentially faster than anticipated.

"We are almost nine years into the current global equity bull market and risk has appeared mispriced for some time. The correction in valuations and heightened volatility experienced in early February is indicative of investors' uncertainty," Mr Stott said.

"A low-inflation environment, coupled with solid economic growth and positive financial conditions, has ensured central banks around the world are well-positioned to continue their interest rate tightening cycle that would see interest rates approach more 'normal' levels.

"The major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

"In Australia, we believe inflation will continue to gain momentum as the year progresses and we expect interest rate increases in the later parts of calendar 2018 or early 2019. Consumer sentiment hit four-year highs in December, and coupled with continued and strong growth in Australia's population, this bodes well for the economy. We expect that Australian retailers will remain steadfast in 2018, buoyed by this improvement in consumer confidence and ongoing population growth.

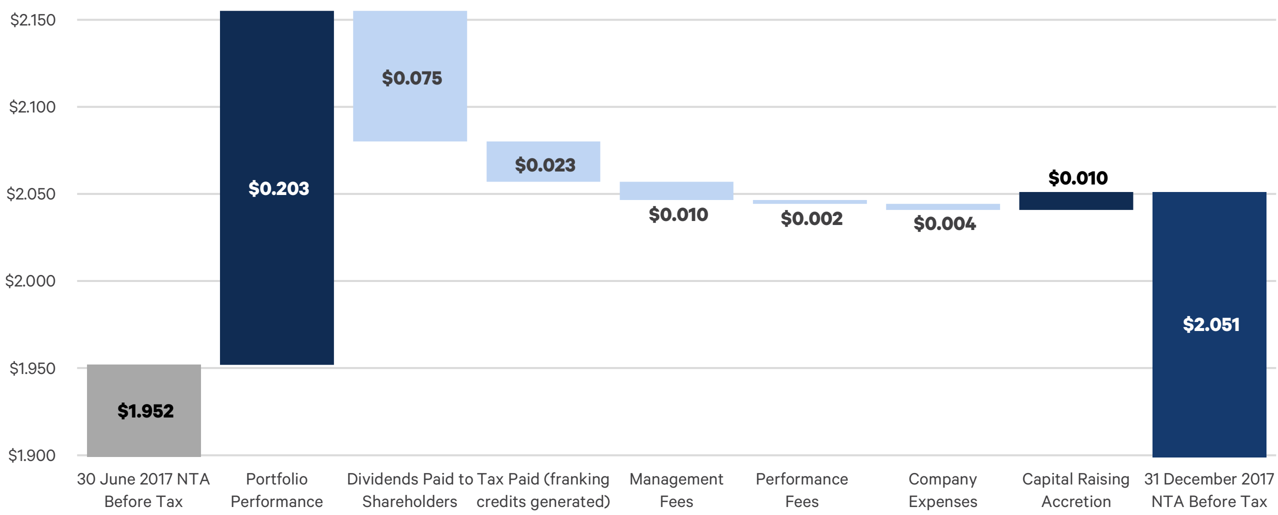
"China's economy, supported by ongoing government economic initiatives, will continue to grow this year, with positive implications for the Australian economy. With its large infrastructure spending expected to continue, recent reforms, along with Chinese Government infrastructure investment, will increase demand for commodities and support prices over the medium term, both in Australia and globally.

"While we continue to find attractive investment opportunities with the heightened volatility in the market, we remain cautious about the direction of the equity market over the short-to-medium term and have positioned the portfolio accordingly by realising profits and increasing our cash weighting to 40%," Mr Stott said.

Top holdings as at 31 December 2017

Code	Company	Code	Company
PIA	Pengana International Equities Limited	SDA	Speedcast International Limited
NEC	Nine Entertainment Co Holdings Limited	MQG	Macquarie Group Limited
SVW	Seven Group Holdings Limited	MTR	Mantra Group Limited
APT	Afterpay Touch Group Limited	GUD	GUD Holdings Limited
TGG	Templeton Global Growth Fund Limited	IMD	Imdex Limited
PRY	Primary Health Care Limited	TAH	Tabcorp Holdings Limited
SIQ	Smartgroup Corporation Limited	MYO	MYOB Group Limited
PTM	Platinum Asset Management Limited	MMS	McMillan Shakespeare Limited
ASL	Ausdrill Limited	MLB	Melbourne IT Limited
PSI	PSC Insurance Group Limited	SCO	Scottish Pacific Group Limited

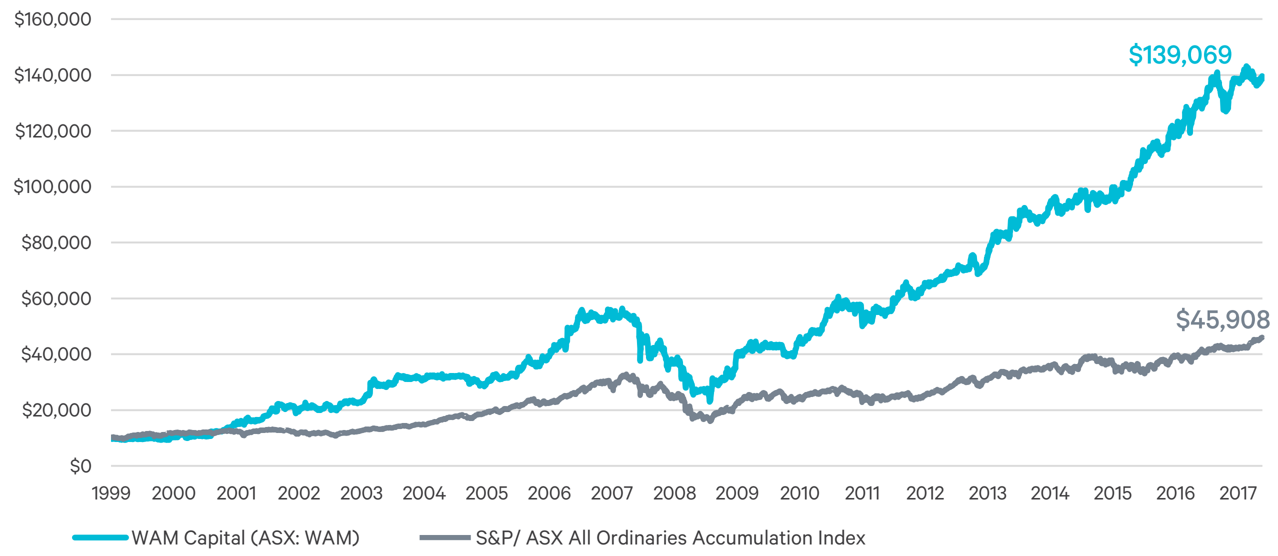
WAM Capital pre-tax NTA performance



WAM Capital's before tax NTA, after adjusting for dividends, increased 9.1% for the six months to 31 December 2017. This increase is after tax paid of 2.3 cents per share or 1.2%, with 7.5 cents of fully franked dividends being paid during the period. Corporate tax payments made throughout the period were the major item of difference between the investment portfolio performance of 10.4% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the period were management fees of 0.5%, performance fee accrued of 0.1%, other company related and capital raising expenses of 0.2%, being offset by capital raising accretion of 0.7%.

Growth of a $10,000 investment since inception

WAM Capital versus the Index



Notes:

1. The above graph reflects the period from inception in August 1999 to 31 December 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.

The total shareholder return for the Company for the period to 31 December 2017 was 3.6%. This was primarily driven by WAM Capital's investment portfolio performance and offset by the reduction in the share price premium to NTA during the period. As at 31 December 2017, the share price premium to NTA was 20.6% (June 2017: 24.8%). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

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

Wilson Asset Management has a 20-year track record of making a difference for shareholders and the community. As the investment manager for six 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), Wilson Asset Management invests almost $3 billion on behalf of more than 55,000 retail investors. Wilson Asset Management is the creator and lead supporter of Future Generation Investment Company and Future Generation Global Investment Company.

20 YEARS Making a difference

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