



# 2019 Half Year Results



Dear Shareholders,

During the six-month period to 31 December 2018, equity market volatility increased as investor sentiment oscillated with global macroeconomic and political news. Slowing economic growth in major global markets, quantitative tightening (QT) and rising interest rates in the United States (US), the US-China trade war and the ongoing Brexit drama were some of the major drivers of the significant fluctuations in equity prices during the period.

In Australia, the second half of the calendar year was defined by weaker economic growth, Federal Government instability and a raft of interventionist proposals from the Opposition, the Royal Commission into the Banking, Superannuation and Financial Services Industry, falling property prices and diminishing consumer and business sentiment.

These factors weighed on the Australian equity market with small and mid-cap companies suffering the most during the period. The S&P/ASX All Ordinaries Accumulation Index declined 7.3% during the six-month period and the S&P/ASX Small Ordinaries Accumulation fell 12.7%.

Given our long-held view of an impending bear market, we adjusted our cash holding to preserve shareholder capital and ensure liquidity in the portfolio. Our cash level increased from 29.0% to 43.9% during the period, reducing our exposure from 113 to 89 individual companies.

The holdings that performed well during the period included: Afterpay Touch Group (ASX: APT), Scottish Pacific Group (ASX: SCO), Jumbo Interactive (ASX: JIN), Macquarie Media (ASX: MRN) and Bravura Solutions (ASX: BVS). The detractors to the portfolio performance were Emeco Holdings (ASX: EHL), GTN Limited (ASX: GTN), Seven West Media (ASX: SWM), Seven Group Holdings (ASX: SVW) and WorleyParsons (ASX: WOR).

Despite significant volatility in the equity market, the Board of Directors has declared a fully franked interim dividend of 7.75 cents per share, currently representing an annualised dividend yield of 7.2%\*. This dividend is equal to the FY2018 interim dividend and will be paid from the available profits reserve, which is currently 15.39 cents per share before the interim dividend. Since inception in 1999, WAM Capital has paid \$2.23 per share in fully franked dividends to shareholders.

Overall, the investment portfolio decreased 9.3% in the half year to 31 December 2018, resulting in a reduction of \$132 million in assets, which led to an operating loss after tax of \$91.5 million.

At the end of 2018 our market outlook was extremely bearish due to signs that the US Federal Reserve would raise interest rates in 2019 and QT would continue at unprecedented levels. At the same time, leading economic indicators were pointing to a slowing global economy. The combined impact of these factors on equity markets would have been brutal. This did not occur and the major turning point in January was the unexpected about-face of the US Federal Reserve, holding interest rates for the foreseeable future and indicating that QT might be over. This change in approach provided equity markets with strong support.

Also during January, President Xi Jinping increased China's stimulus significantly, which will have implications for global economic growth, with particular relevance to Australia. We remain focused on these macroeconomic factors and their impact on markets and company results.

The investment portfolio's cash level is currently 35.0%, down from 43.9% on 31 December 2018, reflecting this change in outlook. The investment portfolio has increased 4.1% in the month to date.

We look forward to providing an update to our WAM Capital shareholders during our Investor Conference Call on 19 March 2019 and meeting you at our next Shareholder Presentations in May 2019.

Thank you for your support of WAM Capital and good luck investing in 2019,

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

\*Based on 25 February 2019 share price of \$216.



### Fully franked interim dividend

The Board declared a fully franked interim dividend of 7.75 cents per share. The DRP will be operating at a 2.5% discount for the interim dividend.

#### Key dividend dates

Ex dividend date	<b>10 April 2019</b>
Record date	<b>11 April 2019</b>
Last election date for DRP	<b>15 April 2019</b>
Payment date	<b>26 April 2019</b>

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. Since inception in August 1999, WAM Capital has paid \$2.23 per share in fully franked dividends to shareholders.

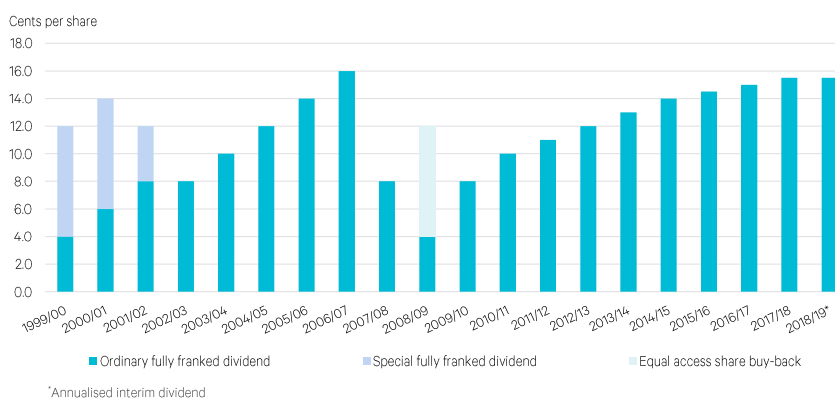
### Performance

as at 31 December 2018

	6 mths	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio*	-9.3%	-5.5%	6.7%	11.1%	15.9%	16.4%
S&P/ASX All Ordinaries Accumulation Index	-7.3%	-3.5%	6.6%	5.7%	9.1%	7.8%
<b>Outperformance</b>	<b>-2.0%</b>	<b>-2.0%</b>	<b>+0.1%</b>	<b>+5.4%</b>	<b>+6.8%</b>	<b>+8.6%</b>

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

### Fully franked dividends since inception



### Top 20 holdings in alphabetical order

as at 31 December 2018

Code	Company
ASB	Austal Limited
CGF	Challenger Limited
CIM	CIMIC Group Limited
CWY	Cleanaway Waste Management Limited
CCP	Credit Corp Group Limited
CSL	CSL Limited
DOW	Downer EDI Limited
EHL	Emeco Holdings Limited
IEL	IDP Education Limited
IPH	IPH Limited
MQG	Macquarie Group Limited
MYX	Mayne Pharma Group Limited
NBL	Noni B Limited
PIA	Pengana International Equities Limited
PSI	PSC Insurance Group Limited
SDF	Steadfast Group Limited
TAH	Tabcorp Holdings Limited
TGG	Templeton Global Growth Fund Limited
VOC	Vocus Group Limited
WOW	Woolworths Group Limited