

Chairman's update

Geoff Wilson AO



- 168.4% increase in operating profit before tax
- 7.75c per share fully franked interim dividend
- 8.9% investment portfolio performance in FY2020, outperforming the Index by 5.3%

WAM Capital achieved a 168.4% increase in operating profit before tax to \$95.6 million and a 176.9% increase in operating profit after tax to \$70.4 million in its FY2020 half year results. The operating profit for the period is reflective of the solid investment portfolio performance over the period.

The Board of Directors is pleased to deliver a fully franked interim dividend of 7.75 cents per share, currently representing an annualised fully franked dividend yield of 6.9%. Since inception in August 1999, WAM Capital has paid 238.5 cents per share in fully franked dividends to shareholders.

The fully franked dividend has been achieved through the solid 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. The Company's profits reserve at the end of the period was 10.6 cents per share and forms part of the net tangible assets (NTA).

The investment portfolio increased 8.9% during the period, outperforming the S&P/ASX All Ordinaries Accumulation Index by 5.3% with an average cash level of 20.1%.

We were pleased with the investment portfolio's solid outperformance, which was achieved by the investment team's rigorous application of our proven investment process.

WAM Capital provided shareholders with a total shareholder return of 15.2% in the six months to 31 December 2019, reflecting the Company's solid investment portfolio performance and the increase in the share price premium to NTA.

We look forward to providing an update to our WAM Capital shareholders during our Investor Conference Call on Thursday 12 March 2020 at 4.00pm-5.00pm (Sydney time) and meeting you at our next Shareholder Presentations in May 2020.

*Based on the 7 February 2020 share price of \$2.25 per share.

Annualised fully franked
interim dividend

15.5c

Annualised fully franked
dividend yield*

6.9%

Dividends paid since inception
(per share)

238.5c

Fully franked interim dividend

The Board declares 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.

Since inception in August 1999, WAM Capital has paid 238.5 cents per share in fully franked dividends to shareholders.

Key dividend dates

Ex dividend date	20 April 2020
Record date	21 April 2020
Last election date for DRP	23 April 2020
Payment date	28 April 2020

The Board is committed to paying a 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.

The Company's profits reserve at the end of the period was 10.6 cents per share and forms part of the NTA.



Our focus on identifying undervalued growth companies yielded solid portfolio performance during a six-month period that saw the Australian economy falter and geopolitical tensions fluctuate.

The continuation of accommodative monetary policies in Australia and globally facilitated further growth in asset prices despite significant geopolitical tensions such as the US-China trade tensions, Brexit and the Hong Kong protests.

Pockets of the domestic economy showed weakness following strong performance in the August reporting season, affecting sectors such as retail and automotive, while others, such as mining services and housing exposed companies, showed promise. We positioned the portfolio to take advantage of this, investing in companies that demonstrated a strong growth potential, solid management and a catalyst to drive the share price higher.

Core holdings that significantly contributed to the investment portfolio's outperformance during the period included: metal detection and mining technology company Codan (ASX: CDA), which increased 114.7%, payment solution provider EML Payments (ASX: EML), which increased 55.3%, mortgage broking company Australian Finance Group (ASX: AFG), which increased 73.3%, cloud service software provider Megaport (ASX: MP1), which increased 64.5% and construction services group Johns Lyng Group (ASX: JLG), which increased 51.6%. Detractors for the period included: AMA Group (ASX: AMA), Cleanaway Waste Management (ASX: CWY) and Vista Group International (ASX: VGL).

The media sector remained weak, with key verticals such as banks, automotive and insurance reducing their advertising budgets. The December quarter saw a shift to small-to-mid cap companies offering value, while the 'high flying' technology sector underperformed. Rising commodity prices in oil, gold and iron ore led to strong performance from resources companies, a trend we expect to continue this calendar year. The mining services sector stands to benefit from increased infrastructure investment by mining companies. Property prices appear to have bottomed, and we hold a positive outlook for building material companies and property developers, which performed well during the period.

Notwithstanding the accommodative climate for equities in Australia and globally, we remain cautious in our deployment of capital and held 17.1% in cash as at 31 December 2019.

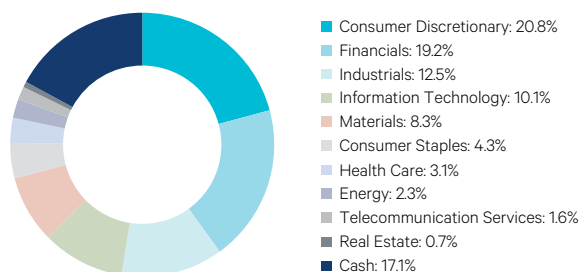
Performance

as at 31 December 2019

	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio	8.9%	22.4%	9.2%	13.3%	13.6%	16.7%
S&P/ASX All Ordinaries Accumulation Index	3.6%	24.1%	10.4%	9.3%	7.9%	8.6%
Outperformance	+5.3%	-1.7%	-1.2%	+4.0%	+5.7%	+8.1%
S&P/ASX Small Ordinaries Accumulation Index	3.9%	21.4%	10.0%	10.6%	4.1%	5.6%
Outperformance	+5.0%	+1.0%	-0.8%	+2.7%	+9.5%	+11.1%

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

Portfolio composition by sector



Top 20 holdings with portfolio weightings

as at 31 December 2019

Code	Company	%
BKW	Brickworks Limited	2.9%
SVW	Seven Group Holdings Limited	2.5%
PIA	Pengana International Equities Limited	2.1%
KGN	Kogan.com Limited	2.0%
TGG	Templeton Global Growth Fund Limited	2.0%
ASB	Austal Limited	2.0%
SSM	Service Stream Limited	2.0%
AFG	Australian Finance Group Limited	1.8%
CKF	Collins Foods Limited	1.7%
CCP	Credit Corp Group Limited	1.7%
CSR	CSR Limited	1.6%
APX	Appen Limited	1.6%
BWX	BWX Limited	1.6%
BRG	Breville Group Limited	1.6%
AMC	Amtcor Limited	1.5%
DHG	Domain Holdings Australia Limited	1.5%
CTX	Caltex Australia Limited	1.5%
MYR	Myer Holdings Limited	1.5%
KMD	Kathmandu Holdings Limited	1.5%
GMA	Genworth Mortgage Insurance Australia Limited	1.5%