



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, and falling property prices. The Australian economy slowed particularly in September with diminishing consumer and business sentiment weighing on the equity market, causing small and mid-cap companies to suffer most. The second half of 2018 saw the S&P/ASX Small Ordinaries Accumulation Index fall by 12.7%.

After a strong start to the first half of the financial year, retail companies performed poorly in the December quarter with Noni B (ASX: NBL), City Chic Collective (ASX: CCX) and Baby Bunting (ASX: BBN) declining by

22.1%, 26.0% and 6.9% respectively. A number of initial public offerings were cancelled in the same period as equity market volatility increased. These included Ampcontrol, Catch Group and VIVA Leisure.

As at 31 December 2018, WAM Microcap held 63 companies in the investment portfolio. The holdings that performed well during the period included: Jumbo Interactive (ASX: JIN), Acrow Formwork and Construction Services (ASX: ACF), Pinnacle Investment Management Group (ASX: PNI), Infomedia (ASX: IFM) and PWR Holdings (ASX: PWH). The detractors to the portfolio performance were Emeco Holdings (ASX: EHL), Veris (ASX: VRS), Generation Development Group (ASX: GDG), Boom Logistics (ASX: BOL) and Reckon (ASX: RKN).

Despite significant volatility in the equity market, the Board of Directors has declared a fully franked interim dividend of 2.25 cents per share, an increase of 12.5% on the prior corresponding period and currently representing an annualised dividend yield of 3.6%. The dividend has been achieved through the performance of the investment portfolio since inception and the profits reserve available. This is consistent with our investment objective of delivering investors a stream of fully franked dividends. Since inception in June 2017, WAM Microcap has

paid 6.0 cents per share in fully franked dividends to shareholders, including the special dividend of 2.0 cents per share fully franked paid in October 2018.

Overall, the investment portfolio decreased 6.2% in the half year to 31 December 2018, outperforming the Index by 6.5%. The Company recorded an operating loss after tax of \$8.4 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 32.1%, down from 39.3% on 31 December 2018 reflecting this change in outlook.

We look forward to providing an update to our WAM Microcap 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 Microcap and good luck investing in 2019,

Geoff Wilson AO
Chairman & Chief Investment Officer

*Based on 22 February 2019 share price of \$1265.



Highlights

Performance
(p.a. since June 2017)

14.0%

Dividend increase

12.5%

Annualised fully franked
interim dividend

4.5c

Fully franked interim dividend

The Board declared a fully franked interim dividend of 2.25 cents per share. The DRP will be operating at a 2.5% discount for the interim dividend.

Key dividend dates

Ex dividend date	10 April 2019
Record date	11 April 2019
Last election date for DRP	15 April 2019
Payment date	26 April 2019

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. Since inception in June 2017, WAM Microcap has paid 6.0 cents per share in fully franked dividends to shareholders, including the special dividend of 2.0 cents per share fully franked paid in October 2018.

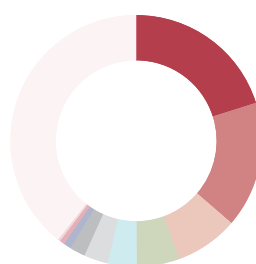
Performance

as at 31 December 2018

	6 mths	1 yr	Since inception %pa (Jun-17)
WMI Investment Portfolio*	-6.2%	-3.3%	14.0%
S&P/ASX Small Ordinaries Accumulation Index	-12.7%	-8.7%	5.2%
Outperformance	+6.5%	+5.4%	+8.8%

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

Portfolio composition by sector



- Consumer Discretionary: 20.1%
- Industrials: 16.2%
- Information Technology: 8.1%
- Financials: 5.5%
- Health Care: 3.7%
- Materials: 3.1%
- Telecommunication Services: 2.0%
- Consumer Staples: 1.0%
- Real Estate: 0.7%
- Energy: 0.3%
- Cash: 39.3%

Top 20 holdings

as at 31 December 2018

Code	Company
A2B	A2B Australia Limited
AQZ	Alliance Aviation Services Limited
BBN	Baby Bunting Group Limited
CCX	City Chic Collective Limited
EHL	Emeco Holdings Limited
GDG	Generational Development Group Limited
IFM	Infomedia Limited
JIN	Jumbo Interactive Limited
MRN	Macquarie Media Limited
MYE	Mastermyne Group Limited
NBL	Noni B Limited
OTW	Over The Wire Holdings Limited
PPE	People Infrastructure Limited
PBP	Probiotec Limited
PSI	PSC Insurance Group Limited
QIP	QANTM Intellectual Property Limited
RKN	Reckon Limited
SRS	Spicers Limited
TOT	360 Capital Total Return Fund
VRL	Village Roadshow Limited

