

Chairman's update

Geoff Wilson AO



- 311.9% increase in operating profit before tax
- 3.0c per share fully franked interim dividend, 33.3% increase
- 35.6% investment portfolio performance in CY2019, outperforming the Index by 14.2%

WAM Microcap achieved a 311.9% increase in operating profit before tax to \$27.3 million and a 333.1% increase in operating profit after tax to \$19.7 million in its FY2020 half year results. The operating profit for the period is reflective of the strong investment portfolio performance and the growth in assets over the period.

The Board of Directors were pleased to declare a fully franked interim dividend of 3.0 cents per share, representing a 33.3% increase on the prior corresponding period and currently representing an annualised fully franked dividend yield of 4.0%*. Since inception in June 2017, WAM Microcap has paid 12.75 cents per share in fully franked dividends to shareholders.

The fully franked dividend has been achieved through the strong 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 28.3 cents per share and forms part of the net tangible assets (NTA).

The investment portfolio increased 18.5% during the period, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 14.6% with an average cash level of 20.1%, and ended the 2019 calendar year up 35.6%, outperforming the Index by 14.2%.

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

WAM Microcap provided shareholders with a total shareholder return of 23.0% in the six months to 31 December 2019, reflecting the Company's strong investment portfolio performance and the increase in the share price relative to the NTA.

We look forward to providing an update to our WAM Microcap 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 11 February 2020 share price of \$1.515 per share.

Performance
(pa since June 2017)

21.9%

Dividend increase

33.3%

Annualised fully franked
interim dividend

6.0c

Fully franked interim dividend

The Board declared a fully franked interim dividend of 3.0 cents per share, representing a 33.3% increase on the FY2019 fully franked interim dividend.

Since inception in June 2017, WAM Microcap has paid 12.75 cents per share in fully franked dividends to shareholders, including the 4.25 cents per share in fully franked special dividends.

Key dividend dates

Ex dividend date	6 April 2020
Record date	7 April 2020
Last election date for DRP	9 April 2020
Payment date	21 April 2020

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.

The Company's profits reserve at the end of the period was 28.3 cents per share and forms part of the NTA.



Lead Portfolio
Manager's
update

Oscar Oberg

In the high-risk, high-reward small and micro-cap segment of the equity market, we are rigorous in our pursuit of companies that demonstrate earnings growth, management strength and a compelling valuation.

Core holdings that significantly contributed to the investment portfolio's outperformance during the period included: information technology business Data#3 (ASX: DTL), which increased 75.0%; fashion retail business City Chic Collective (ASX: CCX), which increased 44.6%; online retail company Temple & Webster Group (ASX: TPW), which increased 101.5%; buy-now-pay-later provider Sezzle Inc. (ASX: SZL), which increased 71.3% and health club network Viva Leisure (ASX: VVA), which increased 205.6%. Detractors for the period included: 5G Networks (ASX: 5GN), Prospa Group (ASX: PGL) and Cardno (ASX: CDD).

Despite sectors exposed to the Australian economy performing well over the August reporting season, such as retail and automotive, key data such as retail sales, consumer sentiment and economic growth disappointed market expectations. Given this weakness, we reduced our positions in companies exposed to the Australian economy over the past few months.

We are optimistic that the Australian housing market has bottomed and see value in the mining services sector given improving commodity prices and miners' requirement for infrastructure investment to maintain production levels.

Notwithstanding the accommodative climate for equities in Australia and globally, we remain cautious in our deployment of capital and held 20.7% in cash as at 31 December 2019. Small and micro-cap companies have historically demonstrated outperformance during the later stages of market cycles and underperformance in the early stages. We are highly selective when investing in this potentially volatile segment of the market.

Performance

as at 31 December 2019

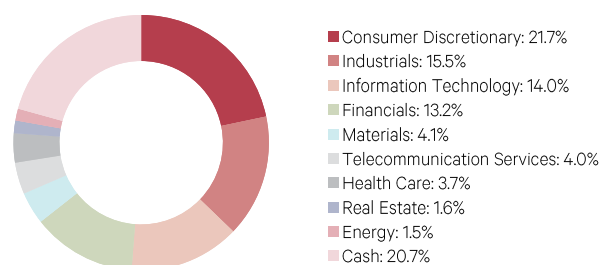
	Fin YTD	1 yr	Since inception %pa (Jun-17)
WMI Investment Portfolio	18.5%	35.6%	21.9%
S&P/ASX Small Ordinaries Accumulation Index	3.9%	21.4%	11.2%

Outperformance

+14.6% +14.2% +10.7%

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	%
CCX	City Chic Collective Limited	2.1%
OPC	Opticomm Limited	2.0%
EVO	Evolve Education Group Limited	1.9%
IFM	Infomedia Limited	1.9%
PSI	PSC Insurance Group Limited	1.9%
TPW	Temple & Webster Group Limited	1.8%
PSQ	Pacific Smiles Group Limited	1.8%
JLG	Johns Lyng Group Limited	1.8%
CNW	Cirrus Networks Holdings Limited	1.8%
MYR	Myer Holdings Limited	1.8%
ASG	Autosports Group Limited	1.7%
EGG	Enero Group Limited	1.6%
HIL	Hills Limited	1.6%
PPS	Praemium Limited	1.6%
WGN	Wagners Holding Company Limited	1.6%
TNK	Think Childcare Group	1.6%
AFG	Australian Finance Group Limited	1.6%
CL1	Class Limited	1.6%
BSA	BSA Limited	1.6%
MSV	Mitchell Services Limited	1.6%