

# 2021 March Quarter

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



**Oscar Oberg  
CFA**  
Lead Portfolio  
Manager



**Tobias Yao  
CFA**  
Portfolio  
Manager



## Portfolio update

Despite continued lockdowns throughout Europe, markets were buoyed by the aggressive rollout of the coronavirus vaccine in the United States and United Kingdom, with approximately 30% and 50% of the population receiving their first dose by the end of the March quarter.

The United States 10-year bond yield reacted positively, increasing 91 basis points over the quarter to 1.74% as the market began to factor in inflationary expectations, which have been fuelled by the unprecedented fiscal and monetary support over the past 12 months. The Biden administration released details of a USD2.2 trillion infrastructure stimulus package over the next eight years, which would be funded largely by corporate tax increases, with the federal corporate tax rate increasing from 21% to 28%. The most significant macroeconomic event for the month was the March Federal Open Market Committee meeting, with the United States Federal Reserve showing no signs of tapering, keeping interest rates near zero until 2023.

Domestically, the Australian economy continued to recover ahead of expectations. Data points including unemployment, retail sales, car sales, building approvals and house prices were materially better than anticipated, leading to upgrades in gross domestic product expectations. The Reserve Bank of Australia remained committed to its 0.1% cash rate target by 2024 and continued its quantitative easing program. The February 2021 reporting season was one of the best in 20 years, with the average earnings per share estimates upgraded by approximately 5%. The vast majority of these upgrades were driven by cost containment measures, with industrial companies revising costs down by 150 basis points despite ongoing pressures in raw materials, freight and wages.

Growing confidence on the economic recovery in Australia saw the continuation of the shift from growth companies into value and cyclical companies, with financials, resources, tourism and property outperforming coronavirus beneficiaries, namely technology, healthcare and retail. While the shift toward value companies has been rapid, we note that the gap between the valuation of growth companies and value companies remains the highest it has been in 50 years. For these reasons, we expect this shift to continue and see plenty of attractive opportunities that fit our investment process.

Over the March quarter, the WAM Capital investment portfolio outperformed the S&P/ASX All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index by 1.2% and 2.7% respectively.

Leading into the February reporting season, we re-positioned the portfolio towards cyclical industries such as tourism, traditional media, financials, and construction and into companies that had significant offshore exposure in coronavirus impacted regions. These decisions benefitted the investment portfolio, with our strongest performers over the quarter being cyclical companies such as ferry and bus operator SeaLink Travel Group (ASK: SLK), television and newspaper company Seven West Media (ASX: SWM), construction services company MAAS Group Holdings (ASX: MGH) and United Kingdom financial services company Virgin Money UK (ASX: VUK). Detractors to the investment portfolio came from the technology and healthcare sectors with Infomedia (ASX: IFM) and CleanSpace Holdings (ASX: CSX) performing poorly due to earnings downgrades.

The investment team has been diligent in sourcing new ideas for the investment portfolio that will benefit from a successful rollout of a vaccine. While we have reduced exposure to e-commerce companies that have benefitted from lockdowns, we have added retailers such as Lovisa (ASX: LOV) and City Chic Collective (ASX: CCX) which will benefit from increased foot traffic through shopping centres. Despite mining services companies performing poorly through reporting season, we think valuations remain attractive with companies such as Imdex (ASX: IMD) and ALS (ASX: ALQ) set to benefit from expanding exploration budgets. Given the positive seasonal conditions we are seeing in the agricultural industry, we added companies such as Nufarm (ASX: NUF), Tassal Group (ASX: TGR) and Select Harvests (ASX: SHV), which have been impacted by the pandemic over the past 12 months.

The acquisition of amaysim Australia Limited (ASX: AYS) was a highlight of the March quarter, with more than 2,500 shareholders representing approximately 79.8% of amaysim's issued capital accepting the issue of WAM Capital shares at a premium to the Company's net tangible assets. We were also successful with the unconditional off market takeover of Concentrated Leaders Fund Limited (ASX: CLF), achieving over 90% of interest.

While we expect volatility to remain high over the course of 2021, we are constructive on the outlook for equities. The successful inoculation in countries that were heavily impacted by the coronavirus provides a case for optimism. We believe that economic data will continue to surprise on the upside given the ongoing fiscal and monetary support, and that rising bond yields reflect the stronger-than-expected levels of economic growth globally. We do not yet see rising inflation as a concern given the continued uncertainty that remains. We continue our strategy of investing in companies offering the most liquidity, with 83% of the portfolio able to be sold within 30 days as at 31 March 2021. We ended the quarter with cash levels of 14.5%.

### Investment manager update - WAM Strategic value IPO launching soon

We are pleased to confirm that we are preparing to launch an IPO in May. WAM Strategic Value will focus on identifying and capitalising on share price discounts to underlying asset values of listed companies, primarily listed investment companies (LICs), listed investment trusts (LITs) and other closed-end investment vehicles.

Wilson Asset Management manages both WAM Capital and WAM Active, LICs with a broad Australian equities mandate that employ the same market-driven investment process as WAM Strategic Value. If the Minimum Subscription is raised under the IPO, each of WAM Capital, WAM Global and WAM Active and the Wilson Asset Management Equity Fund will grant WAM Strategic Value a call option that would allow the Company to acquire the securities they hold in LICs and listed investment trusts that fall within the focus of WAM Strategic Value's Investment Strategy which can be transferred without restriction.

Chairman and Chief Investment Officer Geoff Wilson AO will serve shareholders as the Lead Portfolio Manager of WAM Strategic Value. Full details will be contained in a prospectus that will be issued by WAM Strategic Value when the IPO is launched. We expect to lodge the prospectus with ASIC in early May 2021 and the offer to close in early June 2021. Once lodged with ASIC the prospectus will be made available on our website.

If you have any questions regarding WAM Strategic Value, please call Geoff Wilson AO on (02) 9247 6755 or email [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

### Platforms and research

All major platforms provide access to WAM Capital, including AMP North, BT Panorama, Colonial First State FirstWrap, Netwealth, Macquarie Wrap and Hub24. WAM Capital receives coverage from the following independent investment research providers and have received the following ratings:



### WAM Capital top holdings

as at 31 March 2021

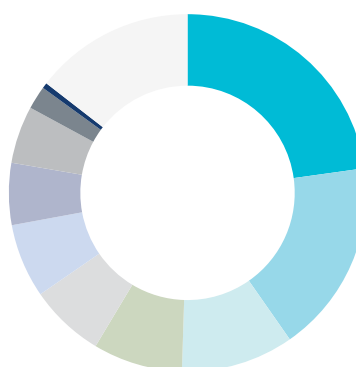
#### Research driven holdings

Code	Company	%
FBU	Fletcher Building Limited	2.0%
SVW	Seven Group Holdings Limited	1.9%
LNK	Link Administration Holdings Limited	1.8%
VEA	Viva Energy Group Limited	1.7%
SLK	SeaLink Travel Group Limited	1.5%
BWX	BWX Limited	1.5%
BGA	Bega Cheese Limited	1.4%
CDA	Codan Limited	1.4%
CCX	City Chic Collective Limited	1.4%
BRG	Breville Group Limited	1.3%

#### Market driven holdings

CIE	Contango Income Generator Limited	3.8%
TGG	Templeton Global Growth Fund Limited	2.3%
AUI	Australian United Investment Company Limited	2.1%
GMA	Genworth Mortgage Insurance Australia Limited	2.0%
CGF	Challenger Limited	2.0%
VUK	Virgin Money UK PLC	1.6%
PGH	Pact Group Holdings Limited	1.4%
DOW	Downer EDI Limited	1.4%
SGR	The Star Entertainment Group Limited	1.4%
PIA	Pengana International Equities Limited	1.3%

### Sector allocation



- Financials: 22.8%
- Consumer discretionary: 17.5%
- Industrials: 10.2%
- Materials: 8.1%
- Consumer staples: 6.8%
- Information technology: 6.7%
- Health care: 5.6%
- Communication services: 5.2%
- Energy: 2.1%
- Real estate: 0.5%
- Cash: 14.5%

## Market capitalisation

\$1,905.9m\*

## Gross assets

\$1,651.2m

## Listed equities

\$1,412.1m

## Dividends paid since inception

(per share)

254.0c

## Annualised fully franked interim dividend

15.5c

## Annualised fully franked interim dividend yield

7.0%\*

## Profits reserve

23.4cps

\*Based on the 31 March 2021 share price of \$2.21 per share and the annualised FY2021 fully franked interim dividend of 15.5 cents per share. WAM Capital has 862,400,667 shares on issue

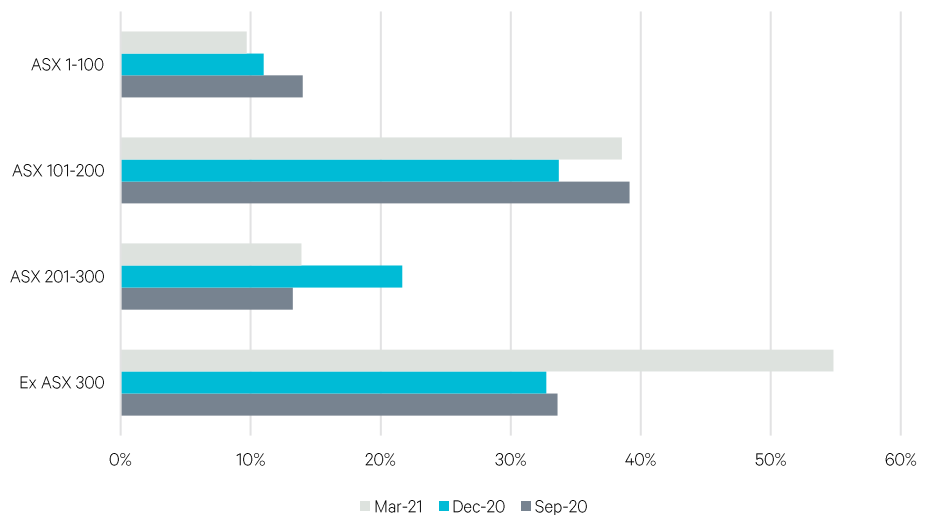
## Performance

as at 31 March 2021

	3 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio <sup>†</sup>	4.8%	28.7%	52.1%	9.9%	11.7%	13.0%	16.4%
S&P/ASX All Ordinaries Accumulation Index	3.6%	19.9%	41.1%	10.1%	10.6%	8.0%	8.4%
<b>Outperformance</b>	<b>+1.2%</b>	<b>+8.8%</b>	<b>+11.0%</b>	<b>-0.2%</b>	<b>+1.1%</b>	<b>+5.0%</b>	<b>+8.0%</b>
S&P/ASX Small Ordinaries Accumulation Index	2.1%	22.8%	52.1%	8.3%	10.7%	4.1%	5.8%
<b>Outperformance</b>	<b>+2.7%</b>	<b>+5.9%</b>	<b>+0.0%</b>	<b>+1.6%</b>	<b>+1.0%</b>	<b>+8.9%</b>	<b>+10.6%</b>

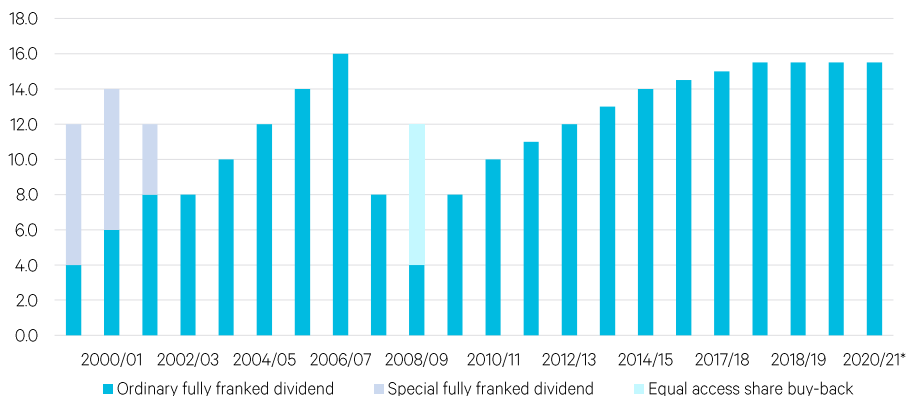
<sup>†</sup>Investment portfolio performance and index returns are before expenses, fees and taxes.

## Portfolio composition by market capitalisation



## History of fully franked dividends

Cents per share



\*Annualised interim dividend.

## Contact us

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