

2021 September Quarter

Geoff Wilson AO
Chairman & Chief
Investment Officer



Oscar Oberg
CFA
Lead Portfolio
Manager



Tobias Yao
CFA
Portfolio Manager



Portfolio update

Supply chain disruption combined with increased freight, commodity and wage cost inflation was the major concern for equity markets in the September quarter. Together with the rapid increase of the Delta coronavirus variant, this contributed to growing fears about slowing global growth.

The US 10-year bond yields rallied 7 basis points over the quarter to 1.54% as the US Federal Reserve signalled that conditions to taper asset purchases have been “all but met”, given confidence around an improving US job market. Half of the Federal Open Market Committee members now expect at least one rate rise in 2022. Meanwhile, a more hawkish rhetoric was also signalled by the Bank of England which announced it would be willing to tighten monetary policy before the end of its existing bond asset repurchase program. Concerns about China and in particular, property developer Evergrande, weighed on global sentiment, while rapidly rising thermal coal and oil prices caused problems for power and utility networks globally.

The Reserve Bank of Australia (RBA) surprised markets by extending its bond repurchasing program to February 2022. This reflected economic uncertainty as the Delta strain prompted a rapid increase in new coronavirus cases within New South Wales and Victoria. Despite the continued ascent of Australian house prices, the RBA stated that interest rates are unlikely to increase before 2024. However late in the quarter, the Australian Prudential Regulation Authority (APRA) tightened its policy settings by increasing the loan serviceability buffer from 2.5% to 3.0%. This means banks must assess new borrowers' ability to meet repayments at rates that are at least 3% higher than current levels.

Within the Australian equity market, the September quarter was dominated by a rapid reduction in iron ore prices due to concerns about the Chinese housing market and slowing economic growth. This, combined with rising raw material, wage and freight cost inflation, contributed to the August reporting season being weaker than anticipated, with aggregate earnings downgrades of 14% for the 2022 financial year. Brent crude oil prices continued to rise over the period, reaching a seven-year high of more than USD80 per barrel in September. After a strong June quarter, the technology sector underperformed given concerns about rising long-term bond yields.

The investment portfolio had a strong start to the financial year, generating 5.7% outperformance compared to the S&P/ASX Small Ordinaries Accumulation Index during the September

quarter. We have continued to position the portfolio away from sectors that had benefited from the coronavirus pandemic and into sectors such as tourism, retail and industrials that had been impacted by the recent lockdowns in New South Wales and Victoria. Pleasingly, we had a strong reporting season within the WAM Microcap investment portfolio led by the tourism sector with companies such as Tourism Holdings (NZX: THL), Apollo Tourism & Leisure (ASX: ATL), Camplify Holdings (ASX: CHL) and Ardent Leisure Group (ASX: ALG) performing well as hotel bookings and airline travel increased in the US and Europe.

Companies within the telecommunications sector also performed strongly over the quarter as the market warmed to the prospect of increased industry consolidation. Benefitting from this trend were companies such as Tuas (ASX: TUA), Swoop Holdings (ASX: SWP) and Aussie Broadband (ASX: ABB).

With the removal of stimulus programs such as JobKeeper, we believe the retail sector will struggle to grow over the next two years given the record levels of earnings delivered during the pandemic. However, we do see a strong outlook for retailers such as The Reject Shop (ASX: TRS) and Universal Store Holdings (ASX: UNI) which should benefit from increased mobility as restrictions ease across the country.

We currently have eight pre-initial public offering investments totalling 4.2% of the portfolio. During the period, we added drilling company Norcliffe Mining Services and gold assay technology company Chrysos Corporation. We participated in Xpansiv's USD100 million capital raising and are positive on the company's prospects following record levels of volumes driven through its environmental, social and corporate governance commodity trading platform over the quarter. Our largest holding, data centre infrastructure company Iris Energy, announced an initial public offering on the NASDAQ by the end of the year with a pro forma equity valuation estimated to be up to USD1.5 billion.

While we expect volatility to remain high over the course of 2022, we remain constructive on the outlook for equities. Given the sheer volume of economic support we have seen globally, we anticipate a period during which economic data continues to positively surprise. Our expectations for the Australian market remain upbeat with the prospect of double-digit earnings growth over the next 12 months. The announcement of \$18 billion of share buybacks and special dividends has emphasised the ongoing strength of balance sheets, and the portfolio remains positioned towards cyclical sectors that are most likely to benefit from an improving economy. We ended the quarter with a cash level of 10.3%.

Market capitalisation

\$439.4m*

Gross assets

\$382.2m

Listed equities

\$342.9m

Dividends paid since inception

(per share)

25.75c

Fully franked full year dividend

8.0c

Fully franked special dividend

4.0c

Profits reserve

55.6cps

*Based on the 30 September 2021 share price of \$2.12 per share and 207,247,850 shares on issue.

Platforms and research

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



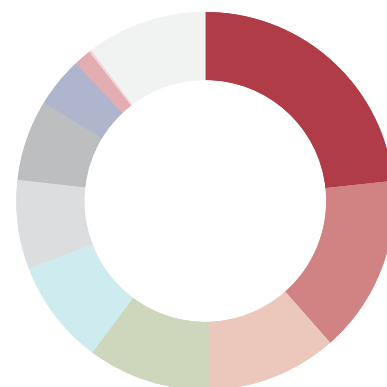
WAM Microcap top 20 holdings

as at 30 September 2021

Code	Company	%
ALG	Ardent Leisure Group Limited	2.5%
TUA	Tuas Limited	2.4%
EGG	Enero Group Limited	2.4%
CLU	Cluey Limited	2.2%
PPS	Praemium Limited	2.1%
SLA	SILK Laser Australia Limited	2.0%
THL NZX	Tourism Holdings Limited	2.0%
CAJ	Capitol Health Limited	2.0%
VRT	Virtus Health Limited	1.9%
MXI	MaxiTRANS Industries Limited	1.9%
ABB	Aussie Broadband Limited	1.8%
AMS	Atomos Limited	1.8%
SLH	Silk Logistics Holdings	1.7%
PPE	People Infrastructure Limited	1.6%
KED	Keypath Education International Inc	1.6%
FZO	Family Zone Cyber Safety Limited	1.6%
RKN	Reckon Limited	1.5%
AVG	Australian Vintage Limited	1.5%
GDG	Generation Development Group Limited	1.5%
UNI	Universal Store Holdings Limited	1.5%

Sector allocation

- Consumer discretionary: 23.3%
- Information technology: 15.2%
- Communication services: 11.1%
- Industrials: 10.6%
- Materials: 9.0%
- Financials: 7.6%
- Health care: 6.9%
- Consumer staples: 4.3%
- Real estate: 1.5%
- Energy: 0.2%
- Cash: 10.3%



Performance

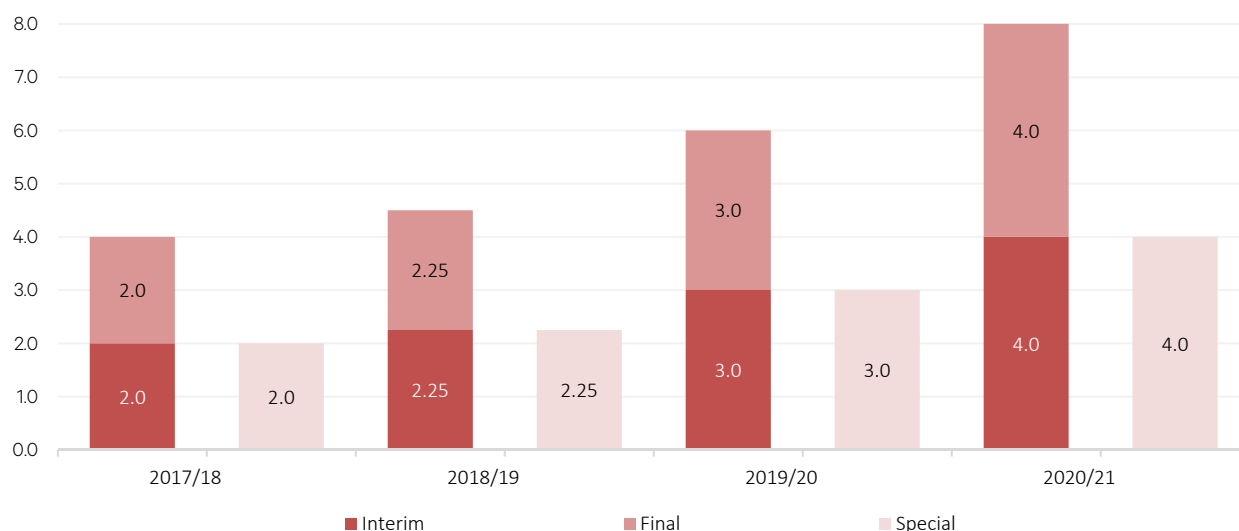
as at 30 September 2021

	3 mths	6 mths	1 yr	3 yrs %pa	Since inception %pa (Jun-17)
WMI Investment Portfolio*	9.1%	15.6%	38.5%	23.4%	25.0%
S&P/ASX Small Ordinaries Accumulation Index	3.4%	12.2%	30.4%	9.4%	12.2%
Outperformance	+5.7%	+3.4%	+8.1%	+14.0%	+12.8%

*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

History of fully franked dividends

Cents per share



Contact us

Kate Thorley

Chief Executive Officer

0405 115 644

kate@wilsonassetmanagement.com.au

Oscar Oberg CFA

Lead Portfolio Manager

0401 495 081

oscar@wilsonassetmanagement.com.au

Tobias Yao CFA

Portfolio Manager

0431 127 044

tobias@wilsonassetmanagement.com.au