

# 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.

We were pleased with our performance over the March quarter, with the WAM Active investment portfolio increasing 3.8%.

Leading into the February reporting season we had repositioned the portfolio towards cyclical industries such as tourism, agriculture, traditional media and financials, 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 United Kingdom financial services company Virgin Money UK (ASX: VUK), television and newspaper company Seven West Media (ASX: SWM) and agricultural company GrainCorp (ASX: GNC). Detractors to the portfolio came from the technology sector with companies such as Nuix (ASX: NXL), Afterpay (ASX: APT) and Carsales.com (ASX: CAR) underperforming over the period.

The investment team has been diligent in sourcing new ideas for the portfolio that will benefit from a successful rollout of a vaccine. Rising bond yields and an improved economic environment should benefit financial companies such as Challenger (ASX: CGF) and Genworth Mortgage Insurance Australia (ASX: GMA). Despite mining services companies performing poorly through reporting season, we believe valuations remain attractive with companies such as Downer EDI (ASX: DOW) and ALS (ASX: ALQ) set to benefit from a buoyant outlook for the sector.

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 as fiscal and monetary support continue, 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 81% of the portfolio able to be sold within 30 days as at 31 March 2021. We ended the quarter with cash levels of 15.3% as at 31 March 2021.

## WAM Active Share Purchase Plan, Placement and Bonus Issue of Options

We successfully raised more than \$25.2 million during the March quarter through a Share Purchase Plan (SPP) and oversubscribed Placement. More than 42% of existing WAM Active shareholders participated in the SPP.

In March, WAM Active shareholders were allotted a one-for-one **Bonus Option Issue**, which are now trading on the ASX under the code WAAOA.

### Market capitalisation

\$75.1m\*

### Gross assets

\$74.2m

### Listed equities

\$62.9m

### Dividends paid since inception

(per share)

74.7c

### Annualised fully franked interim dividend yield

5.6%\*

### Profits reserve

9.3cps

\*Based on the 31 March 2021 share price of \$1.07 per share and the annualised FY2021 fully franked interim dividend of 6.0 cents per share.

WAM Active has 70,224,020 shares on issue at 31 March 2021. The above figures are not adjusted for the 70,066,409 options on issue, as at 31 March 2021, with an exercise price of \$1.10 per option.

### Platforms and research

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



Recommended



Approved

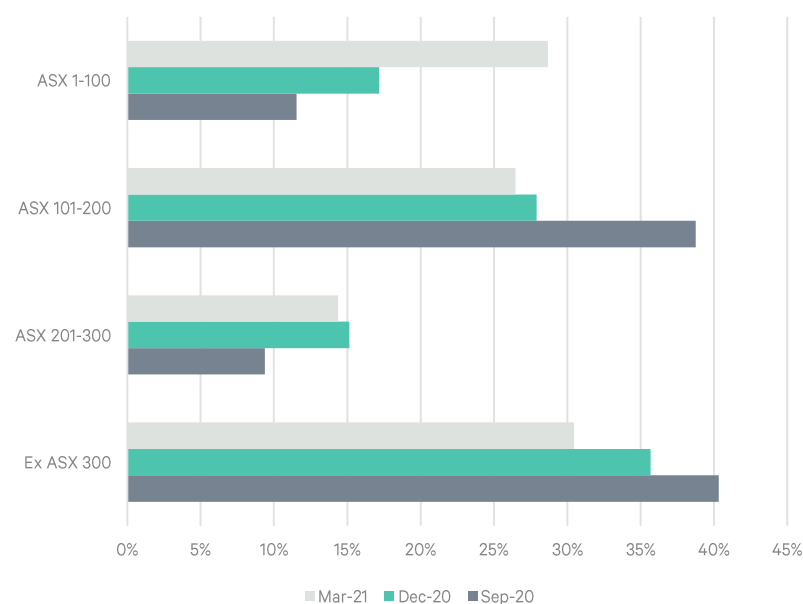


### WAM Active top 20 holdings

as at 31 March 2021

Code	Company	%
KBC	Keybridge Capital Limited	5.7%
GMA	Genworth Mortgage Insurance Australia Limited	4.1%
CGF	Challenger Limited	4.0%
SGR	The Star Entertainment Group Limited	3.7%
TGG	Templeton Global Growth Fund Limited	3.7%
VUK	Virgin Money UK PLC	3.3%
AUI	Australian United Investment Company Limited	3.2%
PGH	Pact Group Holdings Limited	2.9%
DOW	Downer EDI Limited	2.8%
SWM	Seven West Media Limited	2.4%
HLS	Healius Limited	2.4%
CCP	Credit Corp Group Limited	2.3%
PIA	Pengana International Equities Limited	2.2%
CGC	Costa Group Holdings Limited	2.1%
RWC	Reliance Worldwide Corporation Limited	2.0%
EML	EML Payments Limited	2.0%
RHC	Ramsay Health Care Limited	2.0%
NUF	Nufarm Limited	1.9%
CAJ	Capitol Health Limited	1.8%
GNC	GrainCorp Limited	1.7%

### Equity portfolio composition by market capitalisation



## Performance

as at 31 March 2021

	3 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio <sup>^</sup>	3.8%	23.1%	45.8%	9.7%	11.4%	11.4%	12.1%
Bloomberg AusBond Bank Bill Index (Cash)	0.0%	0.0%	0.1%	1.1%	1.4%	2.3%	3.0%
<b>Outperformance</b>	<b>+3.8%</b>	<b>+23.1%</b>	<b>+45.7%</b>	<b>+8.6%</b>	<b>+10.0%</b>	<b>+9.1%</b>	<b>+9.1%</b>
S&P/ASX All Ordinaries Accumulation Index	3.6%	19.9%	41.1%	10.1%	10.6%	8.0%	5.0%
<b>Outperformance</b>	<b>+0.2%</b>	<b>+3.2%</b>	<b>+4.7%</b>	<b>-0.4%</b>	<b>+0.8%</b>	<b>+3.4%</b>	<b>+7.1%</b>

Investment portfolio performance and index returns are before expenses, fees and taxes.

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

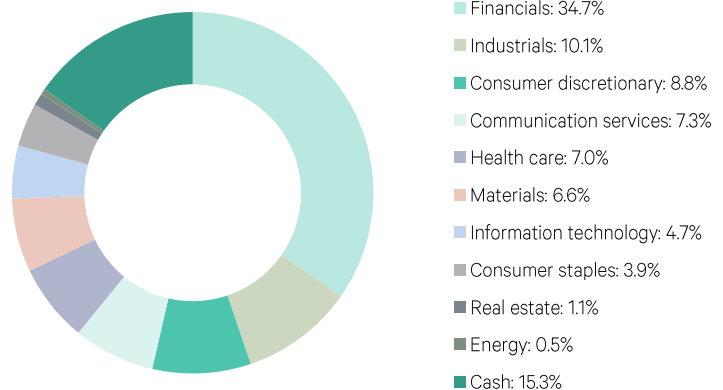
We are pleased to confirm that we are preparing to launch an IPO in May. WAM Strategic Value will focus on identifying and capitalising on share price discounts to underlying asset values of listed companies, primarily listed investment companies (LICs), listed investment trusts (LITs) and other closed-end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

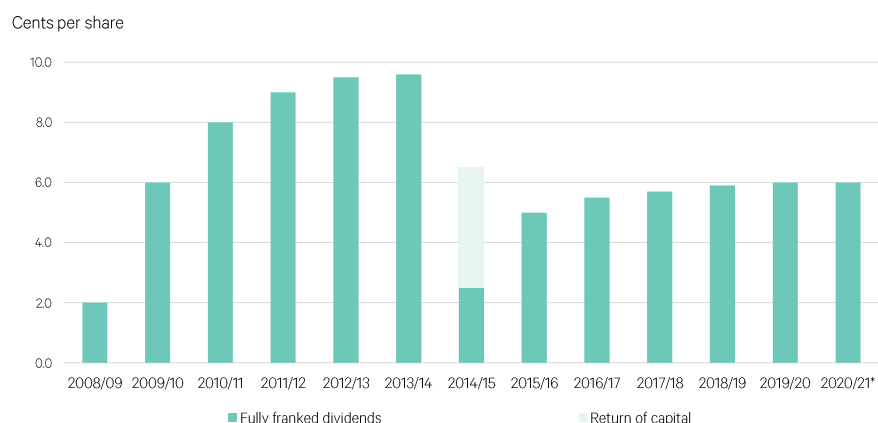
Chairman and Chief Investment Officer Geoff Wilson AO will serve shareholders as the Lead Portfolio Manager of WAM Strategic Value. Full details will be contained in a prospectus that will be issued by WAM Strategic Value when the IPO is launched. We expect to lodge the prospectus with ASIC in early 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).

## Sector allocation



## History of fully franked dividends



\*Annualised interim dividend.

## Contact us

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