

# Investment Update & Net Tangible Assets Report

AS AT 31 MAY 2014



## Performance

Performance at 31 May 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	Since Inception %pa (Jan-08)
WAA Investment Portfolio*	0.7%	4.3%	18.6%	17.1%	12.2%	16.0%	13.2%
S&P/ASX All Ordinaries Accumulation Index	0.6%	5.1%	19.3%	16.2%	9.3%	12.2%	1.9%
<b>Outperformance</b>	<b>+0.1%</b>	<b>-0.8%</b>	<b>-0.7%</b>	<b>+0.9%</b>	<b>+2.9%</b>	<b>+3.8%</b>	<b>+11.3%</b>
UBS Bank Bill Index	0.2%	1.3%	2.5%	2.7%	3.6%	3.9%	4.5%
<b>Outperformance</b>	<b>+0.5%</b>	<b>+3.0%</b>	<b>+16.1%</b>	<b>+14.4%</b>	<b>+8.6%</b>	<b>+12.1%</b>	<b>+8.7%</b>

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

## Net Tangible Assets (NTA) figures

NTA before tax	<b>105.65c</b>
NTA after tax and before tax on unrealised gains	<b>105.76c*</b>
NTA after tax	<b>105.68c**</b>

\*Includes tax assets of 0.11 cents per share.

\*\*Includes the net effect of 0.11 cents of tax assets and 0.08 cents of deferred tax liabilities.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index ('Index') continued its upward trajectory in May rising 0.6%. This was the Index's first positive performance for the month of May since 2009. The Index's increase disproved the well-known market adage, 'sell in May and go away'. Australian equities lagged global markets which continued to rally. During the month the MSCI All-Country Index, which measures the performance of international equities, reached a record high in response to news that the European Central Bank would once again lower interest rates. United States equity markets edged higher defying mixed macroeconomic data and continued tapering of the Federal Reserve's Quantitative Easing program. The local Index closed up 19.3% for the financial year to date and up an astonishing 47.9% since its last low in June 2012.

Despite Australia's better-than-expected employment figures out earlier in the month, the Federal Budget announced on 13 May has had a negative impact on consumer and business confidence. The Abbott Coalition Government's first budget will have a contractionary impact. We estimate the impact on the nation's economic growth will be negative 0.5% next financial year and approximately negative 2.0% over the coming four years. In our view, last week's first quarter GDP figure painted an overly optimistic picture of the economy boosted by coal and iron ore exports. Based on our research, we expect the second quarter figures will reflect the challenging conditions currently facing the economy. We are cautious in our short term outlook for Australian equities with the investment portfolio holding higher than average levels of cash. Our current cash reserves ensure the Company is well positioned to seize on opportunities in the market when they arise.

### WAM Active Limited

ASX Code	WAA
Listed	Jan 2008
Gross assets	\$37.5m
Market cap	\$42.9m
Share price	\$1.25
NTA before tax	\$1.06
Shares on issue	34,316,532
Fully franked annualised interim dividend (FY2014)	9.6c
Dividend yield	7.7%

### Investment objectives

- Deliver a regular income stream via fully franked dividends
- Provide a positive return with low volatility, after fees, over most periods of time
- Preserve capital

### Company overview

WAM Active Limited (ASX: WAA) is a Listed Investment Company managed by Wilson Asset Management Group. Listed in January 2008, WAA provides investors with exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets.

### Investment & Management Team

**Geoff Wilson**  
Chairman/Portfolio Manager

**Kate Thorley**  
Chief Executive Officer/  
Company Secretary

**Chris Stott**  
Chief Investment Officer/  
Portfolio Manager

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Matthew Haupt**  
Senior Equity Analyst

**Mark Tobin**  
Equity Analyst

**Meredith Hemsley**  
Corporate Affairs

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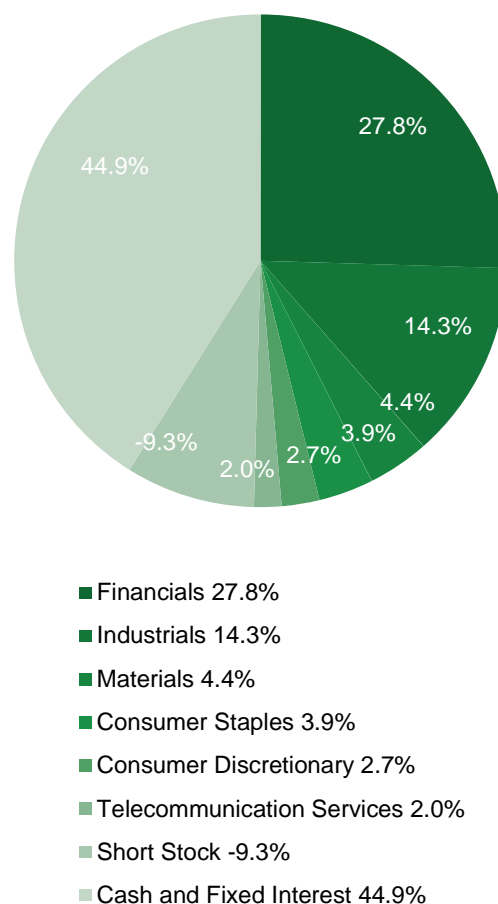
## Diversified portfolio

Investment Type	April 2014		May 2014	
	\$m	%	\$m	%
Listed Equities	24.0	61.8	22.7	55.1
Fixed Interest & Cash	14.8	38.2	18.6	44.9
Long Portfolio	38.8	100.0%	41.3	100.0%
Short Portfolio	(1.5)	(3.9)	(3.8)	(9.3)
Gross Assets	\$37.3m		\$37.5m	
Total shares on issue	34,316,532		34,316,532	

## Top holdings

Code	Company	Market Value as % Gross Assets
CYA	Century Australia Investments Limited	4.4%
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS V	4.4%
WIC	Westoz Investment Company Limited	3.4%
IPE	IPE Limited	3.2%
MQA	Macquarie Atlas Roads Group	3.1%
HIL	Hills Limited	2.9%
TGR	Tassal Group Limited	2.8%
DJS	David Jones Limited	2.5%
ANZPB	ANZ Convertible Preference Share - CPS1	2.3%
CGF	Challenger Limited	2.2%
MTU	M2 Telecommunications Group Limited	2.2%
CYG	Coventry Group Limited	2.1%
GMA	Genworth Mortgage Insurance Australia Limited	2.1%
BKW	Brickworks Limited	2.0%
FBU	Fletcher Building Limited	2.0%
CCP	Credit Corp Group Limited	1.9%
HHV	Hunter Hall Global Value Limited	1.9%
IBC	Ironbark Capital Limited	1.8%
WBCPB	WBC Stapled Preferred Security II	1.8%
TWE	Treasury Wine Estates Limited	1.5%

## Sector allocation



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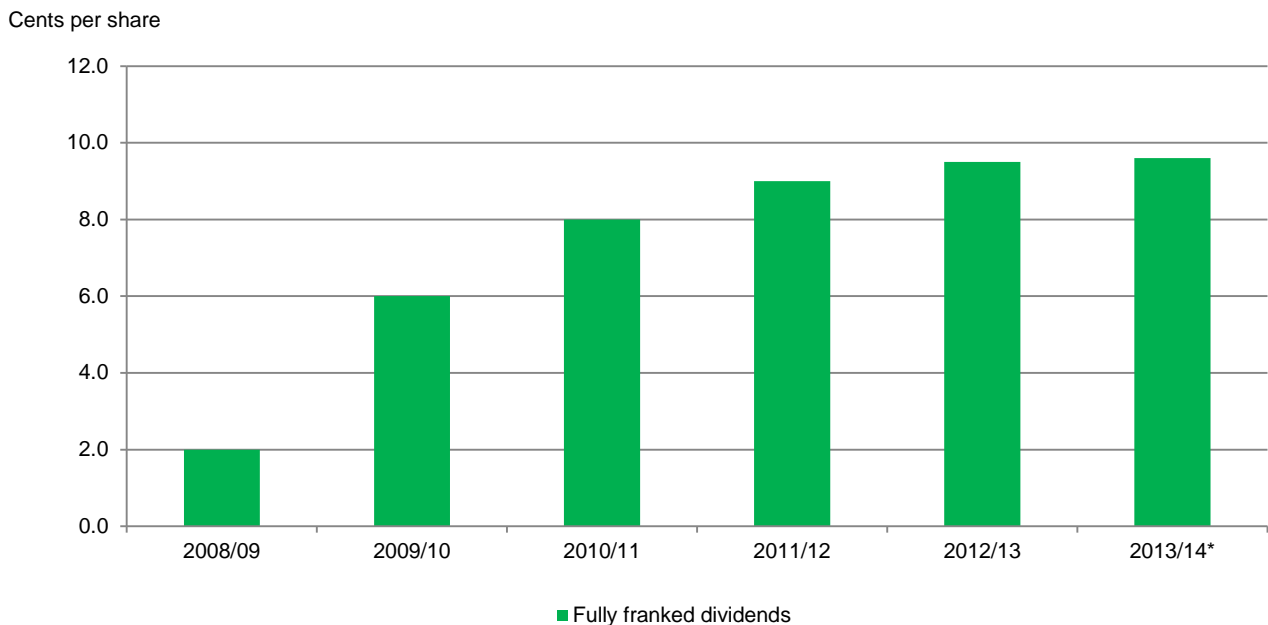
## Dividend growth

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. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

On 30 April 2014 the Company paid a fully franked interim dividend of 4.8 cents per share.

As at 31 May 2014, the Company's estimated profit reserve is 4.6 cents per share and the franking account has a balance of \$151,585. The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax. The franking balance does not include the current tax liability and tax to be paid on unrealised investment gains recognised as deferred tax liability.

## WAM Active dividends since inception



\*Annualised interim dividend

## Sign up to our Weekly Investor Update

Every week we share our investment team's market insights with our shareholders in a Weekly Investor Update. The email by our Chief Investment Officer Chris Stott includes topical market news, views on macroeconomic trends, our current outlook, latest news on companies in the investment portfolio, recent articles we have written and upcoming media appearances.

To sign up, go to the 'subscribe here' button on our website [www.wamfunds.com.au](http://www.wamfunds.com.au).