
February 2019

Investment Update

W | A | M *Capital*

W | A | M *Leaders*

W | A | M *Global*

W | A | M *Research*

W | A | M *Active*

W | A | M *Microcap*

Dear Fellow Shareholders,

The MSCI World Index (AUD) closed up 5.6% as the United States Federal Reserve Bank's change in approach – pausing the increase of interest rates and reducing the limitation of money supply by ceasing its purchase of US Treasuries – continued to increase global investors' risk appetite and drive valuations upwards.

As I discussed in our listed investment companies' half-year result announcements, the change in the Fed's course considerably altered our outlook with our long-held expectations of an impending bear market delayed. As a result, we increased our investment portfolios' equity exposure to take advantage of the bull market's extension by investing in companies that met our rigorous research-driven investment process as well as those that presented short-term mispricing opportunities. We were pleased that each LIC's investment portfolio increased in February while holding conservative levels of cash to reduce our downside risk.

As the saying goes: "You can't fight the Fed". It was therefore unsurprising that the Australian equity market rallied in February with the S&P/ASX 200 Accumulation Index increasing by 6.0%, exceeding January's gains, despite a mixed and **volatile reporting season** that highlighted the economy's weakness. The February rally was primarily driven by continued

expansions in earnings multiples as 12-month forward earnings expectations fell by 1.0% with the industrial sector experiencing a series of downgrades.

Poor consumer sentiment, resulting from rising cost pressures and stagnant wage growth, was a notable theme to emerge from company results and it particularly impacted large retailers. In contrast, companies with an off-shore growth strategy fared well, such as The a2 Milk Company (ASX: A2M) and Afterpay Touch Group (ASX: APT), as investors were increasingly looking to diversify away from the domestic economy.

Share price volatility increased significantly on previous periods, with 30% of all companies in the ASX 200 Index experiencing a positive or negative share price move of 5% or more during the month. Small-cap companies slightly outperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX All Ordinaries Accumulation Index rising 6.8% and 6.1% respectively.

Global equity analyst Nick Healy recently returned from a research trip in the US and the bullish sentiment was palpable in certain sectors like technology, in contrast with industrials.

The preservation of shareholders' capital is our focus in all stages of market cycles and with this in mind, we continue to monitor

global economic indicators that may impact the Fed's decision-making process.

WAM Leaders and Century Australia merger completed

WAM Leaders acquired all Century Australia Investments shares on a pre-tax net tangible asset (NTA) basis under the scheme of arrangement which was implemented on 5 March 2019. We are pleased to welcome all Century Australia Shareholders into the Wilson Asset Management stable of LICs.

Investor Conference Call

We are looking forward to providing an update on equity markets and our LICs during our Investor Conference Call on **Tuesday, 19 March at 11.00am – 12.00pm (Sydney time)**.

Registration details are below:

Australia Dial-in Number: 1300 264 804

Guest access code: 3013976

International Dial-in Number: +61 2 9696 0874

[Register here](#)

May 2019 Shareholder Presentations

We are also looking forward to seeing you all at our semi-annual **Shareholder Presentations**. If you have not yet attended, please come along and feel free to bring guests who have an interest in hearing our views on the Australian and global equity markets, how we invest and

how we make a difference for shareholders and the community. If you are one of our 5,000 regular attendees, we look forward to seeing you and I promise, you will not be disappointed if you come along again.

Good luck investing,



Geoff Wilson AO

Chairman & Chief Investment Officer



W | A | M Capital

Focus: small to mid-cap Australian companies
(ASX: WAM)

Portfolio update

The WAM Capital investment portfolio increased 3.8% in February as core holdings reported solid results during a volatile reporting season. During February, we deployed cash in 33 new companies, reducing the investment portfolio's cash level from 42.4% in January to 32.7% at the end of the month.

Research-driven portion of the investment portfolio:

A key contributor to the portfolio performance included The a2 Milk Company (ASX: A2M). We invested in A2M backing the company's decision to accelerate its marketing spend and drive stronger than expected top line growth. A2M announced its half year results during the month, reporting revenue of \$613 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$218 million, up 4.1% and 53% respectively, on the prior corresponding period. A2M closed up 14.0% for the month.

Market-driven portion of the investment portfolio:

Technology company Appen (ASX: APX) contributed to the investment portfolio performance. We first invested in APX due to continued demand from its large customers, a belief that a weaker AUD would lead to earnings upgrades and that the outperformance of its Leapforce acquisition would drive increased profitability. The company delivered its full year results in February, exceeding expectations with revenue of \$364 million and underlying EBITDA of \$71 million, up 119% and 153% respectively, on the prior corresponding period. APX closed up 46.7% for the month. This week APX announced a \$300 million capital raising to fund its US\$175 million acquisition of US rival Figure Eight Technologies.



Oscar Oberg
LLB BBus CFA
Lead Portfolio Manager



Martin Hickson
BBus BComp M App Fin
Lead Portfolio Manager

Net tangible asset (NTA) figures

NTA before tax	185.01c*
NTA after tax and before tax on unrealised gains	185.19c**
NTA after tax	187.40c**

*The NTA before tax is after the payment of \$22k (0.003 cents per share) in tax during the month.

**Includes 0.55 cents per share of tax assets resulting from the acquisition of unlisted investment companies.

Based on the 28 February 2019 share price of \$2.22 per share and the annualised FY2019 fully franked interim dividend of 15.5 cents per share.

Pre-tax net tangible assets

\$1.85

Gross assets

\$1,323.4m

Fully franked dividend yield*

7.0%

Performance (p.a. since August 1999)

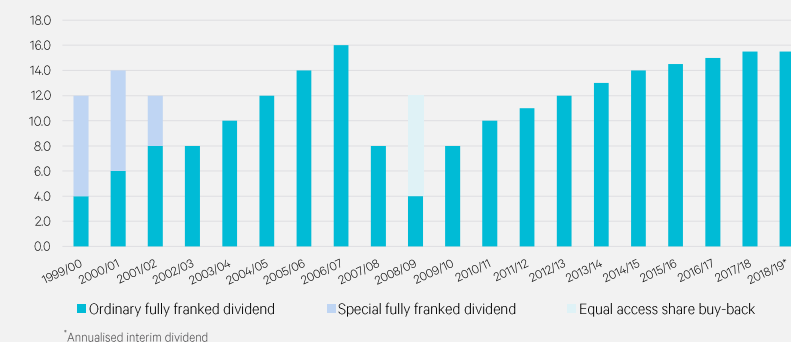
16.6%

Performance at 28 February 2019	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %p.a. (Aug-99)
WAM Investment Portfolio	3.8%	-7.1%	-3.6%	-1.5%	10.8%	11.8%	16.7%	16.6%
S&P/ASX All Ordinaries Accumulation Index	6.1%	-0.7%	2.3%	6.6%	12.7%	7.4%	11.3%	8.3%
Outperformance	-2.3%	-6.4%	-5.9%	-8.1%	-1.9%	+4.4%	+5.4%	+8.3%

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

Fully franked dividends since inception

Cents per share



Top 20 holdings in alphabetical order

Afterpay Touch Group Limited	APT
ALS Limited	ALQ
Aristocrat Leisure Limited	ALL
Bravura Solutions Limited	BVS
CIMIC Group Limited	CIM
Cleanaway Waste Management Limited	CWY
Commonwealth Bank of Australia	CBA
CSL Limited	CSL
G8 Education Limited	GEM
Macquarie Group Limited	MQG
Mineral Resources Limited	MIN
Pengana International Equities Limited	PIA
PSC Insurance Group Limited	PSI
Reliance Worldwide Corporation Limited	RWC
Seven Group Holdings Limited	SVW
Steadfast Group Limited	SDF
Templeton Global Growth Fund Limited	TGG
The a2 Milk Company Limited	A2M
Viva Energy Group Limited	VEA
Vocus Group Limited	VOC

Investment type	January 2019		February 2019	
	\$m	%	\$m	%
Listed equities	736.6	57.8	891.0	67.3
Short portfolio	(2.1)	(0.2)	(0.1)	(0.0)
Fixed interest & cash	541.7	42.4	432.5	32.7
Gross assets	\$1,276.2m	100.0	\$1,323.4m	100.0
Market capitalisation	\$1,484.3m		\$1,584.2m	
Total shares on issue	713,608,947		713,608,947	