

# WAM Leaders Limited (WLE)

Listed Managed Investments

March 2018 Quarterly Review

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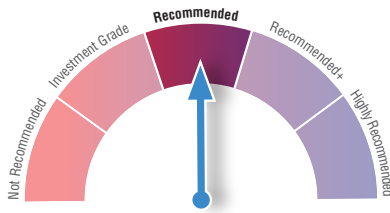
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## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 5 June 2018	1.135
Market cap (\$M)	798.1
Shares on issue (M)	703.2
Options on issue (M)	0.0
Shares traded (\$M p.a)	327.0
12-month L/H (\$)	1.08/1.21
Listing date	May 2016

## Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

\*20% of the outperformance of the S&P/ASX 200 Accumulation Index, subject to recoupment of underperformance.

## Premium/Discount to Pre-tax NTA

As at 31 March 2018	-1.3%
Average since inception	-1.5%

## Dividend Yield

	%
FY15	na
FY16	na
FY17	0.90ff

## Largest Shareholders

	%
UBS Nominees Pty Limited	2.0
DCM Bluelake Partners Pty Ltd	1.0

As at 31 March 2018

## COMPANY OVERVIEW

WAM Leaders Limited (ASX:WLE) is a listed investment company that invests in an actively managed portfolio of stocks, primarily from within the S&P/ASX 200 Index. The company listed on the ASX in May 2016 following an initial public offer. The portfolio is managed by MAM Pty Ltd (MAM) a member of the Wilson Asset Management group of companies.

## INVESTMENT OBJECTIVE

The company seeks to provide investors exposure to an actively managed portfolio of ASX listed stocks with a focus on undervalued growth stocks. The Company will seek to provide a steady and growing stream of fully franked dividends and will seek to preserve capital by holding cash in the event the Investment Manager cannot identify attractive investments.

## STYLE AND PROCESS

The Investment Manager utilises two investment processes for stock selection. Long-term investments are selected using the Research Driven Investment Approach while short-term opportunistic investments are determined by the Market Driven Investment Approach:

- (1) The research-driven approach, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 1,500 meetings with management each year; and
- (2) The market-driven approach, which involves participating in IPOs, placements and takeover arbitrages aiming to take advantage of short-term arbitrage opportunities and mispricing in the market.

## PORTFOLIO CHARACTERISTICS

The portfolio will typically hold between 25 to 60 investments with average stock weightings expected to be between 1-5%. However positions may be larger or smaller than this with no limitations on size. The portfolio will primarily hold long positions, however short positions may be held. The portfolio currently has no short exposure. In the event attractive investments cannot be identified, the portfolio can hold up to 100% cash. The portfolio was largely invested at March-end, with a cash holding of 10%. Financials remains the largest sector exposure with a weighting of 30%. Exposure to the Materials sector increased over the March quarter to be 27.1% of the portfolio. The Manager reduced its exposure to the Industrials sector over the quarter.

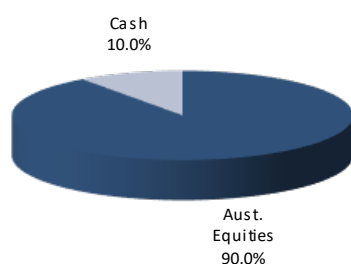
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WLE offers investors exposure to an actively managed portfolio of ASX-listed securities, with the portfolio managed by a team with significant experience in managing LIC portfolios. The Investment Manager has a benchmark unaware investment mandate and few limitations on the portfolio investments and as such the performance of the portfolio will largely be a result of the Investment Manager's stock picking ability. WAM Capital, also managed by Wilson Asset Management, uses both the investment processes across a broader investment universe, and has significantly outperformed the market since June 2000. The company was listed in May 2016 and therefore has a short performance history. Since listing, the portfolio (pre-tax NTA plus dividends) has underperformed the benchmark index (S&P/ASX 200 Accumulation Index), generating a total return of 9.8% compared to the benchmark return of 15.9%. The performance of the portfolio has been adversely impacted by the dilutive effect of options exercised during the 12 months. On the back of a significant increase in profit for 1H18, the company announced an increase in the interim dividend from 1.0 cent per share to 2.5 cents per share, fully franked. While the Manager seeks to provide an increased dividend stream to shareholders, we note that the company currently has less than 2 years dividend coverage if the company was to maintain the 2.5 cent dividend.

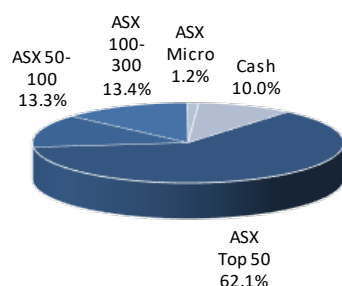
## SECTOR BREAKDOWN (EX CASH)

Sector	31 Dec (%)	31 Mar (%)
Energy	11.3	12.3
Materials	23.9	27.1
Industrials	6.8	2.8
Consumer Discretionary	13.3	12.3
Consumer Staples	6.1	5.7
Healthcare	7.7	5.4
Financials (ex Property)	25.2	30.0
Property	0.0	0.0
Information Technology	2.3	1.8
Telecommunication Services	1.1	1.4
Utilities	2.1	1.2

### Asset Weighting



### Size Weighting



### Board of Directors

Geoff Wilson	Chairman (Executive)
Lindsay Mann	Director (Non-Executive)
Melinda Snowden	Director (Non-Executive)
Chris Stott	Director (Executive)
Kate Thorley	Director (Executive)

Note: IIR classifies Directors that are employed by the appointed Investment Manager as Executive Directors.

## PERFORMANCE ANALYTICS

Performance	Mar Quarter	1 year	3 year p.a	5 year p.a
Pre-tax NTA + Dividends (%)	-2.4	1.8	na	na
Peer Group Median (pre-tax NTA plus dividends), %*	-3.9	1.3	na	na
S&P/ASX 200 Accumulation Index (%)	-3.9	2.5	na	na
Out/Under performance of index (%)	1.5	-0.8	na	na
Share Price + Dividends (%)	0.9	3.6	na	na
Tracking Error (%)	1.9	4.7	na	na

\*Australian Large Cap Shares as classified in the IIR monthly LIC report.

Note: All pre-tax NTA figures are after tax on realised gains and before tax on unrealised gains.

## OTHER DATA

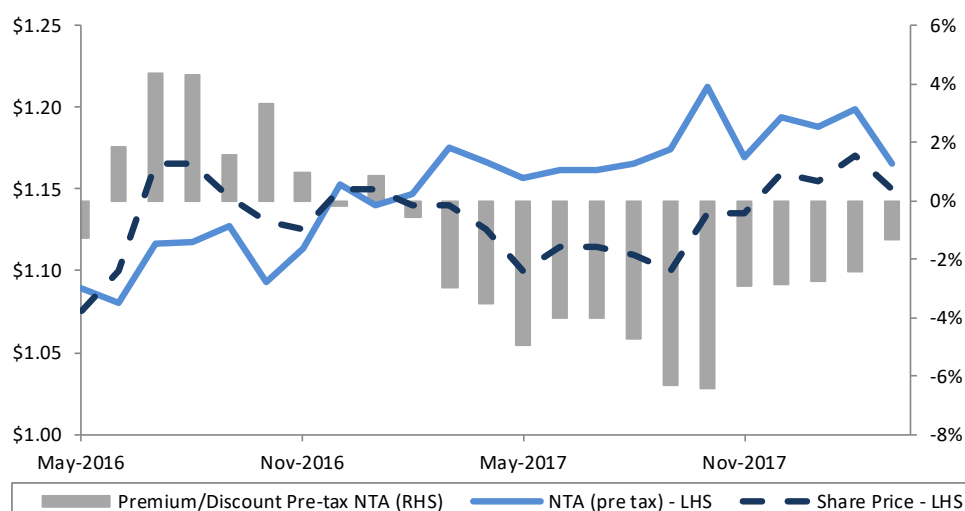
- ◆ **Dividend policy** – The company's objective is to pay fully franked dividends to shareholders provided the company has sufficient profit reserves and franking credits, and it is within prudent business practice.
- ◆ **Capital management policy** – The company may undertake capital management initiatives which may involve the issue of other shares and/or the buy-back of its shares.
- ◆ **LIC tax concessions** – None.
- ◆ **DRP available** – Yes.

### WLE's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
CBA	5.9	7.6
BHP	5.5	5.0
WBC	4.8	5.3
WOW	3.5	1.9
ORG	3.4	0.8
CSL	3.3	3.9
RIO	3.3	1.6
MQG	3.0	1.9
NAB	3.0	4.2
QBE	3.0	0.7
	<b>38.7</b>	<b>33.0</b>

Source all figures: WLE/Independent Investment Research/IRES. All data as at 31 March 2018 unless otherwise specified.

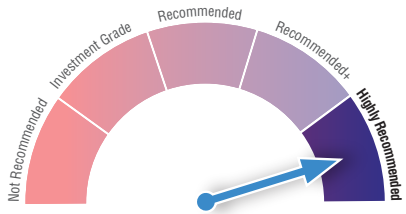
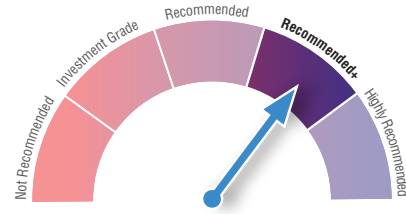
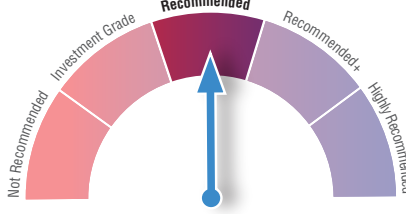
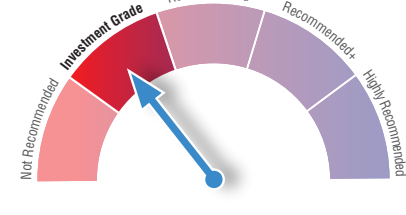
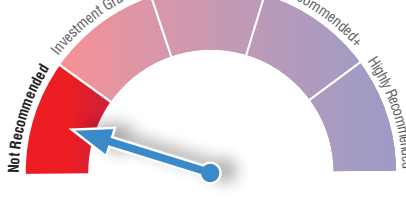
### NTA & Share Price Performance



## APPENDIX A – RATINGS PROCESS

### Independent Investment Research Pty Ltd “IIR” rating system

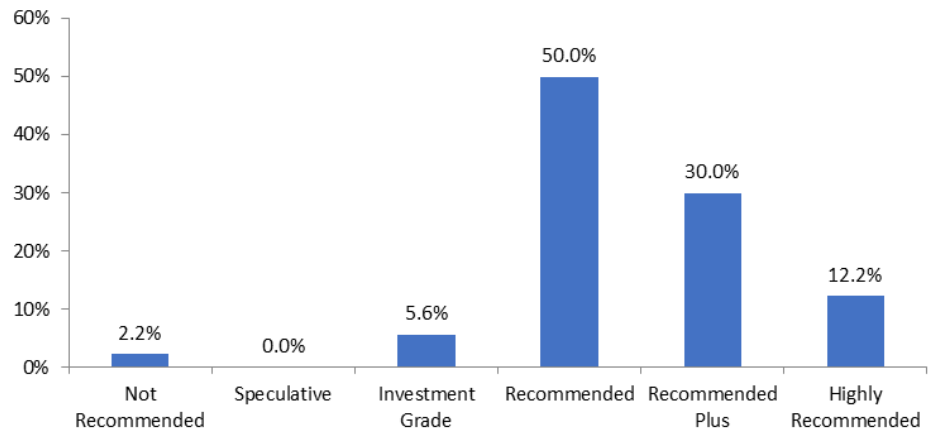
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p><b>Recommended +</b></p> 	<p><b>79–83</b></p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p><b>Recommended</b></p> 	<p><b>70–79</b></p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p><b>Investment Grade</b></p> 	<p><b>60–70</b></p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

## APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

**Spread of Managed Investment Ratings**



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