

## Chairman's update

Geoff Wilson AO



- 4.4%<sup>^</sup> investment portfolio outperformance in FY2020
- 7.75 cents per share fully franked final dividend
- 15.6%<sup>^</sup> per annum investment portfolio performance since inception

WAM Capital delivered investment portfolio outperformance of 4.4%<sup>^</sup> to shareholders during the highly volatile 12-month period to 30 June 2020.

WAM Capital's diligent and proven investment approach, which focuses on identifying undervalued growth companies with a catalyst, has led to strong investment portfolio outperformance since inception in August 1999. WAM Capital has achieved an investment portfolio return of 15.6%<sup>^</sup> per annum since inception, outperforming the S&P/ASX All Ordinaries Accumulation Index by 7.8%<sup>^</sup> per annum.

The Board of Directors have declared a fully franked final dividend of 7.75 cents per share. The final dividend brings the FY2020 fully franked full year dividend to 15.5 cents per share, and represents a yield of 8.5%<sup>^</sup>. Since inception in August 1999, WAM Capital has paid 246.25 cents per share in fully franked dividends to shareholders.

In FY2021, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits.

WAM Capital reported an operating loss before tax of \$47.2 million for the year and an operating loss after tax of \$26.7 million, mainly due to the decline in the investment

portfolio over the period. The after tax figure was boosted by a \$20.5 million income tax benefit, primarily delivered through franking credits received on franked dividend income from investee companies and the tax benefit on the operating loss for the period.

The operating loss for 2020 is reflective of the performance of the investment portfolio over the year. The investment portfolio declined 2.8%<sup>^</sup> during the 12-month period to 30 June 2020, outperforming the S&P/ASX All Ordinaries Accumulation Index by 4.4%<sup>^</sup> during a highly volatile period for equity markets. The Index fell 7.2%<sup>^</sup> for the year. This investment portfolio performance was achieved with an average cash weighting of 21.4%.

We would like to thank all WAM Capital shareholders for your continued support of the Company during the 2020 financial year and hope you are safe and well as we live through the dramatic changes brought about by the coronavirus pandemic. We look forward to providing an update during our Investor Q&A webinar on Friday, 4 September 2020 at 2:30pm (Sydney time) and our next instalment of WAM Vault in November. To participate in the webinar, dial 1800 850 171 and enter passcode 795466 or visit this [website](#).

<sup>^</sup> Investment portfolio performance and Index returns are before expenses, fees and taxes.

\*Based on the 30 June 2020 share price of \$1.82 per share.

Fully franked full year dividend

# 15.5c

Fully franked dividend yield\*

# 8.5%

Dividends paid since inception (per share)

# 246.25c

## Fully franked final dividend

The Board declared a fully franked final dividend of 7.75 cents per share. The DRP will be operating at a 2.5% discount for the final dividend.

Since inception in August 1999, WAM Capital has paid 246.25 cents per share in fully franked dividends to shareholders.

### Key dividend dates

Ex dividend date	19 November 2020
Record date	20 November 2020
Last election date for DRP	24 November 2020
Payment date	27 November 2020

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits and it is within prudent business practices.

In FY2021, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investments and the payment of tax on profits.

The Company has a profits reserve of 8.7 cents per share as at 31 July 2020, before the payment of the fully franked final dividend of 7.75 cents per share.



Lead Portfolio Manager's update

Oscar Oberg

We remained focused on our proven investment process during the 2020 financial year, outperforming the Index during a volatile period for the Australian equity market.

The 2020 financial year was one of continued challenges. The 2019 September quarter was marked by weaker-than-expected economic growth, rising unemployment and sluggish wage growth, leading the Reserve Bank of Australia to cut the official interest rate for the third time in 2019 to a low of 0.75%. The search for yield led to a mispricing of assets and low rates pushed investors up the risk curve into less liquid securities throughout the December quarter and into the new year.

As the coronavirus spread in February 2020, we acted swiftly to reduce our exposure to less liquid small-cap companies that had performed strongly over the prior 12-24 months, as well as indebted and cyclical companies. During the rapid market sell-off in March, we continued to apply our proven investment process to take advantage of market mispricing opportunities. Since the onset of the coronavirus, we have participated in 27 capital raisings, with the average gain of 26%.

The technology sector continued its strong performance coming through the coronavirus period unscathed with minimal customer churn and increased adoption of their services. Announcements from companies such as Kogan.com (ASX: KGN), Redbubble (ASX: RBL) and Marley Spoon (ASX: MMM) supported our view that coronavirus would accelerate the structural shift towards online shopping.

The greatest individual contributors to the investment portfolio outperformance during the period included The a2 Milk Company (ASX: A2M); Temple & Webster Group (ASX: TPW); EML Payments (ASX: EML); City Chic Collective (ASX: CCX); Bapcor (ASX: BAP); Johns Lyng Group (ASX: JLG); Fisher & Paykel Healthcare Corporation (ASX: FPH); A.P. Eagers (ASX: APE); Codan (ASX: CDA); and IDP Education (ASX: IEL). Detractors included Ardent Leisure Group (ASX: ALG); Myer Holdings (ASX: MYR); AMA Group (ASX: AMA); Kathmandu Holdings (ASX: KMD); and Brickworks (ASX: BKW).

Given the significant changes to the investment portfolio to adjust to the new environment and our flexible mandate to increase and decrease cash weightings where required, we believe the portfolio is well positioned for FY2021.

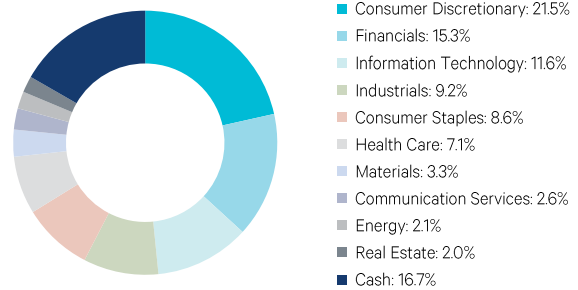
Investment portfolio performance

as at 30 June 2020

	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Aug-99)
WAM Investment Portfolio	-2.8%	4.5%	9.1%	12.3%	15.6%
S&P/ASX All Ordinaries Accumulation Index	-7.2%	5.4%	6.2%	7.8%	7.8%
<b>Outperformance</b>	<b>+4.4%</b>	<b>-0.9%</b>	<b>+2.9%</b>	<b>+4.5%</b>	<b>+7.8%</b>

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

Portfolio composition by sector



Top holdings with portfolio weightings

as at 30 June 2020

Research-driven holdings

Code	Company	%
ELD	Elders Limited	2.9%
BAP	Bapcor Limited	2.1%
IEL	IDP Education Limited	2.0%
ASB	Austal Limited	2.0%
IFM	Infomedia Limited	2.0%
VEA	Viva Energy Group Limited	1.8%
BWX	BWX Limited	1.6%
BRG	Breville Group Limited	1.5%
ADH	Adairs Limited	1.5%
SIG	Sigma Healthcare Limited	1.5%

Market-driven holdings

Code	Company	%
AUI	Australian United Investment Company Limited	3.3%
CKF	Collins Food Limited	2.5%
PIA	Pengana International Equities Limited	2.3%
A2M	The a2 Milk Company Limited	2.3%
TGG	Templeton Global Growth Fund Limited	2.1%
DOW	Downer EDI Limited	2.0%
INA	Ingenia Communities Group	2.0%
SGR	The Star Entertainment Group Limited	1.7%
HLS	Healius Limited	1.5%
MIN	Mineral Resources Limited	1.4%