

W | A | M *Leaders*

# Investment update

As at 31 January 2018



## Snapshot

Pre-tax net tangible assets

\$1.19

Gross assets

\$848.1m

Annualised fully franked  
interim dividend

5.0c

Performance  
(p.a. since May 2016)

13.3%

[wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au)

ABN: 33 611 053 751

## WAM Leaders Limited

ASX code	WLE
Listed	May 2016
Gross assets	\$848.1m
Market cap	\$811.1m
Share price	\$1.155
NTA before tax	\$1.19
Shares on issue	702,250,762
Number of stocks held	63
Annualised fully franked interim dividend (FY2018)	5.0c

## Investment objectives

- Deliver investors a stream of fully franked dividends
- Provide capital growth
- Preserve capital

## Wilson Asset Management investment & management team

Geoff Wilson	Chairman & Portfolio Manager
Kate Thorley	Chief Executive Officer
Chris Stott	Chief Investment Officer & Portfolio Manager
Matthew Haupt	Portfolio Manager
Catriona Burns	Portfolio Manager
Martin Hickson	Portfolio Manager
Oscar Oberg	Portfolio Manager
John Ayoub	Senior Equity Analyst
Tobias Yao	Senior Equity Analyst
Cooper Rogers	Assistant Dealer

## Company overview

WAM Leaders Limited (ASX: WLE) is a listed investment company managed by Wilson Asset Management. Listed in 2016, WAM Leaders provides investors with diversified exposure to a portfolio of undervalued growth companies within the S&P/ASX 200 Index and exposure to market mispricing opportunities in large-cap companies.

### Save the date:

#### Investor conference calls

We look forward to our upcoming investor conference call on Tuesday 6 March at 4:30pm (Sydney time). We will discuss our LICs, equity market outlook and highlights from the February reporting season and hold a Q&A. On 15 March 2018 at 11:00am (Sydney time) investors interested in WAM Global can hear from Lead Portfolio Manager Catriona Burns.

## FY2018 interim results

WAM Leaders **announced** its FY2018 interim results to the market on Monday 5 February. Highlights from the announcement include:

- Record profit before tax increased 158.8% to \$62.7 million
- Investment portfolio increased 11.9%, outperforming the index by 3.5%
- Fully franked interim dividend of 2.5 cents per share, an increase of 150%.

## Market update

The S&P/ASX 200 Accumulation Index closed down 0.4% for the month of January, underperforming the US market, which was up 5.8%. A typically quiet January led to a volatile trading period on light volumes. While the US equity market rallied strongly, the Australian dollar reached its highest level against the greenback in almost three years. Globally, bond yields increased during the month, impacting defensive sectors such as utilities and real estate investment trusts, which underperformed heavily both in Australia and overseas. Healthcare was by far the best performing sector domestically with discretionary retailers also performing strongly.

While we continue to find attractive investment opportunities we remain cautious about the direction of the equity market over the short-to-medium term following the sell-off in early February. The US Dow Jones Industrial Average is now down more than 10% from its January highs, a technical correction. Data released on US wage growth in early February sparked expectations of higher inflation, in turn leading to a sell off of bonds given concerns about the pace of interest rate increases. Equity markets around the world followed suit, Australia included. In our opinion, the major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

We are well placed to withstand a correction in the market, given our flexible mandate that places no limit on the portfolio's cash weighting. Over the last few weeks we have increased our cash weighting and have realised gains in positions that have reached our valuation, seeing the Company's cash position move from 11.0% at 31 January to 24.4% as at 12 February. As an investment manager, our ability to hold high levels of cash has previously provided some protection in terms of preserving capital through periods of high volatility. Times of heightened volatility can also provide attractive investment opportunities. Over the next two months the team will meet with over 100 large-cap companies allowing the investment team to assess current positions and search for new investment ideas to enter the portfolio.

## Net tangible asset (NTA) figures

NTA before tax	119.27c
NTA after tax and before tax on unrealised gains	118.75c
NTA after tax	116.68c

## Performance

Performance at 31 January 2018	1 mth	3 mths	6 mths	Fin YTD	Since inception %pa 1 yr	(May-16)
WLE Investment Portfolio*	-0.4%	4.3%	11.0%	11.5%	16.7%	13.3%
S&P/ASX 200 Accumulation Index	-0.4%	3.0%	7.9%	7.9%	12.2%	11.3%
<b>Outperformance</b>	<b>+0.0%</b>	<b>+1.3%</b>	<b>+3.1%</b>	<b>+3.6%</b>	<b>+4.5%</b>	<b>+2.0%</b>

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

## Portfolio update

In January, positive contributors to the portfolio included Nine Entertainment Company (ASX: NEC), following strong free-to-air viewership data, and Seven Group Holdings (ASX: SVW), after a positive quarterly report from US mining service equipment provider Caterpillar. We also capitalised on holdings in the trading side of the portfolio in advance of the upcoming reporting season. During the month the investment portfolio's performance was impacted by a retreat in December of some of our best performers, including Tabcorp Holdings (ASX: TAH) and Santos (ASX: STO).

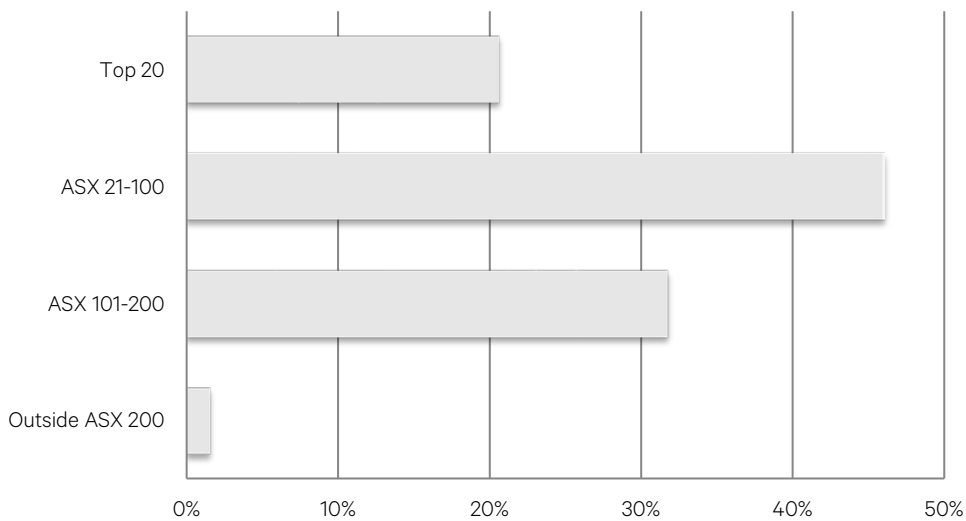
## Diversified portfolio

Investment type	December 2017		January 2018	
	\$m	%	\$m	%
Listed equities	756.9	88.8	754.7	89.0
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	95.4	11.2	93.4	11.0
<b>Gross assets</b>	<b>852.3m</b>	<b>100.0</b>	<b>848.1m</b>	<b>100.0</b>
Total shares on issue	702,250,762		702,250,762	

## Top 20 holdings

Code	Company	Code	Company
BHP	BHP Billiton Limited	TAH	Tabcorp Holdings Limited
WOW	Woolworths Group Limited	BLD	Boral Limited
CSL	CSL Limited	WPL	Woodside Petroleum Limited
NAB	National Australia Bank Limited	PRY	Primary Health Care Limited
CBA	Commonwealth Bank of Australia	RIO	Rio Tinto Limited
WBC	Westpac Banking Corporation	SGR	The Star Entertainment Group Limited
ORG	Origin Energy Limited	QBE	QBE Insurance Group Limited
ANZ	Australia and New Zealand Banking Group Limited	JHG	Janus Henderson Group Plc
MQG	Macquarie Group Limited	ALQ	ALS Limited
JHX	James Hardie Industries Plc	AGL	AGL Energy Limited

## Equity portfolio composition by market capitalisation



## Fully franked dividends

On 5 February 2018, the Company announced a fully franked interim dividend of 2.5 cents per share, an increase from the 1.0 cent inaugural fully franked interim dividend in the prior year. The dividend will be paid on 27 April 2018 and will trade ex on 12 April 2018. The dividend reinvestment plan (DRP) will operate for the interim dividend. The last election date for the DRP will be 17 April 2018.

### Key dividend dates

Ex dividend date	12 April 2018
Record date	13 April 2018
Last election date for DRP	17 April 2018
Payment date	27 April 2018

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. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.