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Wilson Asset Management

May 2017 Shareholder Presentation



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Agenda

**1. Wilson Asset Management
and our listed investment companies**

2. Market and investment insights

- Market overview and outlook
- Investment themes and trends

3. Investment portfolio

- What worked
- What didn't work
- What we like

4. Questions



About us

Investing in opportunities.
For you. For good.

1

About us

Independent boutique fund manager

- Five LICs and over **\$2 billion** in shareholder capital for 48,000 retail shareholders
- Eight investment professionals with combined investment experience of more than **100 years**
- **Proven** investment approach
- Committed to **philanthropic** and **advocacy initiatives**



Winner of the Listed Investment Companies category at the Professional Planner | Zenith Fund Awards 2014, 2015 and 2016

Investment and management team



Geoff Wilson

Chairman
& Portfolio Manager



Kate Thorley

Chief Executive Officer



Chris Stott

Chief Investment Officer
& Portfolio Manager



Matthew Haupt

Portfolio Manager



Martin Hickson

Head of Trading



Oscar Oberg

Senior Equity Analyst



John Ayoub

Senior Equity Analyst



Tobias Yao

Senior Equity Analyst



Martyn McCathie

General Manager



James McNamara

Head of Corporate Affairs

Wilson Asset Management investment universe

W | A | M *Capital*

Focus on ASX listed small-to-mid-cap industrial companies

Research and market-driven processes

W | A | M *Leaders*

Focus on ASX top 200 listed companies

Research and market-driven processes

W | A | M *Microcap*

Focus on ASX listed micro-cap industrial companies

Research and market-driven processes

W | A | M *Research*

Focus on ASX listed small-to-mid-cap industrial companies

Research-driven process

W | A | M *Active*

Focus on ASX listed small-to-mid-cap industrial companies

Market-driven process



Focus on ASX listed top 300 listed companies

Research, market and investment-driven processes

Gross assets

\$1,184.3m

One-year total shareholder return

17.9%

Fully franked annualised
dividend yield*

6.4%

Portfolio performance (p.a. since August 1999)

17.7%

Gross assets

\$480.4m

Options exercised*

14.3%

Fully franked interim
dividend

1.0 cent

Portfolio performance (p.a. since May 2016)

11.5%

Gross assets

\$225.2m

One-year total shareholder return

21.8%

Fully franked annualised
dividend yield*

6.3%

Portfolio performance (p.a. since July 2010)

18.8%

Gross assets

\$40.4m

One-year total shareholder return

16.6%

Fully franked annualised
dividend yield*

4.8%

Portfolio performance (p.a. since January 2008)

12.7%

Century Australia Investments Limited

Raising up to \$75 million at NTA



- Open to new investors and two **\$20 million priority allocations** to existing CYA shareholders and WAM Capital, WAM Leaders, WAM Research and WAM Active shareholders
- Diversified exposure to a portfolio of listed companies **focused on the S&P/ASX 300 Index**
- **No dilution** of options
- Potential to utilise carried forward **tax losses of \$25.5 million***
- Priority and general offers **close Friday, 19 May 2017**

*As at 30 April 2017

WAM Microcap Limited

Strong track record

W | A | M *Microcap*

- Strong track record of performance in micro-cap companies delivered over almost 20 years
- We have created WAM Microcap to provide direct exposure to these types of opportunities
- Companies we have invested in as micro-caps over the last decade include:



WAM Microcap Limited \$121m priority



- Exposure to **undervalued micro-cap growth companies** listed on the ASX with a market cap of **less than \$300m**
- **\$1.10** issue price to raise up to **\$154m** through the issue of up to 140 million shares with **no options**
- Priority closes **5 June 2017** and offer closes **14 June 2017**

A scenic landscape at sunset. A paved road curves through a hilly area. A person is running on the road. The sun is low on the horizon, casting a warm glow. The sky is blue with some clouds. A hillside is visible on the left.

Market and investment insights

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Market outlook

Market outlook

On the ground feedback

- Messages from Canberra
- Recent out of cycle interest rate increases by the major banks have slowed the economy
- *“Economy remains patchy, much the same as the last three to five years”*
- *“The consumer remains fragile”*
- Some companies continue to excel in this low growth environment

An aerial photograph of a suburban neighborhood. The houses are mostly single-story with red or grey roofs. There are many green lawns, some with swimming pools. The streets are paved and have some cars parked. The overall scene is a typical suburban residential area.

The Australian economy

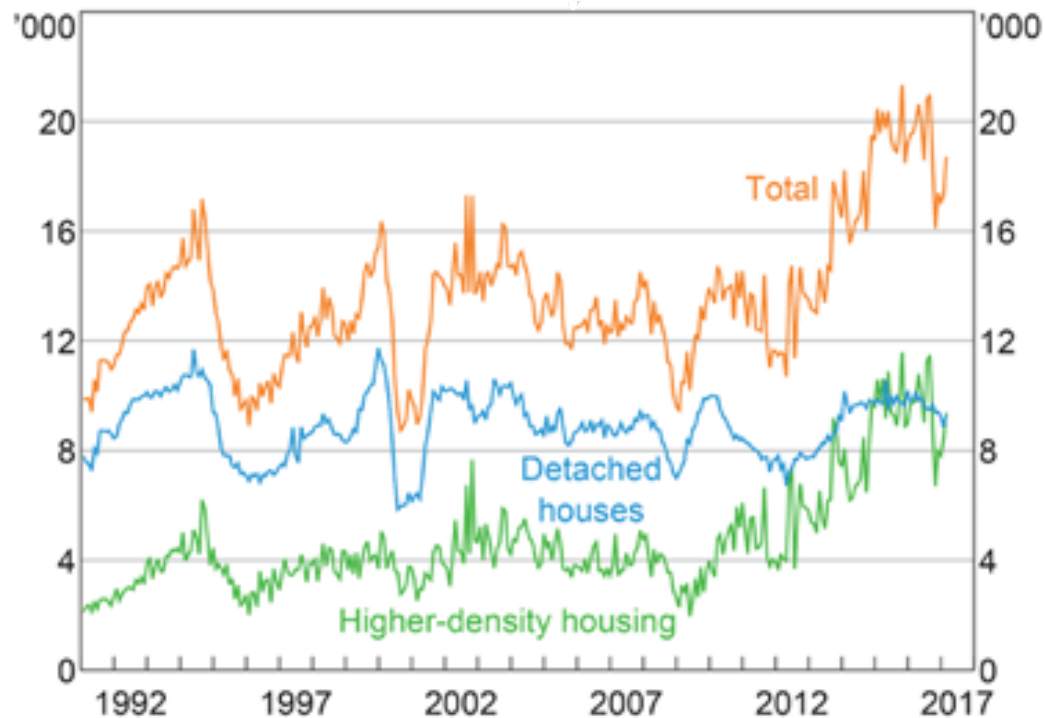
Housing market has peaked

The Australian economy

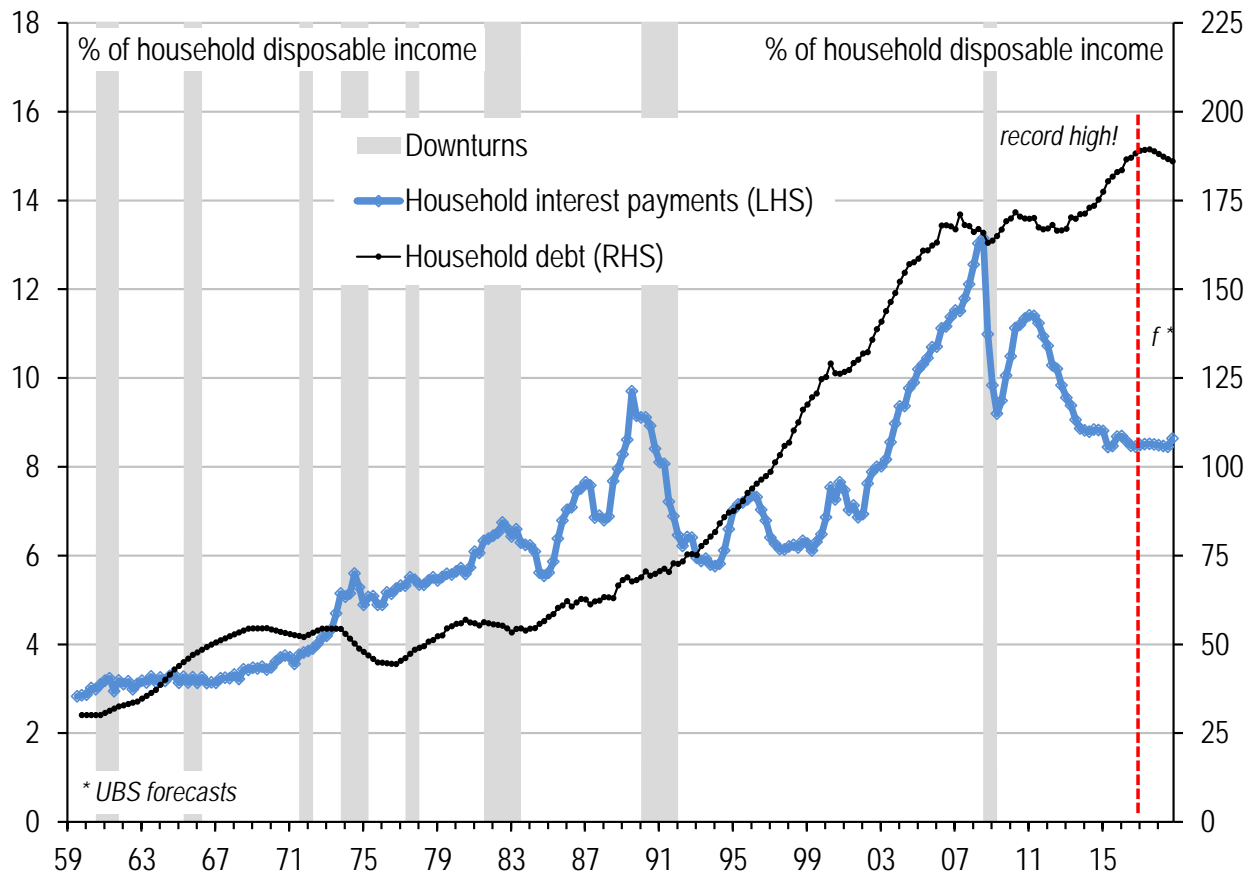
Housing market has peaked

-  Australian housing market has peaked and growth is **slowing**
-  Official cash rate remains **low**, banks continue to raise interest rates independently
-  Regulators acting to address banks' **capital requirements** and create more **resilience** in the sector
-  Persistent **undersupply** of dwellings

Private residential building approvals (monthly)



Household debt-income up to record high, but interest paid dropped to a 13-year low



The Australian economy

Mining recovery




The Australian economy

Mining recovery

- 💰 Mining stocks have **bottomed** over the last 12-18 months
- 📈 Global growth improving
- ☀️ Chinese stimulus
- 🔍 Investment exposure: **selectively** investing in mining and mining services companies

Investment exposure:



A satellite view of Earth at night, showing the illuminated landmasses of Europe and Africa against the dark background of the ocean and the thin blue line of the atmosphere. The city lights are visible as bright yellow and orange spots across the continents.

The global economy

Macroeconomic environment

The global economy

Macroeconomic environment



Global macroeconomic environment is the **strongest** it has been since the GFC



Global leading indicators at an all time **high**



Inflection point: **sentiment** is high, earnings **growth** returning



What does it mean for Australia?

Investment themes and trends



01

Australian consumers

01

Australian consumers

- 🔑 Amazon market entry by end of 2017
- ↓ Potential to put **downward pressure** on retailers profitability
- 💡 We estimate \$5bn in additional **costs to consumers** over the next 12 months from interest rates, utility bills, healthcare and petrol costs
- 💰 Disposable income is back at **GFC levels**

Investment exposure:

afterpay  FLIGHT CENTRE  nickscali 





02

Private health insurance affordability

02

Private health insurance affordability

-  Low cost brands NIB (ASX: NHF) and ahm (ASX: MPL) growing market shares at a **rapid rate**
-  Premiums are **up 4-5% p.a.**
-  Consumers **downgrading** their level of cover

Investment exposure:






03

Telco sector under transition



03

Telco sector under transition

-  **Lower** margins for internet service providers (ISPs) under NBN
-  From **1.2 million** premises ready for services in 2017 to **9.1 million** in Dec 2018
-  Increased **competition** in the mobile segment imminent

Investment exposure:



Top holdings

W | A | M *Capital*W | A | M *Leaders*W | A | M *Research*W | A | M *Active*

Company	ASX Code	Owned by
Challenger Limited*	CGF	WAM, WLE, WAX
Woolworths Limited^	WOW	WAM, WLE, WAA
Hunter Hall Global Value Limited^	HHV	WAM, WAA
AUB Group Limited*	AUB	WAM, WLE, WAX
Automotive Holdings Group Limited*	AHG	WAM, WLE, WAX
Eclix Group Limited*	ECX	WAM, WLE, WAX
Computershare Limited^	CPU	WAM, WLE, WAA
Nick Scali Limited*	NCK	WAM, WAX
Nufarm Limited*	NUF	WAM, WLE, WAX
Carsales.com Limited*	CAR	WAM, WLE, WAX

*Research-driven

^Market-driven



What worked: Research-driven

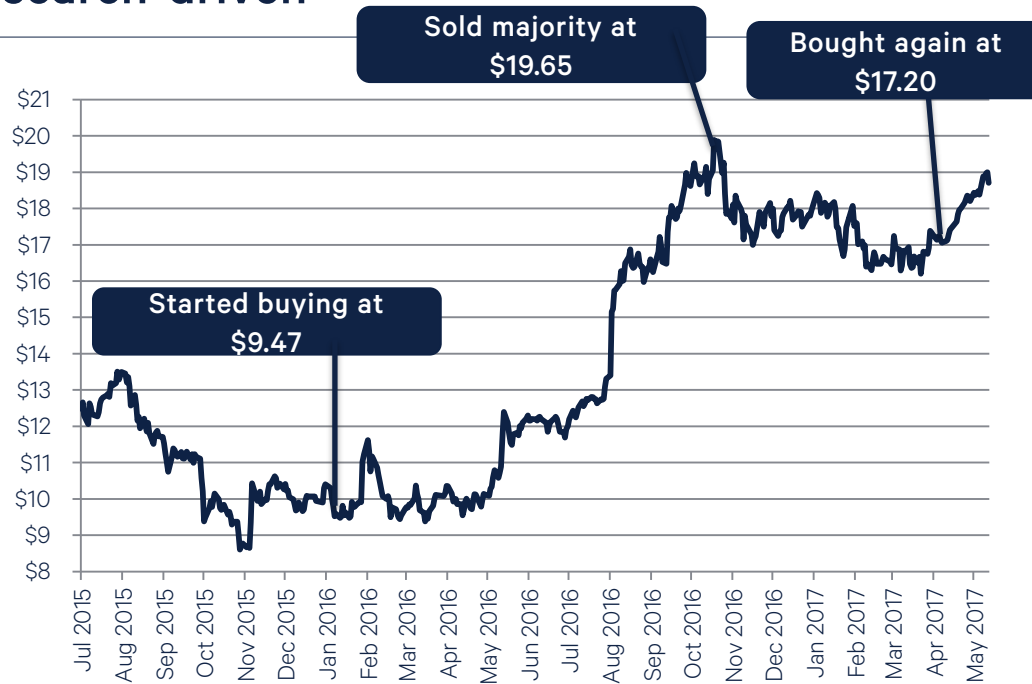
Credit Corp Group Limited (ASX: CCP)

Why it rated

- Strong growth in consumer loan book
- Continued growth in debt ledgers
- Productivity improvements
- Strong management team

Why it worked

- Catalyst: exceeded earnings expectations
- More favourable competitive environment
- Consumer loan book profitability





What didn't work: Research-driven

Ardent Leisure Group (ASX: AAD)

Why it rated

- Growth underpinned by US Main Event division
- Catalyst: Asset sales

Why it didn't work

- US Main Event division underperformed
- Dreamworld tragedy





What we like: Research-driven

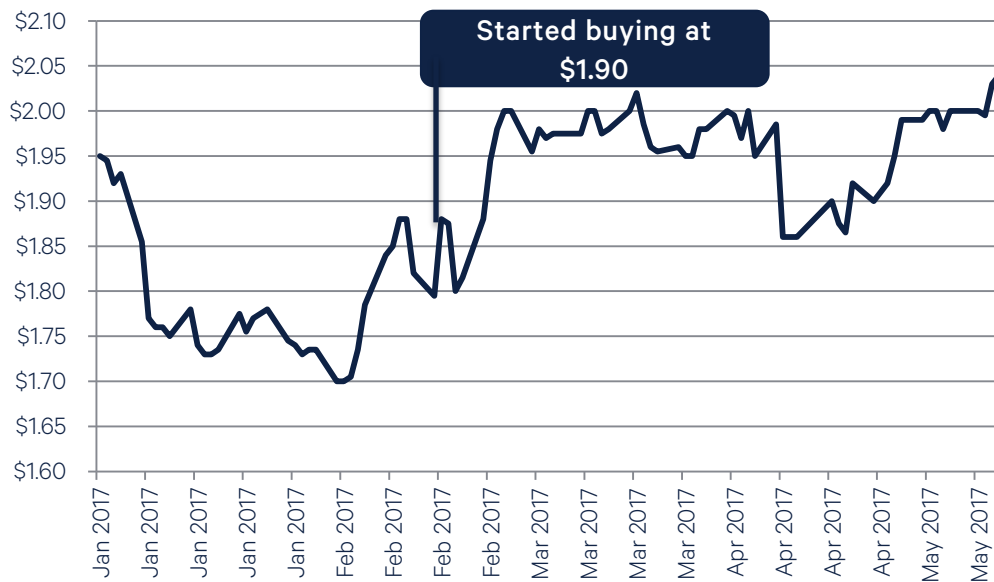
iSelect Limited (ASX: ISU)

Background

- Largest comparison website in Australia
- New CEO reinvigorating the business
- Improved cash flow conversion

Catalysts

- Non-health insurance verticals driving earnings
- Capital management options
- Favourable industry thematic





What we like: Market-driven

Woolworths Limited (ASX: WOW)

Background

- Largest supermarket chain in AUS and NZ
- Underperformance to Coles
- New management team

Catalysts

- Divestments of Masters and petrol business
- Earnings momentum
- Store optimisation



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