

2019 Full Year Results

From the
Chairman

Dear Fellow Shareholder,

WAM Microcap achieved an operating profit before tax of \$8.6 million and an operating profit after tax of \$7.0 million in the 2019 financial year.

The Board of Directors is pleased to declare a fully franked final dividend of 2.25 cents per share together with a special fully franked dividend of 2.25 cents per share. This brings the 2019 fully franked dividend to 6.75 cents per share, a 12.5% increase on the prior year.

The Board and the Investment Manager are focused on ensuring the Company maintains the optimal amount of capital for its investment strategy and focus on micro-cap companies. As a result, and due to the strong performance of the investment portfolio since inception, the Board has again declared an additional fully franked special dividend. The special dividend of 2.25 cents per share fully franked represents an increase of 12.5% on the prior year.

The increased fully franked dividend has been achieved through the strong performance of the investment portfolio since inception and the profits reserve available and is consistent with the Company's investment objective of delivering investors a stream of fully franked dividends.

Since inception in June 2017, WAM Microcap has paid 8.25 cents per share in fully franked dividends to shareholders.

We were pleased to deliver shareholders strong risk-adjusted returns during the period. The WAM Microcap investment portfolio increased 7.3% in the 12 months to 30 June 2019, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 5.4% during a volatile period for the Australian equity market. The investment portfolio's outperformance was achieved with an average cash weighting of 24.7% and with less volatility, as measured by standard deviation, 12.8% against the Index's 15.2%. The return on the equity portion of the portfolio was 9.1% and the return on the cash portion of the portfolio was 1.8% for the year. Since inception in June 2017, the WAM Microcap investment portfolio has increased 17.8% per annum, outperforming the Index by 5.8%.

The driver of the investment portfolio's performance during the year was the sound stock selection from the investment team. During the period we invested in 195 individual companies and at 30 June 2019 we held investments in 79 companies. The largest contributors to the investment portfolio's outperformance during the period included: leading plus-sized fashion retailer, City Chic Collective (ASX: CCX); global digital

retailer of official government and charitable lotteries, Jumbo Interactive (ASX: JIN); online provider of automotive parts retailing systems, Infomedia (ASX: IFM); wholesaler of cloud-based subscription software licenses, Rhipe (ASX: RHP); and workforce management company specialising in contracted labour, People Infrastructure (ASX: PPE).

We remain cautious about the direction of the Australian micro-cap market, as the record low interest rates have driven up valuations and increased speculation. While the investment portfolio's cash level ended the year at 12.7%, after a strong July we have exited some positions and realised profits, lifting our cash level to 17.8%.

Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process and despite our cautious outlook, we continue to identify and act on opportunities in the market.

WAM Microcap shares are currently trading at a slight discount to net tangible assets (NTA) of 7.5%. I believe the Company's share price will return to a premium to NTA as the solid track record of performance continues and the fully franked dividends increase over time. The Company's profits reserve is currently 18.9 cents per share.

We look forward to providing an update at our Investor Conference Call on Tuesday, 10 September 2019 at 3.30pm – 4.30pm (Sydney time) and seeing you at our [Shareholder Presentations](#) in November 2019.

Thank you for your support of WAM Microcap,

Geoff Wilson AO
Chairman

*Based on the 12 August 2019 share price of \$122 per share.



Highlights

Operating profit before tax

\$8.6m

Strong investment portfolio performance, outperforming the Index

+7.3%

Increased fully franked full year dividend

4.5c

Increased fully franked special dividend

2.25c

Fully franked dividends

The Board declared a fully franked full year dividend of 4.5 cents per share, with the fully franked final dividend being 2.25 cents per share. The Board also declared an additional fully franked special dividend of 2.25 cents per share.

Since inception in June 2017, WAM Microcap has paid 8.25 cents per share in fully franked dividends to shareholders.

Key dividend dates

Dividend ex-date	4 October 2019
Record date	7 October 2019
Last election date for DRP	9 October 2019
Payment date	18 October 2019

The Board is committed to paying a 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.

Performance

as at 30 June 2019

	3 mths	6 mths	1 yr	Since inception %p.a. (Jun-17)
WMI Investment Portfolio	7.4%	14.4%	7.3%	17.8%
S&P/ASX Small Ordinaries Accumulation Index	3.7%	16.8%	1.9%	12.0%
Outperformance	+3.7%	-2.4%	+5.4%	+5.8%

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

Top 20 holdings

as at 30 June 2019

Code	Company	%
CCX	City Chic Collective Limited	3.6%
IFM	Infomedia Limited	3.6%
JLG	Johns Lyng Group Limited	3.6%
EGG	Enero Group Limited	2.6%
PSI	PSC Insurance Group Limited	2.6%
DTL	Data#3 Limited	2.3%
TNK	Think Childcare Limited	2.1%
SRS	Spicers Limited	2.1%
MYR	Myer Holdings Limited	2.1%
JIN	Jumbo Interactive Limited	2.0%
RHP	Rhipe Limited	1.9%
5GN	5G Networks Limited	1.9%
MVF	Monash IVF Group Limited	1.9%
VRL	Village Roadshow Limited	1.7%
PPE	People Infrastructure Limited	1.7%
AD8	Audinate Group Limited	1.7%
VTG	Vita Group Limited	1.6%
EOF	Ecofibre Limited	1.6%
PFP	Propel Funeral Partners Limited	1.5%
TOT	360 Capital Total Return Fund	1.5%