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January 2019

# Investment Update

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**W | A | M** *Capital*

**W | A | M** *Leaders*

**W | A | M** *Global*

**W | A | M** *Research*

**W | A | M** *Active*

**W | A | M** *Microcap*

### Dear Fellow Shareholders,

At the end of 2018 our market outlook was extremely bearish due to signs that the US Federal Reserve would raise interest rates in 2019 and quantitative tightening (QT) would continue for another three years. At the same time, leading economic indicators were pointing to a slowing global economy. The combined impact of these factors would be brutal to equity markets. The major turning point in January was the unexpected about-face of the US Federal Reserve, holding interest rates for the foreseeable future and indicating that QT might be over. As a result, global equity markets rallied strongly during the month. Now I see the major risk to equities being slowing economic growth that will present as profit downgrades, not price to earnings contraction from higher interest rates and QT.

As is typical during the latter part of an economic cycle, equity markets are being driven by global macroeconomic sentiment and events rather than company fundamentals. Global news that dominated financial markets last year – the US-China trade war, Brexit and the slowdown of the Chinese economy carried into January.

China's fourth quarter 2018 GDP figures slipped to 6.4%, the lowest quarterly rate since the global financial crisis. The Chinese economy has been reeling from the US-China trade war and Beijing's crackdown on debt-fuelled corporate spending. We believe the attention given to China's slowdown will be a catalyst for China's central government to stimulate the economy further, as they have through relaxing reserve requirements for banks.

The International Monetary Fund (IMF) downgraded its global growth forecasts for 2019

and 2020 due to persistent weaknesses in economies around the world, citing the surprise turmoil in major European economies such as Germany, Italy, France and the UK, compounded by the continued negative impacts of the weakened Chinese economy.

In Latin America, Venezuela, the country with the largest proven oil reserves in the world, has teetered on the brink of violent civil unrest following its disputed Presidential election. Most major countries have declared Juan Guaidó the legitimate victor, a claim disputed by the incumbent of almost six years, Nicolás Maduro. The United States (US) declared payments for oil imports from Venezuela would be transferred to accounts available only to a democratic government. WTI Crude Oil prices rallied amidst the political uncertainty, increasing 18.5% for the month of January as investors predicted impacts to supply.

The MSCI World Index (AUD) closed up 4.1% for January after falling 4.2% in December.

In Australia the sentiment is mixed. The National Australia Bank (ASX: NAB) December Business Survey released its results on Tuesday 29 January, which showed a sharp fall in business conditions, continuing the downward trend in the second half of 2018. The Australian market fared better in January than where it finished in December, with the S&P/ASX All Ordinaries Accumulation Index, the S&P/ASX 200 Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index rising 4.0%, 3.9% and 5.6% respectively.

In the lead up to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry's report speculation on the recommendations meant the major banks

were down 1.4% in January. The release, at the beginning of February, of Commissioner Hayne's somewhat soft report led to one of the largest single day surges in major bank stocks, with the combined market capitalisation of the four majors increasing close to \$19 billion. It is unlikely that the report will have a material effect on the banks, with mortgage brokers instead targeted with harsher recommendations. ASX-listed mortgage brokers Mortgage Choice (ASX: MOC) and Australian Finance Group (ASX: AFG) were two of the hardest hit on the day, falling 26.4% and 29.1%.

The Reserve Bank of Australia (RBA) kept the interest rate unchanged at 1.5% at its recent February meeting, as it has done since August 2016. The minutes of the meeting indicated that they had no change in their future position which was contrary to market sentiment. Since then RBA Governor Lowe has stated it may reduce interest rates if the economy is weaker than expected based on the central bank's forecast that housing investment will fall by 10% over the next two-and-a-half years.

#### In other news

On 12 February, shareholders of Century Australia Investments Limited (ASX: CYA) voted in favour of the Scheme of Arrangement with WAM Leaders. We expect the merger to take place in early March following approval by the Federal Court of Australia on 18 February.

As you know, we believe the plan to remove full tax refunds on dividend income is both flawed and unfair and as we approach the election, the issue is heating up. We are very passionate about this cause. I detailed our position, together with clearing up some recent inaccuracies in the press, [here](#). We will continue to campaign on

behalf of many of our shareholders who will be affected.

Next week, we will commence the announcement of our listed investment companies' half-year results. We look forward to providing an update on our listed investment companies on our upcoming investor conference call on 19 March 2019 and meeting with you at our Shareholder Presentations in May 2019.

Good luck investing,



**Geoff Wilson AO**  
Chairman & Chief Investment Officer



# W | A | M Capital

Focus: small to mid-cap Australian companies  
(ASX: WAM)

## Portfolio update

The WAM Capital investment portfolio increased 2.3% in January. Following the additional deployment of capital in February, the investment portfolio's cash weighting is currently 33.9%.

### Research-driven portion of the investment portfolio:

A key contributor to the portfolio performance included Credit Corp (ASX: CCP). CCP is Australia's largest debt buyer and collector, operating globally, which assists customers to repay outstanding debt balances. During January, CCP announced a 13% increase in net profit after tax for the first half of FY2019, beating analysts' expectations. We believe CCP's US division and consumer lending business can continue to generate double-digit earnings growth over the next few years. CCP was up 17.2% for the month of January.

### Market-driven portion of the investment portfolio:

A key contributor to the portfolio performance included IDP Education (ASX: IEL). IEL specialises in international education services, such as student placements and English testing. IEL is a co-owner of IELTS, the most popular global English language test. Over the past few years IEL has invested in a new digital platform to introduce computer-delivered IELTS tests. We believe this global platform can drive volumes in new tests and improve IEL's margins over the next few years. IEL was up 15.0% for the month.



**Oscar Oberg**  
LLB BBus CFA  
Lead Portfolio Manager



**Martin Hickson**  
BBus BComp M App Fin  
Lead Portfolio Manager

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>178.44c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>180.00c*</b>
<b>NTA after tax</b>	<b>182.67c*</b>

\*Includes 0.55 cents per share of tax assets resulting from the acquisition of unlisted investment companies.

Based on the 31 January 2019 share price of \$2.08 per share and the FY18 fully franked full year dividend of 15.5 cents per share.

Pre-tax net tangible assets

**\$1.78**

Gross assets

**\$1,276.2m**

FY18 fully franked dividend yield<sup>^</sup>

**7.5%**

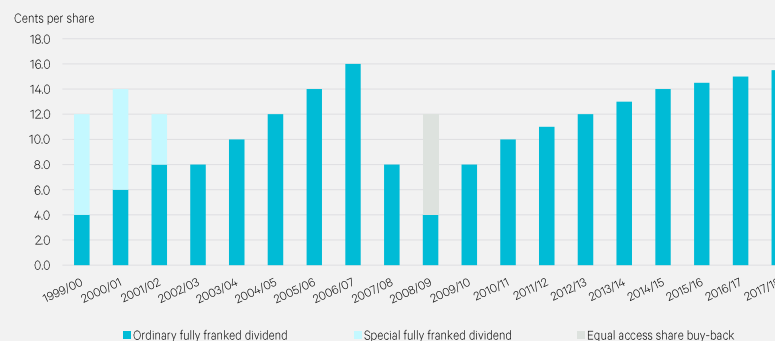
Performance (p.a. since August 1999)

**16.5%**

Performance at 31 January 2019	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %p.a. (Aug-99)
WAM Investment Portfolio	2.3%	-7.1%	-4.4%	8.5%	11.7%	16.4%	16.5%
S&P/ASX All Ordinaries Accumulation Index	4.0%	-3.6%	0.7%	10.0%	7.1%	10.1%	8.0%
<b>Outperformance</b>	<b>-1.7%</b>	<b>-3.5%</b>	<b>-5.1%</b>	<b>-1.5%</b>	<b>+4.6%</b>	<b>+6.3%</b>	<b>+8.5%</b>

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

## Fully franked dividends since inception



## Top 20 holdings in alphabetical order

Austal Limited	ASB
CIMIC Group Limited	CIM
Cleanaway Waste Management Limited	CWY
Credit Corp Group Limited	CCP
CSL Limited	CSL
IPH Limited	IPH
JB Hi-Fi Limited	JBH
Macquarie Group Limited	MQG
Mayne Pharma Group Limited	MYX
Pengana International Equities Limited	PIA
PSC Insurance Group Limited	PSI
Seven Group Holdings Limited	SVW
Smartgroup Corporation Limited	SIQ
Steadfast Group Limited	SDF
Tabcorp Holdings Limited	TAH
Templeton Global Growth Fund Limited	TGG
The a2 Milk Company Limited	A2M
Vocus Group Limited	VOC
Woolworths Group Limited	WOW
WorleyParsons Limited	WOR

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	703.9	56.4	736.6	57.8
Short portfolio	(3.7)	(0.3)	(2.1)	(0.2)
Fixed interest & cash	548.3	43.9	541.7	42.4
<b>Gross assets</b>	<b>\$1,248.5m</b>	<b>100.0</b>	<b>\$1,276.2m</b>	<b>100.0</b>
Market capitalisation	\$1,541.4m		\$1,484.3m	
Total shares on issue	713,608,947		713,608,947	

# W | A | M Leaders

Focus: large-cap Australian companies  
(ASX: WLE)

## Portfolio update

The WAM Leaders portfolio increased 5.1% in January, driven primarily by our tactical iron ore and oil positions. Contributors with exposure to iron ore included Fortescue Metals Group (ASX: FMG), Rio Tinto (ASX: RIO) and BHP Group (ASX: BHP). We increased our investments in FMG, RIO and BHP as the US-China trade wars emerged, believing that a mutually beneficial deal would eventually be struck and we continue to hold this view. FMG, RIO and BHP share prices increased 34.8%, 10.9% and 1.8% respectively for the month of January. BHP's most significant contribution came through a fully franked special dividend of US\$1.02 per share paid on 30 January 2019 from the sale of its onshore oil and gas assets in the US.

Our investment in Woodside Petroleum (ASX: WPL) was driven by an expectation of higher oil prices and an equity market overreaction to the slowdown in the Chinese economy. We believe China's central government will continue to stimulate the economy in a bid to keep its 1.4 billion citizens content. An example of this is the recent relaxation of reserve requirements for banks to encourage business lending, which is helpful for increased demand for iron-ore and oil, by making capital more available. Meanwhile, Venezuela, the country with the largest proven oil reserves in the world, has teetered on the brink of violent civil unrest following its disputed Presidential election. WTI Crude Oil prices rallied amidst the political uncertainty, increasing 18.5% in January as investors predicted impacts to supply. WPL's share price increased 9.6% during the month.

The investment portfolio's cash weighting is currently 12.6%.



**Matthew Haupt**  
BCom GradDip App Fin CFA  
Lead Portfolio Manager

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>114.60c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>114.50c</b>
<b>NTA after tax</b>	<b>114.04c</b>

Based on the 31 January 2019 share price of \$1.09 per share.

Pre-tax net tangible assets

\$1.15

Gross assets

\$809.7m

FY18 fully franked full year dividend

5.0c

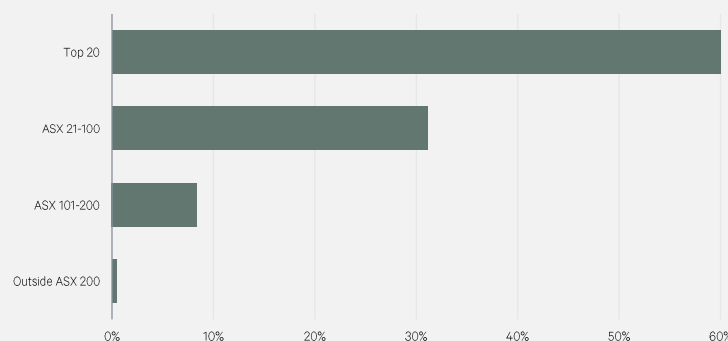
Performance (p.a. since May 2016)

9.5%

Performance at 31 January 2019	1 mth	Fin YTD	1 yr	Since inception %p.a. (May-16)
WLE Investment Portfolio	5.1%	-2.4%	3.2%	9.5%
S&P/ASX 200 Accumulation Index	3.9%	-3.2%	1.4%	7.6%
<b>Outperformance</b>	<b>+1.2%</b>	<b>+0.8%</b>	<b>+1.8%</b>	<b>+1.9%</b>

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

## Equity portfolio composition by market capitalisation



Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	697.3	90.4	739.0	91.3
Short portfolio	(1.8)	(0.2)	0.0	0.0
Fixed interest & cash	75.9	9.8	70.7	8.7
<b>Gross assets</b>	<b>\$771.4m</b>	<b>100.0</b>	<b>\$809.7m</b>	<b>100.0</b>
Market capitalisation	\$746.4m		\$767.5m <sup>†</sup>	
Total shares on issue	704,135,905		704,135,905	

## Top 20 holdings in alphabetical order

Aristocrat Leisure Limited	ALL
Australia and New Zealand Banking Group Limited	ANZ
BHP Group Limited	BHP
Commonwealth Bank of Australia	CBA
CSL Limited	CSL
Fortescue Metals Group Limited	FMG
Goodman Group	GMG
Macquarie Group Limited	MQG
National Australia Bank Limited	NAB
Newcrest Mining Limited	NCM
Oil Search Limited	OSH
OZ Minerals Limited	OZL
Rio Tinto Limited	RIO
Tabcorp Holdings Limited	TAH
Telstra Corporation Limited	TLS
The Star Entertainment Group Limited	SGR
Treasury Wine Estates Limited	TWE
Westpac Banking Corporation	WBC
Woodside Petroleum Limited	WPL
Woolworths Group Limited	WOW

# W | A | M Global

Focus: small to mid-cap international companies  
(ASX: WGB)

## Portfolio update

Following the worst December since the Great Depression, global equities rebounded in January with the MSCI World Index (AUD) increasing by 4.1%. Energy, consumer discretionary and real estate sectors drove the gains, while healthcare, consumer staples and utilities rose only slightly.

All major equity markets rallied in local terms during January: the US S&P 500 Index by 7.9%, the Euro Stoxx 50 Index by 5.3%, the UK FTSE 100 Index by 3.6%, Japan's TOPIX by 4.9% and China's CSI 300 Index by 6.3%. Australia's S&P/ASX All Ordinaries Accumulation Index rose by 4.0% and the Australian dollar strengthened by 3.2% against the US dollar.

Global equity markets were buoyed by a significant change in the direction of the US Federal Reserve's monetary policy. Recent commentary from the Fed indicates a pivot from the previously articulated "autopilot" program of reducing the balance sheet and increasing interest rates. This change in approach has provided equity markets with relief.

The US-China trade war continues to weigh on global markets. Meetings between Chinese and US officials have not yet led to a resolution and while the 90-day trade war truce ends on 1 March 2019, President Trump has indicated this may be extended if a "deal" is in development. It is likely the two nations will eventually reach an agreement but we expect continued volatility until this takes place.

The US reporting season commenced in late January and results have been mixed to date. We expect company outlook statements to reflect the slowing global economy and continued geopolitical tensions.

During the month we utilised our high cash levels to invest in several companies that met our rigorous ratings process but were previously trading on valuations beyond our appetite.

Contributors to the investment portfolio performance during the month included aviation, defence and building technology company United Technologies Corp (NYSE: UTX), information technology (IT) solutions provider CDW Corporation (NASDAQ: CDW) and media producer and distributor Entertainment One (LSE: ETO). During the month UTX announced its 2018 full-year results, reporting above guidance sales and earnings per share figures and its best organic sales in over a decade. In January, CDW reported its quarterly results with earnings climbing 34% over the prior period as they benefitted from strong corporate IT spending. As owner of the Peppa Pig franchise, ETO has recently released its Peppa Pig movie in China, well timed for the *Year of the Pig* in the growing Chinese market.

We are continuing to deploy capital into existing and new positions where we see valuation upside with compelling fundamentals. The investment portfolio's cash weighting is currently 19.6%.



**Catriona Burns**  
BCom M App Fin CFA  
Lead Portfolio Manager

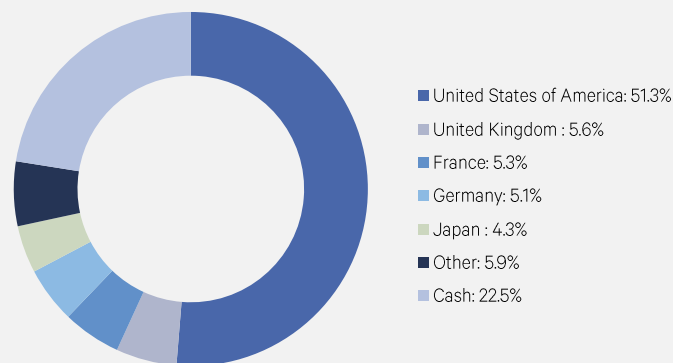
Pre-tax net  
tangible assets

\$2.02

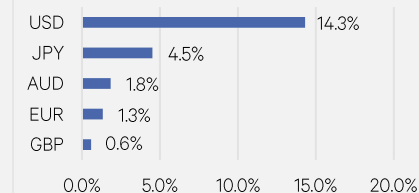
Gross assets

\$422.6m

## Portfolio composition by geographical exposure



## Cash currency exposure (22.5%)



## Top 20 holdings in alphabetical order

Alphabet Inc	GOOG US	USA
American Express Company	AXP US	USA
Bandai Namco Holdings Inc	7832 JP	JPN
CDW Corporation	CDW US	USA
CME Group Inc	CME US	USA
Danone SA	BN FP	FRA
Deutsche Boerse AG	DB1 GY	GER
Diageo PLC	DGE LN	UK
Entertainment One Limited	ETO LN	UK
HCA Healthcare Inc	HCA US	USA
Huntington Ingalls Industries Inc	HII US	USA
Logitech International SA	LOGN SW	SUI
Markel Corporation	MKL US	USA
Norfolk Southern Corporation	NSC US	USA
Reckitt Benckiser Group PLC	RB LN	UK
SS&C Technologies Holdings Inc	SSNC US	USA
Thermo Fisher Scientific Inc	TMO US	USA
United Technologies Corp	UTX US	USA
Vivendi SA	VIV FP	FRA
Waste Management Inc	WM US	USA

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	290.5	70.1	327.5	77.5
Short portfolio	0.0	0.0	0.0	0.0
Fixed interest & cash	124.1	29.9	95.1	22.5
<b>Gross assets*</b>	<b>\$414.6m</b>	<b>100.0</b>	<b>\$422.6m</b>	<b>100.0</b>
Market capitalisation	\$410.5m		\$412.6m <sup>†</sup>	
Total shares on issue	211,607,623		211,607,623	

\*Gross assets exclude the \$6.0m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>202.00c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>208.34c</b>
<b>NTA after tax</b>	<b>207.41c</b>

<sup>†</sup>Based on the 31 January 2019 share price of \$1.95 per share.

# W | A | M Research

Focus: small to mid-cap Australian companies  
(ASX: WAX)

## Portfolio update

The WAM Research investment portfolio increased 2.0% in January. Following the additional deployment of capital in February, the investment portfolio's cash weighting is currently 38.7%.

Contributors to the portfolio performance included Credit Corp (ASX: CCP) and Codan (ASX: CDA). CCP is Australia's largest debt buyer and collector, operating globally, which assists customers to repay outstanding debt balances. During January, CCP announced a 13% increase in net profit after tax for the first half of FY2019, beating analysts' expectations. We believe CCP's US division and consumer lending business can continue to generate double-digit earnings growth over the next few years. CCP was up 17.2% for the month of January.

CDA is a technology company that has a range of products in radio, metal detection, tracking and defence. We first invested in CDA due to a stronger than expected FY2018 result and our belief that sales in metal detection and radio communications products would continue to beat market expectations in FY2019. With \$28.0 million of net cash and zero debt, we believe CDA is well placed to make earnings accretive acquisitions in the near future. CDA was up 8.9% for the month.



**Oscar Oberg**  
LLB BBus CFA  
Lead Portfolio Manager

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>110.85c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>111.34c</b>
<b>NTA after tax</b>	<b>111.74c</b>

\*Based on the 31 January 2019 share price of \$1.39 per share and the FY18 fully franked full year dividend of 9.5 cents per share.

Pre-tax net tangible assets

**\$1.11**

Gross assets

**\$210.6m**

FY18 fully franked dividend yield\*

**6.8%**

Performance (p.a. since July 2010)

**15.4%**

Performance at 31 January 2019	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy %p.a. (Jul-10)
WAX Investment Portfolio	2.0%	-9.3%	-7.0%	7.4%	12.9%	17.0%	15.4%
S&P/ASX All Ordinaries Accumulation Index	4.0%	-3.6%	0.7%	1.0%	7.1%	9.2%	8.3%
<b>Outperformance</b>	<b>-2.0%</b>	<b>-5.7%</b>	<b>-7.7%</b>	<b>+6.4%</b>	<b>+5.8%</b>	<b>+7.8%</b>	<b>+7.1%</b>

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

## Fully franked dividends since inception



## Top 20 holdings in alphabetical order

AMA Group Limited	AMA
Austal Limited	ASB
Bravura Solutions Limited	BVS
Credit Corp Group Limited	CCP
City Chic Collective Limited	CCX
Codan Limited	CDA
Emeco Holdings Limited	EHL
Event Hospitality and Entertainment Limited	EVT
G8 Education Limited	GEM
GTN Limited	GTN
Infomedia Limited	IFM
Imdex Limited	IMD
IPH Limited	IPH
Myer Holdings Limited	MYR
Mayne Pharma Group Limited	MYX
Noni B Limited	NBL
PSC Insurance Group Limited	PSI
Service Stream Limited	SSM
Tabcorp Holdings Limited	TAH
Vocus Group Limited	VOC

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	96.5	46.7	102.5	48.7
Fixed interest & cash	110.1	53.3	108.1	51.3
<b>Gross assets</b>	<b>\$206.6m</b>	<b>100.0</b>	<b>\$210.6m</b>	<b>100.0</b>
Market capitalisation	\$276.8m		\$263.5m	
Total shares on issue	189,561,267		189,561,267	



# W | A | M Active

Focus: market mispricing within the Australian equity market (ASX: WAA)

## Portfolio update

The WAM Active investment portfolio increased 2.8% in January. Following the additional deployment of capital in February, the investment portfolio's cash weighting is currently 27.3%.

Contributors to the portfolio performance included IDP Education (ASX: IEL) and Cleanaway Waste Management (ASX: CWY). IEL specialises in international education services, such as student placements and English testing. IEL is a co-owner of IELTS, the most popular global English language test. Over the past few years IEL has invested in a new digital platform to introduce computer-delivered IELTS tests. We believe this global platform can drive volumes in new tests and improve IEL's margins over the next few years. IEL was up 15.0% for the month.

CWY is Australia's largest waste management company. We first purchased CWY in August 2018 following a stronger than expected FY2018 result. The catalyst to buy CWY came from a number of contract wins that the business had been awarded over the last 12 months and the potential of this to drive earnings upgrades over the next few years. Furthermore, we identified additional synergies in the Toxfree acquisition which was completed in May 2018. CWY was up 8.4% for the month.



**Martin Hickson**  
BBus BComp M App Fin  
Lead Portfolio Manager

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>100.07c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>102.44c</b>
<b>NTA after tax</b>	<b>102.42c</b>

Based on the 31 January 2019 share price of \$1.00 per share and the FY18 fully franked full year dividend of 5.7 cents per share.

Pre-tax net tangible assets

**\$1.00**

Gross assets

**\$46.2m**

FY18 fully franked dividend yield<sup>a</sup>

**5.7%**

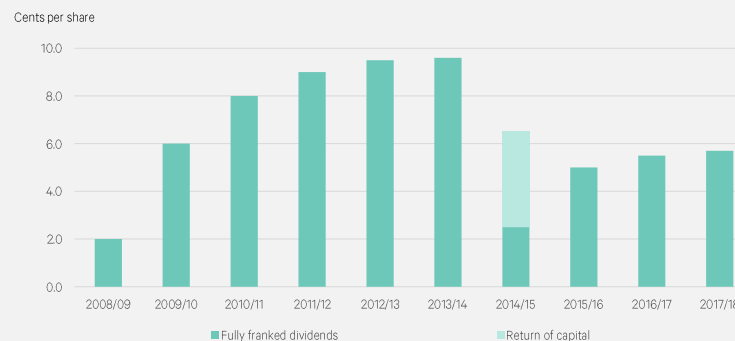
Performance (p.a. since January 2008)

**11.8%**

Performance at 31 January 2019	1 mth	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %p.a. (Jan-08)
WAA Investment Portfolio	2.8%	-3.8%	-0.6%	9.8%	10.3%	14.5%	11.8%
S&P/ASX All Ordinaries Accumulation Index	4.0%	-3.6%	0.7%	10.0%	7.1%	10.1%	3.6%
<b>Outperformance</b>	<b>-1.2%</b>	<b>-0.2%</b>	<b>-1.3%</b>	<b>-0.2%</b>	<b>+3.2%</b>	<b>+4.4%</b>	<b>+8.2%</b>
UBS Bank Bill Index (Cash)	0.2%	1.2%	2.0%	1.9%	2.1%	3.0%	3.5%
<b>Outperformance</b>	<b>2.6%</b>	<b>-5.0%</b>	<b>-2.6%</b>	<b>+7.9%</b>	<b>+8.2%</b>	<b>+11.5%</b>	<b>+8.3%</b>

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

## Fully franked dividends since inception



## Top 20 holdings in alphabetical order

Appen Limited	APX
CIMIC Group Limited	CIM
Cleanaway Waste Management Limited	CWY
Collins Foods Limited	CKF
CSL Limited	CSL
Goodman Group	GMG
IDP Education Limited	IEL
JB Hi-Fi Limited	JBH
Macquarie Group Limited	MQG
Macquarie Media Limited	MRN
Metcash Limited	MTS
oOh!media Limited	OML
Pengana International Equities Limited	PIA
Seven Group Holdings Limited	SVW
Smartgroup Corporation Limited	SIQ
Steadfast Group Limited	SDF
Templeton Global Growth Fund Limited	TGG
The a2 Milk Company Limited	A2M
Woolworths Group Limited	WOW
WorleyParsons Limited	WOR

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	23.4	52.1	30.8	66.6
Short portfolio	(0.3)	(0.7)	(0.2)	(0.4)
Fixed interest & cash	21.9	48.6	15.6	33.8
<b>Gross assets</b>	<b>\$45.0m</b>	<b>100.0</b>	<b>\$46.2m</b>	<b>100.0</b>
Market capitalisation	\$47.1m		\$46.0m	
Total shares on issue	45,969,433		45,969,433	

# W | A | M *Microcap*

Focus: micro-cap Australian companies  
(ASX: WMI)

## Portfolio update

The WAM Microcap investment portfolio increased 1.7% in January. Following the additional deployment of capital in February, the investment portfolio's cash weighting is currently 36.1%.

Contributors to the portfolio performance included Spicers (ASX: SRS) and Village Roadshow (ASX: VRL). SRS is a paper, print, packaging and signage business in Australia and New Zealand. We first invested in SRS in August 2018 following a strong FY2018 result, as we believed the company's strategy of cost control and focus on core operations would lead to earnings growth and an improved balance sheet. During January, SRS announced it had entered into a merger agreement with Kokusai Pulp & Paper (TYO: 9274). Shareholders will receive an estimated 7.0 cents per share in cash, which is a 32.1% premium to the pre-announcement share price. SRS was up 21.8% for the month.

VRL owns theme parks, cinemas and film distribution rights. We first invested in VRL following its capital raising in July 2018 as we expected a recovery in theme park earnings and a strong pipeline in movies for the cinema division, leading to an improvement in VRL's stretched balance sheet. With VRL's theme parks experiencing sunny weather over the Christmas period and key movies such as Bohemian Rhapsody and A Star is Born performing strongly, we believe VRL is well placed to deliver a strong first-half result. VRL was up 12.6% for the month.



**Oscar Oberg**  
LLB BBus CFA  
Lead Portfolio Manager



**Martin Hickson**  
BBus BComp M App Fin  
Lead Portfolio Manager

## Net tangible asset (NTA) figures

<b>NTA before tax</b>	<b>120.98c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>120.99c</b>
<b>NTA after tax</b>	<b>119.90c</b>

Based on the 31 January 2019 share price of \$1.24 per share.

Pre-tax net tangible assets

**\$1.21**

Gross assets

**\$174.9m**

FY18 fully franked full year dividend

**4.0c**

FY18 fully franked special dividend

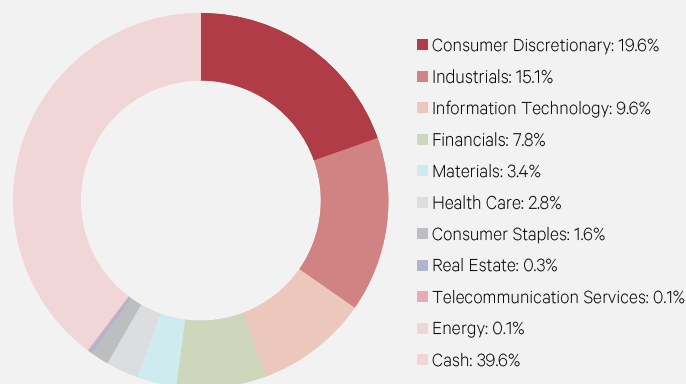
**2.0c**

## Performance at 31 January 2019

	1 mth	Fin YTD	1 yr	Since inception %p.a. (Jun-17)
WMI Investment Portfolio	1.7%	-4.6%	-4.2%	14.4%
S&P/ASX Small Ordinaries Accumulation Index	5.6%	-7.9%	-3.1%	8.4%
<b>Outperformance</b>	<b>-3.9%</b>	<b>+3.3%</b>	<b>-1.1%</b>	<b>+6.0%</b>

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

## Portfolio composition by sector



## Top 20 holdings in alphabetical order

A2B Australia Limited	A2B
Alliance Aviation Services Limited	AQZ
Baby Bunting Group Limited	BBN
City Chic Collective Limited	CCX
Emeco Holdings Limited	EHL
Experience Co Limited	EXP
Generational Development Group Limited	GDG
Infomedia Limited	IFM
Jumbo Interactive Limited	JIN
Macmahon Holdings Limited	MAH
Macquarie Media Limited	MRN
Noni B Limited	NBL
Over The Wire Holdings Limited	OTW
People Infrastructure Limited	PPE
PSC Insurance Group Limited	PSI
QANTM Intellectual Property Limited	QIP
Reckon Limited	RKN
Spicers Limited	SRS
360 Capital Total Return Fund	TOT
Village Roadshow Limited	VRL

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	104.8	60.9	106.0	60.6
Short portfolio	(0.3)	(0.2)	(0.4)	(0.2)
Fixed interest & cash	67.6	39.3	69.3	39.6
<b>Gross assets</b>	<b>\$172.1m</b>	<b>100.0</b>	<b>\$174.9m</b>	<b>100.0</b>
Market capitalisation	\$178.5m		\$174.3m <sup>1</sup>	
Total shares on issue	140,530,698		140,530,698	



# Investment & management team



**Geoff Wilson AO**  
BSc GMQ FFINSIA FAICD  
Chairman &  
Chief Investment  
Officer



**Kate Thorley**  
BCom CA GAICD  
Chief Executive  
Officer



**Catriona Burns**  
BCom MAppFin FFINSIA  
CFA  
Lead Portfolio  
Manager



**Matthew Haupt**  
BCom GradDipAppFin  
CFA  
Lead Portfolio  
Manager



**Martin Hickson**  
BBus BComp MAppFin  
Lead Portfolio  
Manager



**Oscar Oberg**  
LLB BBus CFA  
Lead Portfolio  
Manager



**Tobias Yao**  
BCom CFA  
Portfolio Manager



**John Ayoub**  
LLB BA GradCertAppFin  
Portfolio Manager



**Nick Healy**  
BEng (Hons) MBA  
Global Equity  
Analyst



**Sam Koch**  
BBus  
Equity Analyst



**Cooper Rogers**  
BCom GradDipAppFin  
Dealer



**Jesse Hamilton**  
BCom CA  
Chief Financial  
Officer



**James McNamara**  
BJourn MComn GradDipFin  
Head of Corporate  
Affairs