

WAM Active increases interim fully franked dividend and continues strong performance

15 February 2017
ASX announcement
& media release

Highlights

\$1.78m

Operating profit before tax

2.75 cents

Increased fully franked interim dividend

7.4%

Investment portfolio performance

4.7%

Annualised fully franked dividend yield

WAM Active Limited (ASX: WAA) today reported an operating profit before tax of \$1.78 million (2015: \$3.6 million) and operating profit after tax of \$1.3 million (2015: \$2.6million) for the half year to 31 December 2016. The reduction in operating profit was due to the change in value of the investment portfolio between the periods. In the six months to 31 December 2015, the investment portfolio increased 14.4%, while in the six months to 31 December 2016 the investment portfolio increased 7.4%.

WAM Active Chairman Geoff Wilson said the Company was pleased to deliver an increased fully franked interim dividend to shareholders.

“WAM Active will pay a fully franked interim dividend of 2.75 cents per share that represents an annualised fully franked dividend yield of 4.7%”, he said.

The total shareholder return for the six months to 31 December 2016 was 17.2%, adjusted for dividends reinvested and options issued during the period.

One of the measures of financial results for listed investment companies is the change in net tangible assets (NTA), adjusted for dividends paid during the period, as this shows the change in the value of the assets that belong to WAM Active shareholders. The post-tax NTA, adjusted for the 2.5 cent fully franked final dividend, increased by 3.6%.

Wilson Asset Management Chief Investment Officer Chris Stott said the performance of the investment portfolio was achieved through the Company's market-driven investment process.

“Our strong performance in the half year period points to the success of our active investment methodology, which saw the investment portfolio turn over almost twice.

“The 7.4% increase in the investment portfolio was achieved with an average 29% cash weighting,” Mr Stott said.

Performance at 31 December 2016	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	Since Inception %pa (Jan-08)
WAA Investment Portfolio**	7.4%	10.7%	12.3%	14.2%	12.9%
S&P/ASX All Ordinaries Accumulation Index	9.9%	11.6%	6.8%	11.6%	3.1%
Outperformance	-2.5%	-0.9%	+5.5%	+2.6%	+9.8%
UBS Bank Bill Index	0.9%	2.1%	2.4%	2.8%	3.8%
Outperformance	+6.5%	+8.6%	+9.9%	+11.4%	+9.1%

*Based on the 14 February 2017 closing price of \$1.16

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

One-for-one option issue

In August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. Options entitle holders to purchase additional ordinary shares in WAM Active at the exercise price of \$1.14 at any time on or before 17 September 2018. The options trade on the ASX under the code WAAO and closed yesterday at \$0.05. The bonus option issue is an effective way to grow the Company and will deliver benefits to shareholders. As the Company's size increases, on-market liquidity for the shares is expected to increase. It will also increase the Company's relevance in the market, improve the prospect of broker and research coverage, and gain interest from financial planners.

Increased fully franked dividend and options

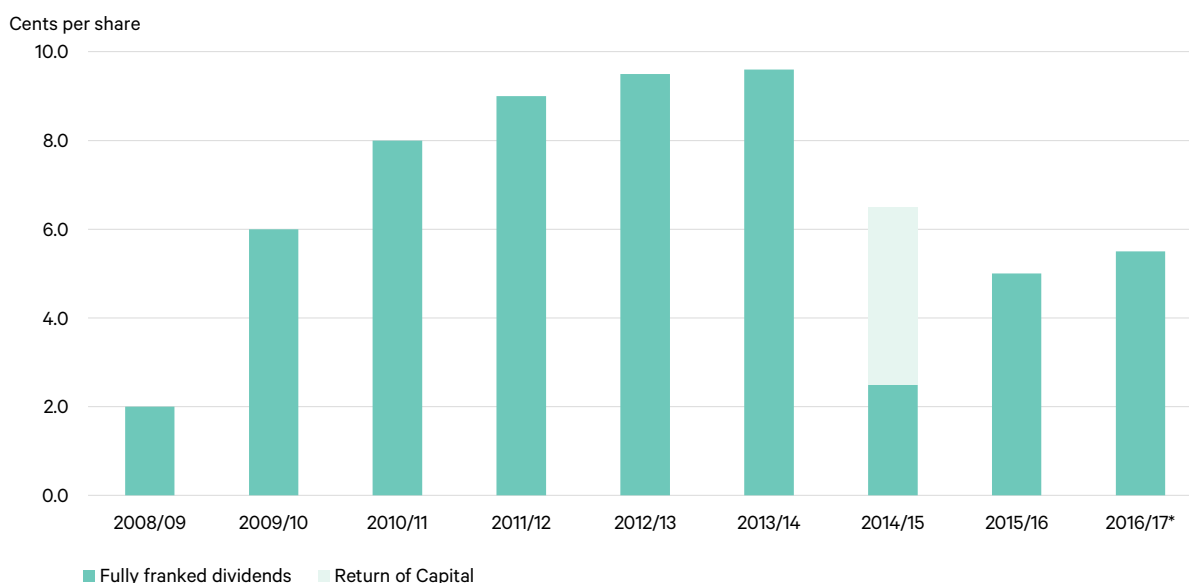
The Board today announced a fully franked interim dividend of 2.75 cents per share, an increase on last year's fully franked 2.5 cents per share interim dividend. The interim dividend will be paid on 26 May 2017 and will trade ex on 16 May 2017.

The dividend reinvestment plan (DRP) is available to shareholders for the interim dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 19 May 2017.

Shareholders who exercise their options before 11 May 2017 will be eligible to receive the fully franked interim dividend.

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 is within prudent business practices.

WAM Active's fully franked dividends since Inception



*Annualised interim dividend

Investment portfolio performance

WAM Active's investment portfolio increased 7.4% for the six months to 31 December 2016 and returned 10.7% in the 12-month period. The Company maintained a 29% average cash weighting during the six months to 31 December 2016.

Wilson Asset Management Chief Investment Officer Chris Stott said the Company's investment portfolio delivered a solid result for the six-month period due to its flexible investment approach.

"Our investment methodology allows us to take advantage of various trading strategies focused on short-term mispricing opportunities in the Australian equity market," Mr Stott said.

"The S&P/ASX All Ordinaries climbed almost 10% in the weeks following the surprise election of President Trump in November, which we took advantage of using our market-driven investment process," he said.

The portfolio's top performing stocks were: Afterpay Holdings Limited (ASX: AFY), SAI Global Limited (ASX: SAI), ALS Limited (ASX: ALQ), Bradken Limited (ASX: BKN) and AMP Capital China Growth Fund (ASX: AGF).

Equity market outlook

With the Australian and global economies strengthening, Chief Investment Officer Chris Stott said the Wilson Asset Management investment team was more positive in its overall outlook for the equities market in 2017.

"Towards the end of 2016, the Australian economy started to show signs of strength and in 2017 we expect continued economic growth, albeit modest," Mr Stott said.

"With the rise in commodity prices increasing the taxable income of many mining and mining-related companies, the government is set to receive a fiscal boost this year. Similarly, we expect the residential property market will remain strong. One factor we believe could lead shares higher is the return of company earnings per share growth in select sectors such as resources and retail.

"However, the quality of businesses listed over the last six months has generally been poorer than one to two years ago with many new companies failing to trade above their issue price. We are expecting the pipeline of new companies coming to market will continue to wane this year given private equity firms have now sold off the majority of their assets and have transitioned to acquisition mode.

"Even with a slightly more positive outlook it is worth noting we are in the mature stages of an eight-year bull market that is showing signs of fatigue. Traditionally, the quality of new IPOs is generally highest at the start of the bull market cycle and, as we near the end of the current cycle, the quality of new company floats is generally diminishing.

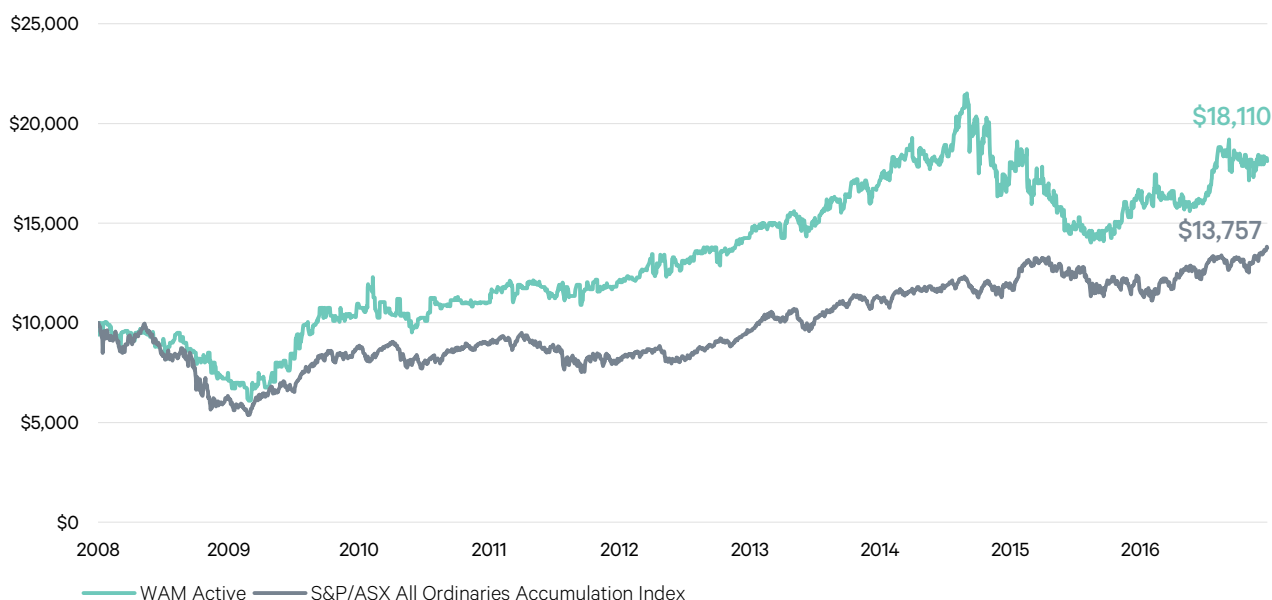
"Looking ahead, we expect the market will continue to be heavily influenced by global events and despite our generally positive view, we anticipate further volatility given the high degree of uncertainty surrounding the implementation of President Trump's election policies," Mr Stott said.

Top Holdings as at 31 December 2016

Code	Company	Market value \$	Market value as % gross assets
HHV	Hunter Hall Global Value Limited	1,790,728	4.6%
CYA	Century Australia Investments Limited	1,681,695	4.4%
JBH	JB Hi Fi Limited	1,500,925	3.9%
MFG	Magellan Financial Group Limited	1,431,857	3.7%
STO	Santos Limited	1,409,975	3.7%
CGF	Challenger Limited	1,157,001	3.0%
MQG	Macquarie Group Limited	1,146,064	3.0%
A2M	a2 Milk Company Limited	1,068,503	2.8%
TGG	Templeton Global Growth Fund Limited	969,868	2.5%
AFY	Afterpay Holdings Limited	965,845	2.5%
GNC	Graincorp Limited	903,181	2.3%
CWY	Cleanaway Waste Management Limited	877,502	2.3%
RMD	ResMed Inc	817,391	2.1%
TWE	Treasury Wine Estates Limited	789,231	2.0%
NUF	Nufarm Limited	779,360	2.0%
BSL	BlueScope Steel Limited	759,123	2.0%
WOW	Woolworths Limited	757,656	2.0%
IMD	Imdex Limited	756,518	2.0%
OZL	OZ Minerals Limited	725,138	1.9%
ANN	Ansell Limited	652,369	1.7%

Growth of \$10,000 since inception

WAM Active versus the Index



About WAM Active

WAM Active Limited (ASX: WAA), a listed investment company (LIC), has an investment management agreement with Wilson Asset Management. Listed in January 2008, WAM Active provides investors with exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional markets. WAM Active's investment objectives are to deliver a regular income stream via fully franked dividends, provide a positive return with low volatility, after fees, over most periods of time, and to preserve capital.

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