

Chairman's update

Geoff Wilson AO

- 77.4% increase in operating profit before tax
- 18.6%[^] investment portfolio performance in the six month period
- 3.0c per share fully franked interim dividend, representing an annualised fully franked dividend yield of 5.3%^{*}

WAM Active Limited (ASX: WAA) achieved a 77.4% increase in operating profit before tax to \$5.9 million and a 75.1% increase in operating profit after tax to \$4.3 million in its FY2021 half year results. The operating profit is reflective of the strong investment portfolio performance over the period.

The Board of Directors declared a fully franked interim dividend of 3.0 cents per share, representing an annualised fully franked dividend yield of 5.3%^{*} and a grossed-up dividend yield of 7.6%^{**}.

The 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.

The investment portfolio increased 18.6%[^], with an average cash holding of 7.1% during the half year to 31 December 2020. The Bloomberg AusBond Bank Bill Index, representing the return on cash, was flat[^] in the six months to December 2020. In the 2020 calendar year the portfolio increased 7.7%[^], with an average cash holding of 14.3%, while the Bloomberg AusBond Bank Bill Index increased 0.4%[^].

We were pleased with the investment portfolio performance, in a period dominated by the macroeconomic backdrop, amid increasing global coronavirus cases, positive vaccine news, a US presidential election and record stimulus. The investment portfolio performance was achieved by the investment team's rigorous application of our proven investment process.

The Board today announced a SPP, Placement and one-for-one Bonus Issue of Options. We believe it is an exciting opportunity to significantly grow WAM Active's assets to the benefit of all shareholders.

WAM Active provided shareholders with a total shareholder return of 29.7% in the six months to 31 December 2020, reflecting the Company's strong absolute performance and the increase in the share price relative to NTA.

We remain constructive on the outlook for equities, as central banks maintain accommodative policies and the rollout of vaccinations continues to benefit equity markets.

[^]Investment portfolio performance and index returns are before expenses, fees and taxes.

^{*}Based on the 31 December 2020 share price of \$1135 per share.

^{**}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Annualised fully franked
interim dividend

6.0c

Annualised fully franked
dividend yield^{*}

5.3%

Dividends paid since inception
(per share)

74.7c

Fully franked interim dividend

The Board declared a fully franked interim dividend of 3.0 cents per share. The Dividend Reinvestment Plan (DRP) will be operating with a 2.5% discount for the interim dividend.

Since inception in January 2008, WAM Active has paid 74.7 cents per share in fully franked dividends to shareholders.

Key dividend dates

Ex dividend date	18 May 2021
Record date	19 May 2021
Last election date for DRP	21 May 2021
Payment date	28 May 2021

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits 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 on profits.

The Company's profits reserve at the end of the period was 12.0 cents per share, before the payment of the fully franked interim dividend of 3.0 cents per share, representing 2.0 years of dividend coverage.

Lead Portfolio Manager's update

Oscar Oberg



In employing our market-driven investment process, we are focused on delivering positive absolute portfolio performance while taking the least risk possible.

During the period we invested in 17 new individual companies and turned the equity portion of the investment portfolio over 1.5 times. Holdings that significantly contributed to the investment portfolio outperformance over the half year included: online retailer Temple & Webster Group (ASX: TPW), intelligence software provider Nuix (ASX: NXL), mining services company Mineral Resources (ASX: MIN), healthcare company Healius (ASX: HLS), and data centre operator NEXTDC (ASX: NXT). Detractors for the period included: Blackmores (ASX: BKL), Uniti Group (ASX: UWL) and Pushpay Holdings (ASX: PPH).

The development of a successful coronavirus vaccine with higher than expected efficacy rates of over 90% dominated news towards the end of the calendar year. A path to Brexit was announced in the UK and a USD920 billion economic package was passed by the US Congress. After ongoing civil unrest and a fierce presidential debate, clarity in the US election outcome saw markets rally.

Growing confidence in a pathway to economic recovery, drove a market shift from growth companies into value companies through the period. We took this opportunity to increase our exposure to companies within cyclical sectors such as mining services, financials and building materials.

The market for initial public offerings (IPOs) over the period was strong. WAM Active participated in a number of raisings, including Nuix (ASX: NXL) which performed strongly and Adore Beauty (ASX: ABY) which disappointed on debut, however we remain positive on the outlook for both these companies.

Given the volume of economic support globally, we expect to see a period where economic data will continue to surprise on the upside. Inflation remains our major concern, particularly given our view that central banks will be reluctant to raise interest rates through the recovery period. While we expect volatility to remain over the course of 2021, we are constructive on the outlook for equities. We have continued our strategy to focus on investing in companies offering the most liquidity, with 82% of the portfolio able to be sold within 30 days as at 31 December 2020.

Investment portfolio performance

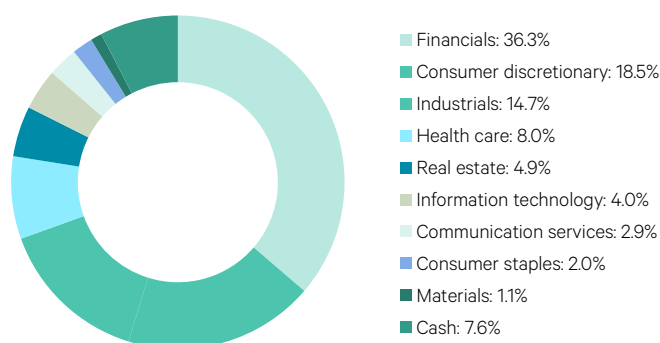
as at 31 December 2020

	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception %pa (Jan-08)
WAA Investment Portfolio	18.6%	7.7%	8.4%	10.3%	11.0%	12.0%
Bloomberg AusBond Bank Bill Index (Cash)	0.0%	0.4%	1.3%	1.5%	2.4%	3.1%
Outperformance	+18.6%	+7.3%	+7.1%	+8.8%	+8.6%	+8.9%
S&P/ASX All Ordinaries Accumulation Index	15.7%	3.6%	7.4%	9.3%	7.9%	4.8%
Outperformance	+2.9%	+4.1%	+1.0%	+1.0%	+3.1%	+7.2%

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

Portfolio composition by sector

as at 31 December 2020



Top 20 holdings with portfolio weightings

as at 31 December 2020

Code	Company	%
KBC	Keybridge Capital Limited	8.8%
AUI	Australian United Investment Company Limited	5.9%
TGG	Templeton Global Growth Fund Limited	5.3%
INA	Ingenia Communities Group	4.9%
RHC	Ramsay Health Care Limited	4.1%
SGR	The Star Entertainment Group Limited	3.8%
PIA	Pengana International Equities Limited	3.7%
DOW	Downer EDI Limited	3.5%
PDL	Pendal Group Limited	2.9%
HLS	Healius Limited	2.9%
VOC	Vocus Group Limited	2.8%
CKF	Collins Foods Limited	2.7%
MMS	McMillan Shakespeare Limited	2.6%
PMV	Premier Investments Limited	2.4%
SIQ	Smartgroup Corporation Limited	2.3%
SDF	Steadfast Group Limited	2.0%
GNC	GrainCorp Limited	2.0%
NXL	Nuix Limited	2.0%
NEC	Nine Entertainment Co. Holdings Limited	2.0%
EHL	Emeco Holdings Limited	2.0%