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June 2019

# Investment Update

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

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

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

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

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

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

### Dear Fellow Shareholders,

June marked the end of a dynamic 12-month period for equity markets. The 2019 financial year began with expectations of synchronised – albeit softening – global growth and tighter monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest United States (US) bull market appeared to be approaching. By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights, as interest rates fell and the global economy weakened. The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased 5.6% in AUD terms.

Large-cap companies drove the US market's gains. The S&P 500 Index climbed 10.4% during the year in local terms, with the top five performers – Microsoft (NASDAQ: MSFT), Procter & Gamble (NYSE: PG), Amazon (NASDAQ: AMZN), Apple (NASDAQ: AAPL) and Visa (NYSE: V) – contributing to over one-quarter of the Index's increase as the tech giants lead the charge. In contrast, the Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%.

During June, the Reserve Bank of Australia cut the cash rate to a record low 1.25% before reducing it again to 1.0% in July. The injection of affordable funding, coupled with a significant rally across a range of commodities, led to a strong monthly advance for the S&P/ASX 200 Accumulation Index, which increased 3.7%. The large-cap performance contributed to the S&P/ASX All Ordinaries Accumulation Index rising 3.4% in June while the S&P/ASX Small Ordinaries Accumulation Index only rose 0.9%.

We were pleased with the solid performance to end the financial quarter 2019 as WAM Capital's investment portfolio increased 5.4%, WAM Leaders' increased 7.2%, WAM Global's increased 7.3%, WAM Microcap's increased 7.4%, WAM Research's increased 6.4% and WAM Active's increased 4.5%.

We remain cautious about the direction of equity markets, particularly given the highly interventionist consensus among central banks, which is masking economic realities and distorting asset prices.

We are focused on the preservation of shareholder capital. Despite our cautious outlook, we continue to identify and act on Australian and global opportunities and are confident our portfolios are comprised of companies with valuation upside and compelling fundamentals.

### In other news

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

Good luck investing and happy financial new year,



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



# W | A | M Leaders

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

## Portfolio update

The WAM Leaders investment portfolio increased 4.4% in June, outperforming the S&P/ASX 200 Accumulation Index which rose 3.7%. The Index's performance was primarily driven by the Reserve Bank of Australia's (RBA) record cash rate cut to 1.25% during the month. The investment portfolio is currently positioned to benefit from the low interest rate environment, which we **discussed** in June. The investment portfolio's outperformance during the month was attributable to its tactical holdings in interest rate sensitive stocks as bond yield curves started factoring in deeper cuts to monetary policy settings globally. WAM Leaders' exposure to interest rate correlated businesses averaged 15.0% for the month. Sectors that benefitted from lower bond yields were REITS, infrastructure and gold, returning 2.6%, 4.5% and 15.9% for the month.

Gold-focused companies particularly benefit from loose monetary policy and in June, the expectation of future rate cuts by the US Federal Reserve and the volatility driven by US-Iran tensions led to a significant rally in the spot price of gold. WAM Leaders holds four major gold producing companies, Evolution Mining (ASX: EVN), Northern Star Resources (ASX: NST), Newcrest Mining (ASX: NCM) and Saracen Mineral Holdings (ASX: SAR), which closed up 12.7%, 20.0%, 17.4% and 15.0% respectively in June. WAM Leaders' exposure to gold related companies averaged 5.0% for the month.



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

## Net tangible asset (NTA) figures

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| <b>NTA before tax</b>                                   | <b>126.20c*</b> |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>124.54c</b>  |
| <b>NTA after tax</b>                                    | <b>122.26c</b>  |

\*The NTA before tax is after the payment of \$3.8m (0.48 cents per share) in tax during the month.

\*Based on the 28 June 2019 share price of \$1.105 per share.

Pre-tax net  
tangible assets

**\$1.26**

Gross assets

**\$992.3m**

Annualised fully franked  
interim dividend

**5.3c**

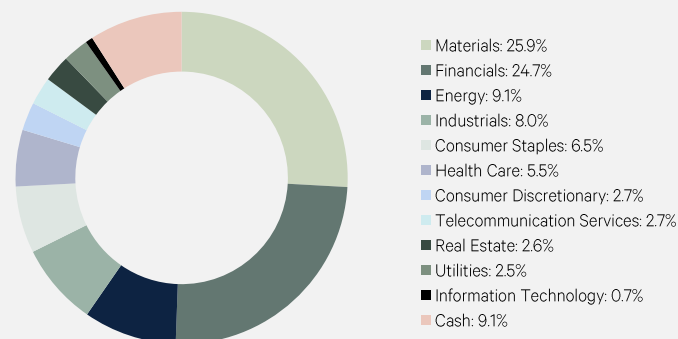
Performance  
(p.a. since May 2016)

**12.6%**

| Performance at<br>30 June 2019 | 1<br>mth     | 6<br>mths    | 1<br>yr      | 2 yrs<br>%pa | Since<br>inception<br>%p.a.<br>(May-16) |
|--------------------------------|--------------|--------------|--------------|--------------|-----------------------------------------|
| WLE Investment Portfolio       | 4.4%         | 19.4%        | 10.9%        | 14.3%        | 12.6%                                   |
| S&P/ASX 200 Accumulation Index | 3.7%         | 19.7%        | 11.5%        | 12.3%        | 11.5%                                   |
| <b>Outperformance</b>          | <b>+0.7%</b> | <b>-0.3%</b> | <b>-0.6%</b> | <b>+2.0%</b> | <b>+1.1%</b>                            |

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

## Portfolio composition by sector



## Top 20 holdings in alphabetical order

|                                                 |     |
|-------------------------------------------------|-----|
| Australia and New Zealand Banking Group Limited | ANZ |
| BHP Billiton Limited                            | BHP |
| Commonwealth Bank of Australia                  | CBA |
| CSL Limited                                     | CSL |
| Fortescue Metals Group Limited                  | FMG |
| Goodman Group Pty Limited                       | GMG |
| Iluka Resources Limited                         | ILU |
| Macquarie Group Limited                         | MQG |
| National Australia Bank Limited                 | NAB |
| Newcrest Mining Limited                         | NCM |
| Northern Star Resources Limited                 | NST |
| OZ Minerals Limited                             | OZL |
| Rio Tinto Limited                               | RIO |
| Santos Limited                                  | STO |
| Telstra Corporation Limited                     | TLS |
| The GPT Group                                   | GPT |
| Transurban Group                                | TCL |
| Westpac Banking Corp                            | WBC |
| Woodside Petroleum Limited                      | WPL |
| Woolworths Limited                              | WOW |

|                       | May 2019        |              | June 2019        |              |
|-----------------------|-----------------|--------------|------------------|--------------|
| Investment type       | \$m             | %            | \$m              | %            |
| Listed equities       | 862.1           | 90.2         | 913.5            | 92.0         |
| Short portfolio       | 0.0             | 0.0          | (11.1)           | (1.1)        |
| Fixed interest & cash | 93.2            | 9.8          | 89.9             | 9.1          |
| <b>Gross assets</b>   | <b>\$955.3m</b> | <b>100.0</b> | <b>\$992.3m*</b> | <b>100.0</b> |
| Market capitalisation | \$862.3m        |              | \$866.2m*        |              |
| Total shares on issue | 783,890,791     |              | 783,890,791      |              |

\*This figure is after the payment of \$3.8m in tax during the month.

# W | A | M Capital

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

## Portfolio update

The WAM Capital investment portfolio increased 0.7% in June.

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

Our holding in Codan Limited (ASX: CDA), an Adelaide-based communication, metal detection and mining technology manufacturer and supplier, increased 6.1% during the month. We invested in CDA following a stronger-than-expected FY18 result and our view that sales in metal detection and radio communication products would continue to rise. The company announced at the end of May that sales in the second half of the year had delivered a positive earnings surprise. Heading into FY20, we believe CDA will continue to build on its momentum in earnings generated from broadening sales divisions, new products and market-leading intellectual property.

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

A key contributor to the portfolio performance was Ausdrill Limited (ASX: ASL), a diversified mining services company with operations in Australia, Africa, India and the United Kingdom. ASL's subsidiary was recently awarded a five-year underground mining services contract in Botswana worth approximately \$800 million, located in the Kalahari copper belt. Coupled with a recent gold price surge to over USD1,400 per ounce, this contract provides significant revenue and earnings potential. We first invested in ASL in February 2019, following a stream of new contract wins. ASL closed up 24.6% 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>184.10c*</b>  |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>184.84c**</b> |
| <b>NTA after tax</b>                                    | <b>187.08c**</b> |

\*The NTA before tax is after the payment of \$2.1m (0.29 cents per share) in tax during the month.

\*\*Includes 0.85 cents per share of tax assets resulting from the acquisition of unlisted investment companies.

\*Based on the 28 June 2019 share price of \$2.02 per share and the annualised FY19 fully franked interim dividend of 15.5 cents per share.

Pre-tax net  
tangible assets

**\$1.84**

Gross assets

**\$1,324.7m**

Fully franked  
dividend yield\*

**7.7%**

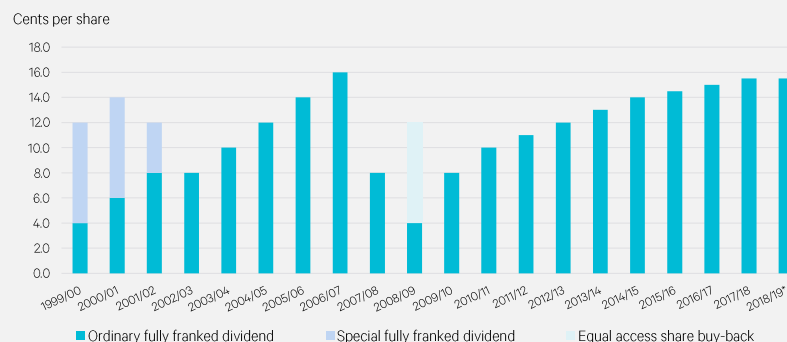
Performance  
(p.a. since August 1999)

**16.7%**

| Performance at<br>30 June 2019              | 1<br>mth     | 6<br>mths    | 1<br>yr      | 3 yrs<br>%pa | 5 yrs<br>%pa | 10 yrs<br>%pa | Since<br>inception<br>%p.a.<br>(Aug-99) |
|---------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------------------------------|
| WAM Investment Portfolio                    | 0.7%         | 12.4%        | 2.0%         | 9.4%         | 128%         | 15.6%         | 16.7%                                   |
| S&P/ASX All Ordinaries Accumulation Index   | 3.4%         | 19.8%        | 11.0%        | 12.6%        | 9.0%         | 10.0%         | 8.6%                                    |
| <b>Outperformance</b>                       | <b>-2.7%</b> | <b>-7.4%</b> | <b>-9.0%</b> | <b>-3.2%</b> | <b>+3.8%</b> | <b>+5.6%</b>  | <b>+8.1%</b>                            |
| S&P/ASX Small Ordinaries Accumulation Index | 0.9%         | 16.8%        | 1.9%         | 10.7%        | 9.3%         | 6.3%          | 5.6%                                    |
| <b>Outperformance</b>                       | <b>-0.2%</b> | <b>-4.4%</b> | <b>+0.1%</b> | <b>-1.3%</b> | <b>+3.5%</b> | <b>+9.3%</b>  | <b>+11.1%</b>                           |

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

## Fully franked dividends since inception



\*Annualised interim dividend

|                       | May 2019          |              | June 2019          |              |
|-----------------------|-------------------|--------------|--------------------|--------------|
| Investment type       | \$m               | %            | \$m                | %            |
| Listed equities       | 1,058.2           | 80.3         | 1,000.0            | 75.5         |
| Short portfolio       | (0.1)             | (0.0)        | (10.0)             | (0.8)        |
| Fixed interest & cash | 260.0             | 19.7         | 334.7              | 25.3         |
| <b>Gross assets</b>   | <b>\$1,318.1m</b> | <b>100.0</b> | <b>\$1,324.7m*</b> | <b>100.0</b> |
| Market capitalisation | \$1,499.7m        |              | \$1,449.5m         |              |
| Total shares on issue | 717,571,132       |              | 717,571,132        |              |

\*This figure is after the payment of \$2.1m in tax during the month.

## Top 20 holdings in alphabetical order

|                                         |     |
|-----------------------------------------|-----|
| Afterpay Touch Group Limited            | APT |
| Austal Limited                          | ASB |
| Automotive Holdings Group Limited       | AHG |
| Cleanaway Waste Management Limited      | CWY |
| Collins Foods Limited                   | CKF |
| Corporate Travel Management Limited     | CTD |
| Credit Corp Group Limited               | CCP |
| CSL Limited                             | CSL |
| Downer EDI Limited                      | DOW |
| Harvey Norman Holdings Limited          | HVN |
| IDP Education Limited                   | IEL |
| InvoCare Limited                        | IVC |
| Myer Holdings Limited                   | MYR |
| Nine Entertainment Co. Holdings Limited | NEC |
| Pengana International Equities Limited  | PIA |
| PSC Insurance Group Limited             | PSI |
| Service Stream Limited                  | SSM |
| Seven Group Holdings Limited            | SVW |
| Templeton Global Growth Fund Limited    | TGG |
| The a2 Milk Company Limited             | A2M |

# W | A | M Global

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

## Portfolio update

The WAM Global investment portfolio increased 4.0% during June. The MSCI World Index (AUD) increased 5.2% and the S&P Global Mid Small Index rose 5.0% in AUD terms for the month. The investment portfolio increased 7.3% during the quarter, outperforming the MSCI World Index (AUD) by 2.0% and the S&P Global Mid Small Index by 3.4% in AUD terms. In the six months to 30 June 2019 the investment portfolio has increased 17.8%, outperforming the MSCI World Index (AUD) and the S&P Global Mid Small Index in AUD terms. The investment portfolio has increased by 7.1% since inception in June 2018.

During June, the materials, information technology and consumer discretionary sectors were the best performers, while real estate, utilities and consumer staples underperformed. Most advanced economies' equity markets rallied in local terms during the month: the US S&P 500 Index by 7.1%; the Euro Stoxx 50 Index by 6.0%; the UK FTSE 100 Index by 4.0%; Japan's TOPIX by 2.7%; and China's CSI 300 Index by 6.1%.

Contributors to the investment portfolio performance during the month included HCA Healthcare (NYSE: HCA), Thermo Fisher Scientific (NYSE: TMO) and Haemonetics (NYSE: HAE). Support for the proposed universal healthcare program, "Medicare for All", by some Democratic 2020 Presidential primary candidates' weighed on US healthcare companies in April. The downgrade in the healthcare sector was comprehensive and overlooked the highly nuanced impacts to individual companies. While we are cognizant of healthcare costs as a potential focus area in the 2020 Presidential elections, we do not believe the implementation of "Medicare for All" is likely. We utilised the sell-off as an opportunity to increase our holdings in undervalued healthcare companies that meet our investment process and these companies have seen their share prices recover since.

HCA Healthcare is the largest hospital owner and operator in the US, with 185 hospitals and approximately 2,000 sites, including surgery centres, free standing emergency rooms, urgent care centres and physician clinics. We believe HCA is well placed to perform over the coming years given its diversified portfolio, solid management team, strong balance sheet and significant scale. Thermo Fisher Scientific is a US-listed global medical technology business headquartered in Massachusetts. The company is a world leader, specialising in producing analytical instruments, accelerating life sciences research, improving patient diagnostics and increasing laboratory productivity. TMO generates circa USD25 billion in revenue in a USD160 billion market, which is growing between 3.0% to 5.0% per annum. The company has grown its earnings per share at a 15.0% compounded annual growth rate since 2011 and the business has consistently increased dividends. We believe TMO will continue its positive trajectory. Haemonetics is a global healthcare company headquartered in Massachusetts that provides a suite of innovative haematology products and solutions to customers. Its technology addresses medical markets including blood and plasma component collection, the surgical suite and hospital transfusion services. The key driver of expansion for the business is the ongoing roll-out of its next generation NexSys machine in the plasma collection sector.

The 2019 financial year has been a highly volatile period dominated by the decisions of central banks amid geopolitical tensions and weakening economic growth. The final week of the financial year saw President Xi and President Trump meet in Osaka at the G20 Summit. The result of the discussions was an agreement to resume trade talks and a temporary pause on the additional USD300 billion tariffs on Chinese imports. President Trump also agreed to reverse a ban placed on US companies selling to Huawei.

The US Federal Reserve held rates in June and markets are currently pricing in a 100% chance of a cash rate reduction in July. Recent US economic data have been mixed and upcoming quarterly earnings season will provide further insights into the health of the economy. We are cautious given recent downgrades and are continually re-assessing the valuations of businesses we hold, as we view certain segments of the market as overvalued.



**Catriona Burns**  
BCom MApp Fin CFA  
Lead Portfolio Manager

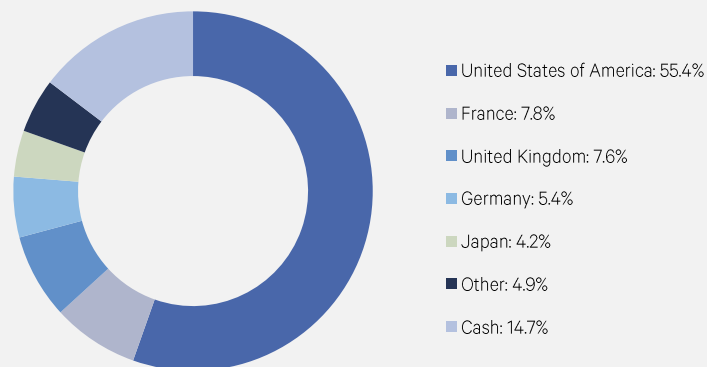
Pre-tax net  
tangible assets

\$2.31

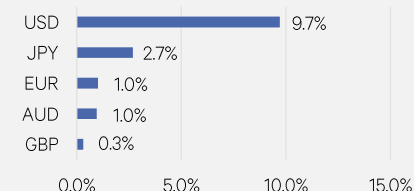
Gross assets

\$486.4m

## Portfolio composition by geographical exposure



## Cash currency exposure (14.7%)



## Top 20 holdings in alphabetical order

|                                 |         |     |
|---------------------------------|---------|-----|
| American Express Company        | AXP US  | USA |
| Bandai Namco Holdings Inc       | 7832 JP | JPN |
| Booking Holdins Inc             | BKNG US | USA |
| CDW Corporation                 | CDW US  | USA |
| CME Group Inc                   | CME US  | USA |
| CTS Eventim AG & Co KGaA        | EVD GR  | GER |
| Danone SA                       | BN FP   | FRA |
| Deutsche Boerse AG              | DB1 GY  | GER |
| Diageo PLC                      | DGE LN  | UK  |
| Entertainment One Limited       | ETO LN  | UK  |
| Harris Corporation              | HRS US  | USA |
| HCA Healthcare Inc              | HCA US  | USA |
| Kobe Bussan Co Limited          | 3038 JP | JPN |
| Logitech International SA       | LOGN SW | SUI |
| Markel Corporation              | MKL 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 Corporation | UTX US  | USA |
| Waste Management Inc            | WM US   | USA |

|                       | May 2019        |              | June 2019             |              |
|-----------------------|-----------------|--------------|-----------------------|--------------|
| Investment type       | \$m             | %            | \$m                   | %            |
| Listed equities       | 403.5           | 86.3         | 415.1                 | 85.3         |
| Short portfolio       | 0.0             | 0.0          | 0.0                   | 0.0          |
| Fixed interest & cash | 64.2            | 13.7         | 71.3                  | 14.7         |
| <b>Gross assets*</b>  | <b>\$467.7m</b> | <b>100.0</b> | <b>\$486.4m</b>       | <b>100.0</b> |
| Market capitalisation | \$427.4m        |              | \$416.9m <sup>1</sup> |              |
| Total shares on issue | 211,607,623     |              | 211,607,623           |              |

\*Gross assets exclude the \$4.7m 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>231.42c</b> |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>234.75c</b> |
| <b>NTA after tax</b>                                    | <b>227.98c</b> |

<sup>1</sup>Based on the 28 June 2019 share price of \$1.97 per share.

# W | A | M *Microcap*

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

## Portfolio update

The WAM Microcap investment portfolio increased 1.0% in June. Contributors to the portfolio performance included Rhipe Limited (ASX: RHP) and People Infrastructure Limited (ASX: PPE).

RHP is a wholesaler of cloud-based subscription software licenses to a number of information technology (IT) service providers in the Asia Pacific region. During June, RHP announced that it had exceeded 500,000 Office365 customers and that its client count increased 65.0% in FY19. Additionally, RHP upgraded its FY19 operating profit guidance for the third time from between \$11.5 million to \$12.0 million, to greater than \$12.5 million. We first invested in RHP due to the trend of businesses moving their IT back office from on-premise to the cloud and that RHP is the only pure-play cloud distributor in its industry. RHP closed up 24.3% for June.

PPE is a workforce management company specialising in providing contracted labour to its clients. During the month, PPE acquired Halcyon Knights, a leading IT recruitment company for \$13.5 million, providing PPE access to markets in Melbourne, Sydney, New Zealand and Singapore. PPE also took over two Queensland-based healthcare staffing agencies for \$16.8 million, which were funded by a \$20 million capital raising. We participated in the raising as an existing shareholder at the discounted price of \$2.70 per share. We first invested in PPE through its initial public offering in November 2017, primarily due to its strong management team and solid record of organic growth. The fragmented nature of its industry presents significant acquisition opportunities and these recent contract wins have provided further substantial growth potential. PPE closed up 20.6% 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>131.92c</b> |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>131.22c</b> |
| <b>NTA after tax</b>                                    | <b>127.16c</b> |

\*Based on the 28 June 2019 share price of \$1.215 per share.

Pre-tax net  
tangible assets

**\$1.32**

Gross assets

**\$188.2m**

Annualised fully franked  
interim dividend

**4.5c**

Performance  
(p.a. since June 2017)

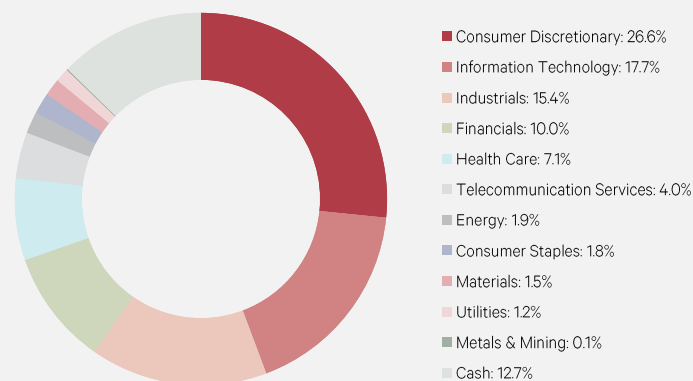
**17.8%**

## Performance at 30 June 2019

|                                             | <b>1<br/>mth</b> | <b>1<br/>yr</b> | <b>Since<br/>inception<br/>%p.a.<br/>(Jun-17)</b> |
|---------------------------------------------|------------------|-----------------|---------------------------------------------------|
| WMI Investment Portfolio                    | 1.0%             | 7.3%            | 17.8%                                             |
| S&P/ASX Small Ordinaries Accumulation Index | 0.9%             | 1.9%            | 12.0%                                             |
| <b>Outperformance</b>                       | <b>+0.1%</b>     | <b>+5.4%</b>    | <b>+5.8%</b>                                      |

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

## Portfolio composition by sector



## Top 20 holdings in alphabetical order

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

|                        | <b>May 2019</b> |              | <b>June 2019</b> |              |
|------------------------|-----------------|--------------|------------------|--------------|
| <b>Investment type</b> | <b>\$m</b>      | <b>%</b>     | <b>\$m</b>       | <b>%</b>     |
| Listed equities        | 155.2           | 83.3         | 164.3            | 87.3         |
| Short portfolio        | (0.0)           | (0.0)        | (0.0)            | (0.0)        |
| Fixed interest & cash  | 31.2            | 16.7         | 23.9             | 12.7         |
| <b>Gross assets</b>    | <b>\$186.4m</b> | <b>100.0</b> | <b>\$188.2m</b>  | <b>100.0</b> |
| Market capitalisation  | \$177.5m        |              | \$171.1m*        |              |
| Total shares on issue  | 140,861,776     |              | 140,861,776      |              |

# W | A | M Research

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

## Portfolio update

The WAM Research investment portfolio decreased 0.5% in June.

A detractor to the portfolio performance during the month was Vocus Group Limited (ASX: VOC). We first invested in VOC due to the appointment of its new chief executive officer (CEO) Kevin Russell and his turnaround strategy. Mr Russell has extensive experience in the sector as CEO at Hutchison Three Australia; CEO at Hutchison Three United Kingdom; country chief officer & CEO, consumer at Optus Communications; and group executive, retail at Telstra. Shares in the telecommunications provider fell 24.5% on 17 June, following the withdrawal of a second takeover bid in just two weeks. Swedish private equity firm EQT Infrastructure and AGL Energy (ASX: AGL) both walked away from non-binding takeover proposals during the due diligence process. This is the fourth time VOC has had a prospective buyer rescind an offer in less than two years. VOC closed down 28.8% in June.

A contributor to the portfolio during the month was Codan Limited (ASX: CDA), an Adelaide-based communication, metal detection and mining technology manufacturer and supplier. We invested in CDA following a stronger-than-expected FY18 result and our view that sales in metal detection and radio communication products would continue to rise. The company announced at the end of May that sales in the second half of the year had delivered a positive earnings surprise. Heading into FY20, we believe CDA will continue to build on its momentum in earnings generated from broadening sales divisions, new products and market-leading intellectual property. CDA close up 6.1% for the month.



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

## Net tangible asset (NTA) figures

|                                                         |                |
|---------------------------------------------------------|----------------|
| <b>NTA before tax</b>                                   | <b>118.12c</b> |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>118.91c</b> |
| <b>NTA after tax</b>                                    | <b>116.11c</b> |

Based on the 28 June 2019 share price of \$1.325 per share and the annualised FY19 fully franked interim dividend of 9.7 cents per share.

Pre-tax net  
tangible assets

**\$1.18**

Gross assets

**\$226.2m**

Fully franked  
dividend yield<sup>^</sup>

**7.3%**

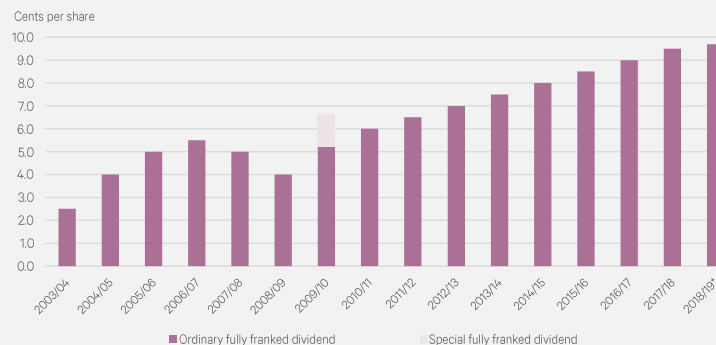
Performance  
(p.a. since July 2010)

**16.2%**

| Performance at<br>30 June 2019            | 1<br>mth     | 6<br>mths    | 1<br>yr      | 3 yrs<br>%pa | 5 yrs<br>%pa | 7 yrs<br>%pa | Since change in<br>investment strategy<br>%p.a.<br>(Jul-10) |
|-------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------------------------------|
| WAX Investment Portfolio                  | -0.5%        | 14.5%        | 1.8%         | 9.0%         | 14.8%        | 17.7%        | 16.2%                                                       |
| S&P/ASX All Ordinaries Accumulation Index | 3.4%         | 19.8%        | 11.0%        | 12.6%        | 9.0%         | 11.8%        | 9.6%                                                        |
| <b>Outperformance</b>                     | <b>-3.9%</b> | <b>-5.3%</b> | <b>-9.2%</b> | <b>-3.6%</b> | <b>+5.8%</b> | <b>+5.9%</b> | <b>+6.6%</b>                                                |

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

## Fully franked dividends since inception



\*Annualised interim dividend

## Top 20 holdings in alphabetical order

|                                         |     |
|-----------------------------------------|-----|
| AMA Group Limited                       | AMA |
| Austal Limited                          | ASB |
| City Chic Collective Limited            | CCX |
| Cleanaway Waste Management Limited      | CWY |
| Codan Limited                           | CDA |
| Credit Corp Group Limited               | CCP |
| CSR Limited                             | CSR |
| Harvey Norman Holdings Limited          | HVN |
| Infomedia Limited                       | IFM |
| InvoCare Limited                        | IVC |
| Monadelphous Group Limited              | MND |
| Myer Holdings Limited                   | MYR |
| Nine Entertainment Co. Holdings Limited | NEC |
| PSC Insurance Group Limited             | PSI |
| Service Stream Limited                  | SSM |
| The a2 Milk Company Limited             | A2M |
| Vista Group International Limited       | VGL |
| Viva Energy Group Limited               | VEA |
| Vocus Group Limited                     | VOC |
| Xero Limited                            | XRO |

# W | A | M *Active*

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

## Portfolio update

The WAM Active investment portfolio increased 2.0% in June. Contributors to the portfolio performance included Ausdrill Limited (ASX: ASL) and Collins Foods Limited (ASX: CKF).

ASL is a diversified mining services company with operations in Australia, Africa, India and the United Kingdom. ASL's subsidiary was recently awarded a five-year underground mining services contract in Botswana worth \$800 million located in the Kalahari copper belt. Coupled with a recent gold price surge to over USD1,400 per ounce, this contract provides significant revenue and earnings potential. We first invested in ASL in February 2019, following a stream of new contract wins. ASL closed up 24.6% for the month.

CKF is a restaurant franchisee, best known for operating the KFC and Sizzler restaurant chains in Australia. During June, CKF released its FY19 results showing 16.9% revenue growth, which was primarily driven by the performance of KFC Australia. Throughout the year, KFC Australia has redeveloped its stores, installed dual-lane drive-through services and further integrated delivery businesses like Deliveroo and Menulog. The company reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$112.2 million, a 25.5% increase on the previous year. CKF's European operations provide further potential growth prospects through new marketing and brand development initiatives and additional store roll-outs. We first invested in CKF due to the recovery of the European KFC business and the growth potential of the rollout of Taco Bell in Australia. CKF closed up 4.4% in June.

In June, WAM Active announced its intention to make a conditional off-market cash offer to acquire all Keybridge Capital Limited (ASX: KBC) ordinary shares at 7.5 cents per share.



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

## Net tangible asset (NTA) figures

|                                                         |                |
|---------------------------------------------------------|----------------|
| <b>NTA before tax</b>                                   | <b>103.74c</b> |
| <b>NTA after tax and before tax on unrealised gains</b> | <b>104.48c</b> |
| <b>NTA after tax</b>                                    | <b>104.46c</b> |

\*Based on the 28 June 2019 share price of \$0.995 per share and the annualised FY19 fully franked interim dividend of 5.9 cents per share.

Pre-tax net  
tangible assets

**\$1.04**

Gross assets

**\$48.3m**

Fully franked  
dividend yield<sup>a</sup>

**5.9%**

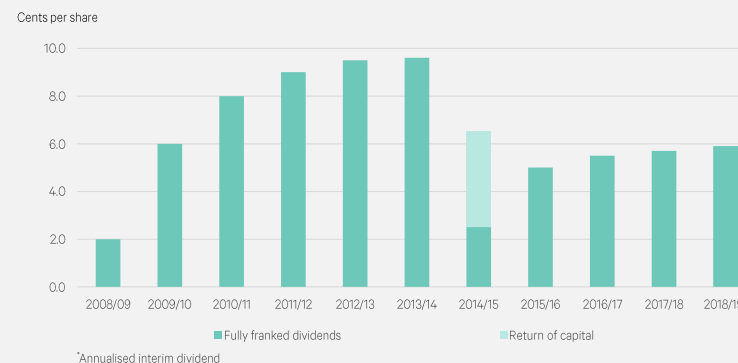
Performance  
(p.a. since January 2008)

**12.1%**

| Performance at<br>30 June 2019            | 1<br>mth     | 6<br>mths    | 1<br>yr      | 3 yrs<br>%pa | 5 yrs<br>%pa | 10 yrs<br>%pa | Since<br>inception<br>%p.a.<br>(Jan-08) |
|-------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------------------------------|
| WAA Investment Portfolio                  | 2.0%         | 10.8%        | 3.6%         | 10.2%        | 10.7%        | 12.7%         | 12.1%                                   |
| S&P/ASX All Ordinaries Accumulation Index | 3.4%         | 19.8%        | 11.0%        | 12.6%        | 9.0%         | 10.0%         | 4.8%                                    |
| <b>Outperformance</b>                     | <b>-1.4%</b> | <b>-9.0%</b> | <b>-7.4%</b> | <b>-2.4%</b> | <b>+1.7%</b> | <b>+2.7%</b>  | <b>+7.3%</b>                            |
| UBS Bank Bill Index (Cash)                | 0.1%         | 1.0%         | 2.0%         | 1.9%         | 2.1%         | 3.0%          | 3.4%                                    |
| <b>Outperformance</b>                     | <b>+1.9%</b> | <b>+9.8%</b> | <b>+1.6%</b> | <b>+8.3%</b> | <b>+8.6%</b> | <b>+9.7%</b>  | <b>+8.7%</b>                            |

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

## Fully franked dividends since inception



## Top 20 holdings in alphabetical order

|                                        |     |
|----------------------------------------|-----|
| Afterpay Touch Group Limited           | APT |
| Altium Limited                         | ALU |
| Appen Limited                          | APX |
| Ausdrill Limited                       | ASL |
| Brickworks Limited                     | BKW |
| Carsales.Com Limited                   | CAR |
| Cimic Group Limited                    | CIM |
| Collins Foods Limited                  | CKF |
| Corporate Travel Management Limited    | CTD |
| CSL Limited                            | CSL |
| Downer EDI Limited                     | DOW |
| Eclix Group Limited                    | ECX |
| IDP Education Limited                  | IEL |
| Megaport Limited                       | MP1 |
| Navigator Global Investments Limited   | NGI |
| Pengana International Equities Limited | PIA |
| Seven Group Holdings Limited           | SVW |
| Steadfast Group Limited                | SDF |
| Templeton Global Growth Fund Limited   | TGG |
| WorleyParsons Limited                  | WOR |

|                       | May 2019       |              | June 2019      |              |
|-----------------------|----------------|--------------|----------------|--------------|
| Investment type       | \$m            | %            | \$m            | %            |
| Listed equities       | 37.9           | 79.9         | 36.3           | 75.2         |
| Short portfolio       | (0.0)          | (0.0)        | (0.7)          | (1.5)        |
| Fixed interest & cash | 9.5            | 20.1         | 12.7           | 26.3         |
| <b>Gross assets</b>   | <b>\$47.4m</b> | <b>100.0</b> | <b>\$48.3m</b> | <b>100.0</b> |
| Market capitalisation | \$46.7m        |              | \$46.0m        |              |
| Total shares on issue | 46,208,095     |              | 46,208,095     |              |

# 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



**Adrian Siew**  
BSc (Hons I)  
Lead Portfolio  
Manager



**Tobias Yao**  
BCom CFA  
Portfolio Manager



**John Ayoub**  
LLB BA GradCertAppFin  
Portfolio Manager



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



**Sam Koch**  
BBus  
Equity Analyst



**Cooper Rogers**  
BCom GradDipAppFin  
Dealer



**Tyler McKay**  
BBus  
Assistant Dealer &  
Assistant Equity  
Analyst



**Jesse Hamilton**  
BCom CA  
Chief Financial  
Officer



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