

WAM Leaders increases fully franked full year dividend, made possible by strong investment portfolio performance since inception

26 August 2024
ASX announcement
and media release

9.2 cps

Fully franked full year dividend FY2024

7.1%

Fully franked dividend yield FY2024^{*}

10.1%

Grossed-up dividend yield FY2024[^]

\$1.37 per share

Pre-tax NTA at 31 July 2024

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48.75 cps

Dividends paid since inception in 2016, 69.6 cps when including the value of franking credits

29.5 cps

Profits reserve at 30 June 2024, before the payment of the 4.6 cps fully franked final dividend

+12.5%

Investment portfolio performance per annum since inception (May-16)[#]

Q&A webinar

Tuesday 10 September 2024 at 2:00pm (Sydney time)

Register to join Lead Portfolio Manager Matthew Haupt and Portfolio Manager John Ayoub for an update on the WAM Leaders investment portfolio.

[Register now](#)

In the financial year to 30 June 2024, the WAM Leaders Limited (ASX: WLE) investment team took a contrarian view and positioned the investment portfolio defensively to preserve capital, with a select few challenging investments detracting from the investment portfolio performance. The investment portfolio increased 2.8%[#] during the year, underperforming the S&P/ASX 200 Accumulation Index.

The investment portfolio performance since inception and the profits reserve available through the listed investment company (LIC) structure has enabled the Board of Directors to increase the FY2024 fully franked full year dividend for shareholders to 9.2 cents per share, in a year when investment portfolio performance has not met expectations.

Lead Portfolio Manager Matthew Haupt said: “The WAM Leaders investment portfolio faced a challenging year, underperforming the broader market. Some key factors contributing to this underperformance included setbacks in certain holdings and strategic underweights in momentum driven sectors, such as Australian banks and discretionary retailers.

“This cautious approach, based on our assessment of an overvalued market driven by momentum, did not yield the anticipated results for shareholders during the year. Detractors to investment portfolio performance included The Star Entertainment Group (ASX: SGR) and Orora (ASX: ORA) and while we have not been rewarded in the short-term, we believe the investment cases remain compelling. In August, Orora turned down a takeover offer from US private equity firm Lone Star and we expect that additional proposals will emerge.

“Moving forward, we remain confident in a significant improvement in WAM Leaders’ investment portfolio performance, driven by turnarounds in key holdings and a moderation in overextended sectors. We view this as a timing issue rather than a permanent loss of capital and we believe the proven investment process and dynamic approach to financial markets positions us well to face the volatile markets we see ahead,” Mr Haupt said.

Chairman Geoff Wilson AO said: “Total shareholder return (TSR) was impacted during the year as the WAM Leaders share price premium to net tangible assets (NTA) contracted, finishing the year at a small discount to NTA of 5.3% after trading at a 10.0% premium to NTA in October 2023. WAM Leaders has traded at a premium to NTA since September 2020 and I anticipate that the share price will return to a premium to NTA.”

The FY2024 investment portfolio underperformance follows a period of strong outperformance across various market cycles. From FY2020 to FY2022 the WAM Leaders investment portfolio increased 54.2%[#], outperforming the S&P/ASX 200 Accumulation Index by 43.8%.

^{*}Based on the 23 August 2024 share price of \$1.29 per share.

[^]Grossed-up dividend yield includes the benefits of franking credits and is based on a tax rate of 30.0%.

[#]Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

During FY2020 and FY2022 the investment portfolio displayed strong defensive characteristics, in line with the Company's focus on capital preservation. During these periods, the S&P/ASX 200 Accumulation Index declined 14.2%, while the investment portfolio was up 12.4%*, resulting in outperformance of 26.6%. Since inception in May 2016, WAM Leaders has achieved investment portfolio performance of 12.5%* per annum, outperforming the S&P/ASX 200 Accumulation Index by 3.6% per annum, with an average cash holding of 10.7%.

The WAM Leaders' Board of Directors has declared an increased fully franked full year dividend of 9.2 cents per share, with the fully franked final dividend being 4.6 cents per share. The fully franked full year dividend represents a fully franked dividend yield of 7.1%[^] and a grossed-up dividend yield of 10.1%[#], when including the value of franking credits.

The fully franked full year dividend is consistent with dividend guidance provided earlier in the year and the Company's investment objective of delivering investors a stream of fully franked dividends. The return on any equity investment for shareholders can be made up of a combination of capital (i.e. movement in the Company's share price) and income (i.e. through franked or unfranked dividends paid to shareholders on a semi-annual basis). If the dividends paid to shareholders (including franking credits) exceeds the increase in assets during the year, then the NTA of the Company declines. To maintain the high grossed-up dividend yield of 9.9% on the Company's pre-tax NTA at 30 June 2024, the investment portfolio would need to increase more than 11% per annum to ensure that the NTA of the Company does not decline and shareholders receive a combination of capital and income returns. The investment portfolio performance increased 2.8%* during the year and with the high grossed-up dividend yield of 9.9% paid out to shareholders, the NTA of the Company declined over the 12-months from \$1.43 to \$1.34 per share, at 30 June 2024. The LIC structure and historical profits reserve available allows the Company to increase or maintain the fully franked full year dividend across market cycles.

The Company has 3.2 years of dividend coverage, based on the profits reserve of 29.5 cents per share at 30 June 2024, before the payment of the fully franked final dividend of 4.6 cents per share payable on 28 November 2024. Since inception in May 2016, the Company has delivered 48.75 cents per share in fully franked dividends to shareholders and 69.6 cents per share, including the value of franking credits. WAM Leaders reported an operating profit before tax of \$20.2 million (FY2023: \$169.0 million) and an operating profit after tax of \$22.3 million (FY2023: \$130.1 million) for the 12 months to 30 June 2024.

In July 2024, WAM Leaders completed the merger through the Scheme of Arrangement with QV Equities Limited (QVE) (ASX: QVE). The merger was accretive to WAM Leaders' NTA (i.e. the NTA per WAM Leaders share increased through acquiring QVE at a discount) to the benefit of all shareholders, increased on-market liquidity through a larger market capitalisation of almost \$2.0 billion and slightly reduced the management expense ratio for shareholders. A secondary benefit of the merger for WAM Leaders shareholders was the additional franking credits acquired from QVE, which was accretive to the WAM Leaders' franking account balance (i.e. the franking account balance per WAM Leaders share increased through the merger). The additional franking credits acquired from QVE equated to a fully franked dividend of approximately 1.1 cents per share for WAM Leaders shareholders, which is sufficient to cover 1.5 years of WAM Leaders fully franked dividends for the new shares issued. We were pleased to welcome over 3,000 new WAM Leaders shareholders through the merger.

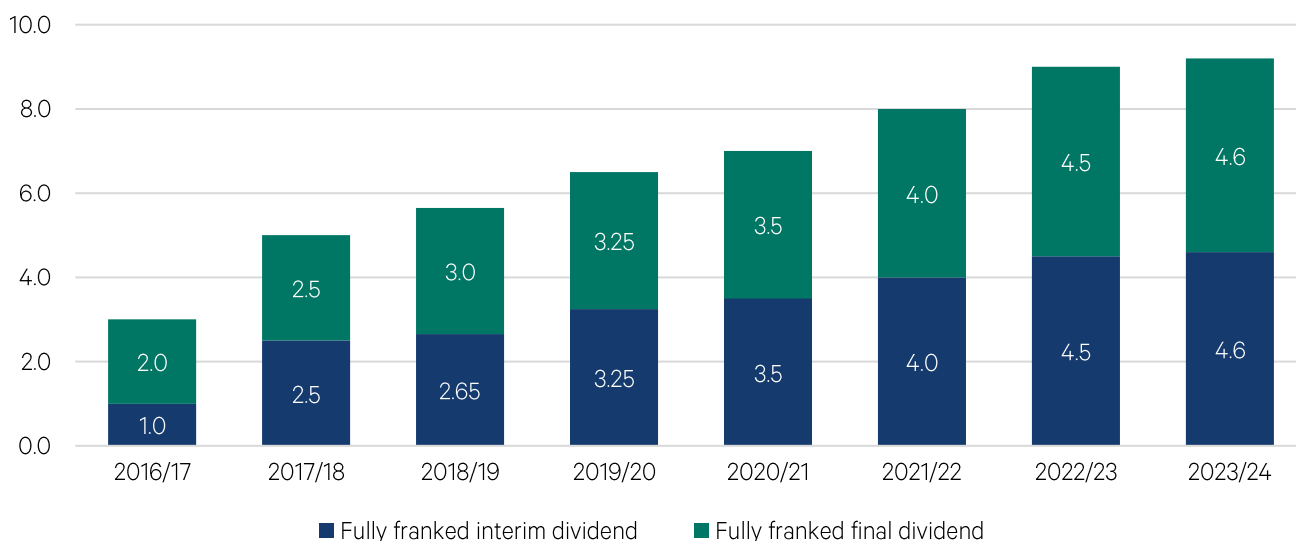
*Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

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[#]Grossed-up dividend yield includes the benefits of franking credits and is based on a tax rate of 30.0%.

Fully franked dividends since inception

Cents per share



Key dividend dates

Ex-dividend date	18 November 2024
Dividend record date (7:00pm Sydney time)	19 November 2024
Last election date for DRP	21 November 2024
Payment date	28 November 2024

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked final dividend of 4.6 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be calculated as the volume weighted average market price (VWAP) of shares sold on the ASX over the four trading days commencing on the ex-dividend date for the relevant dividend. The DRP will operate without a discount for the fully franked final dividend.

Investment portfolio performance since inception

Investment portfolio performance at 30 June 2024	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since inception %pa (May-16)
WAM Leaders Investment Portfolio	2.8%	8.6%	12.5%	13.0%	12.5%
S&P/ASX 200 Accumulation Index	12.1%	6.4%	7.3%	8.7%	8.9%
Outperformance	-9.3%	+2.2%	+5.2%	+4.3%	+3.6%

Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

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Active sector weights

at 30 June 2024

Sector	Portfolio %*	Benchmark %	Active %
Communication services	11.6	3.6	↑ 8.0
Materials	26.2	20.7	↑ 5.5
Consumer staples	8.8	4.2	↑ 4.6
Information technology	5.5	3.2	↑ 2.3
Utilities	2.2	1.5	↑ 0.7
Energy	5.0	4.8	↑ 0.2
Real estate	4.7	6.5	↓ -1.8
Consumer discretionary	4.8	7.2	↓ -2.4
Industrials	3.5	6.7	↓ -3.2
Health care	5.2	10.1	↓ -4.9
Financials	21.2	31.5	↓ -10.3

*Investment portfolio held 1.3% cash.

Top 20 holdings with portfolio weightings

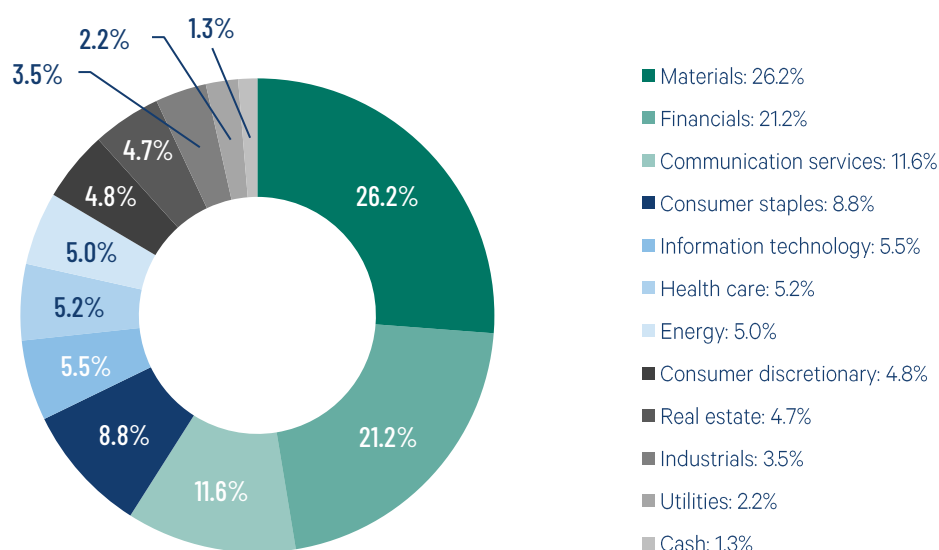
at 30 June 2024

Code	Company name	%
BHP	BHP Group Limited	8.9%
TLS	Telstra Group Limited	5.5%
ORA	Orora Limited	5.0%
SGR	The Star Entertainment Group Limited	4.1%
WBC	Westpac Banking Corporation	4.0%
RIO	Rio Tinto Limited	3.9%
WOW	Woolworths Group Limited	3.2%
CGF	Challenger Limited	3.1%
CBA	Commonwealth Bank of Australia	3.0%
CSL	CSL Limited	3.0%

Code	Company name	%
STO	Santos Limited	3.0%
TWE	Treasury Wine Estates Limited	2.5%
NAB	National Australia Bank Limited	2.3%
MQG	Macquarie Group Limited	2.3%
XRO	Xero Limited	2.2%
IAG	Insurance Australia Group Limited	2.1%
WTC	WiseTech Global Limited	2.1%
SPK	Spark New Zealand Limited	1.8%
S32	South32 Limited	1.8%
QBE	QBE Insurance Group Limited	1.7%

Diversified investment portfolio by sector

at 30 June 2024



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About WAM Leaders

Listed in May 2016, WAM Leaders Limited is a listed investment company (LIC) managed by Wilson Asset Management. The WAM Leaders investment process combines a top-down macroeconomic analysis with Wilson Asset Management’s proven fundamental research and market positioning investment processes.

All major platforms provide access to WAM Leaders, including Asgard eWRAP Investment, BT Panorama, BT Wrap, Colonial First State FirstWrap, Hub24, IOOF Pursuit Select Investment Service, Macquarie Investment Manager / Consolidator, MLC Wrap IDPS and SMS, Netwealth Wrap and North Investment.

Listed
May 2016



WAM Leaders receives coverage from the following independent investment research providers:



This announcement has been authorised by the Board of WAM Leaders Limited.

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About Wilson Asset Management

Wilson Asset Management has a track record of making a difference for shareholders and the community for 25 years and is the Investment Manager for eight LICs – WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Global (ASX: WGB), WAM Microcap (ASX: WMI), WAM Alternative Assets (ASX: WMA), WAM Strategic Value (ASX: WAR), WAM Research (ASX: WAX) and WAM Active (ASX: WAA) – and the Wilson Asset Management Leaders Fund. Wilson Asset Management invests over \$5 billion on behalf of more than 130,000 retail investors.

Wilson Asset Management created and is the lead supporter of the first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and is a significant funder of many Australian charities, providing all team members with \$10,000 each year to donate to charities of their choice. All philanthropic investments are made by the Investment Manager.



>\$5 billion
in funds under management

>200 years
combined investment experience

>25 years
making a difference for shareholders

10
investment products

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