

Chairman's
update

Geoff Wilson AO



- 155.2% increase in operating profit before tax
- 36.4%^ investment portfolio performance, outperforming the Index by 16.1%^
- 4.0c per share fully franked interim dividend, 33.3% increase

WAM Microcap Limited (ASX: WMI) achieved a 155.2% increase in operating profit before tax to \$69.6 million and a 149.9% increase in operating profit after tax to \$49.2 million in its FY2021 half year results. The operating profit for the period is reflective of the strong investment portfolio performance and the growth in assets over the period.

The Board of Directors declared a fully franked interim dividend of 4.0 cents per share, representing a 33.3% increase on the FY2020 fully franked interim dividend. The interim dividend represents an annualised fully franked dividend yield of 4.2%^ and a grossed-up dividend yield of 6.0%^.

The fully franked interim 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 Company's profits reserve at the end of the period was 37.5 cents per share and forms part of the net tangible assets (NTA).

The investment portfolio increased 36.4%^ during the period, outperforming the S&P/ASX Small Ordinaries Accumulation

Index by 16.1%^, with an average cash level of 14.0%, and ended the 2020 calendar year up 28.7%^, outperforming the Index by 19.5%^.

We were pleased with the strong investment portfolio outperformance, which was achieved by the investment team's rigorous application of our proven investment process.

During the period the investment team saw significant opportunities in the market and successfully invested the \$88.0 million of additional capital raised via the August 2020 Share Purchase Plan and Placement. The capital raised provided additional access and exposure to market opportunities, such as capital raisings and pre-IPO investments and was invested in accordance with our disciplined investment process.

WAM Microcap provided shareholders with a total shareholder return of 61.0% in the six months to 31 December 2020, reflecting the Company's strong investment portfolio performance and the increase in the share price relative to the NTA.

^Based on the 31 December 2020 share price of \$1.89 per share.
^Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.
^Investment portfolio performance and Index returns are before expenses, fees and taxes.

Dividend increase

+33.3%

Annualised fully franked
interim dividend

8.0c

Annualised fully franked
dividend yield*

4.2%

Fully franked interim dividend

The Board declared a fully franked interim dividend of 4.0 cents per share, representing a 33.3% increase on the FY2020 fully franked interim dividend. The Dividend Reinvestment Plan (DRP) will be operating at a 2.5% discount for the interim dividend.

Key dividend dates

Ex dividend date	7 April 2021
Record date	8 April 2021
Last election date for DRP	12 April 2021
Payment date	20 April 2021

Since inception in June 2017, WAM Microcap has paid 21.75 cents per share in fully franked dividends to shareholders,

including 7.25 cents per share in fully franked special dividends.

The Board is committed to paying an increasing 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 37.5 cents per share, before the payment of the fully franked interim dividend of 4.0 cents per share.



We were pleased to deliver strong outperformance in the micro-cap segment of the equity market, identifying companies that demonstrate earnings growth, management strength and a compelling valuation.

The development of a successful coronavirus vaccine with higher than expected efficacy rates of over 90%, clarity in the US election and record levels of stimulus have led to growing confidence in a pathway to economic recovery. As a result, markets witnessed a shift from growth companies into value companies. Through this period the S&P/ASX Small Ordinaries Accumulation Index performed strongly, aided by strong growth in the resources sector.

Core holdings that significantly contributed to the investment portfolio's outperformance during the period included: workforce management company People Infrastructure (ASX: PPE), online retail company Temple & Webster Group (ASX: TPW) and online marketplace Redbubble (ASX: RBL).

Given the changes we witnessed in the market, we increased our exposure to companies leveraged to sectors that may benefit from the successful rollout of a vaccine. This includes mining services, which should benefit from increased spending as surging commodity prices boost cash flow and encourage resource companies to replace depleting reserves. We also expect a buoyant period for capital raisings in 2021 given the recent strength in equities coupled with record low interest rates.

During the period we saw significant opportunities across the market and the additional capital raised via the SPP and Placement allowed us to invest in many of these opportunities specifically via capital raisings. During the period we continued to participate in several initial public offerings (IPO) including Aussie Broadband (ASX: ABB), Sovereign Cloud Holdings (ASX: SOV), Booktopia Group (ASX: BKG) and Cluey (ASX: CLU) and remain positive on the outlook for these companies.

While we expect volatility to remain over the course of 2021, we are constructive on the outlook for equities, we believe there is significant opportunity within the small-cap space. 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

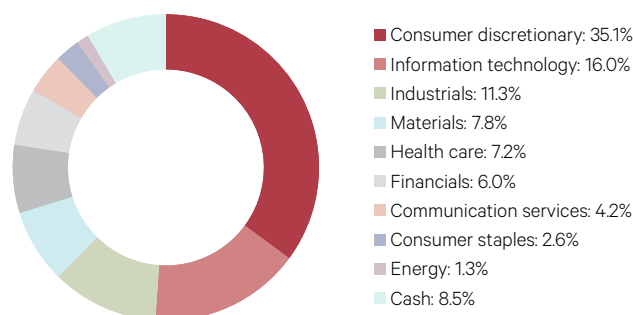
as at 31 December 2020

	Fin YTD	1 yr	3 Yrs %pa	Since inception %pa (Jun-17)
WMI Investment Portfolio	36.4%	28.7%	19.1%	23.8%
S&P/ASX Small Ordinaries Accumulation Index	20.3%	9.2%	6.6%	10.6%
Outperformance	+16.1%	+19.5%	+12.5%	+13.2%

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	%
IFM	Infomedia Limited	2.7%
PPE	People Infrastructure Limited	2.7%
DSK	dusk Group Limited	2.5%
CAJ	Capitol Health Limited	2.1%
VVA	Viva Leisure Limited	2.1%
EGG	Enero Group Limited	2.1%
SSG	Shaver Shop Group Limited	2.0%
SWM	Seven West Media Limited	1.8%
MTO	Motorcycle Holdings Limited	1.7%
THL NZX	Tourism Holdings Limited	1.7%
BBN	Baby Bunting Group Limited	1.6%
TRS	The Reject Shop Limited	1.6%
EVO	Evolve Education Group Limited	1.6%
EHE	Estia Health Limited	1.6%
MLD	MACA Limited	1.5%
NTD	National Tyre & Wheel Limited	1.5%
GDG	Generation Development Group Limited	1.5%
VGL	Vista Group International Limited	1.5%
SKO	Serko Limited	1.5%
HT1	HT&E Limited	1.5%