

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970



## WILSON LEADERS LIMITED (WLS) – JULY 2006 INVESTMENT UPDATE & NTA

Wilson Leaders Limited (WLS) listed on the Australian Stock Exchange on the 10<sup>th</sup> February 2004 after raising \$44.2 million. Wilson Leaders is a Listed Investment Company that invests in a portfolio of Australia's leading public companies.

As at 31 July 2006:

NTA before tax	121.62c*
NTA after tax and before tax on unrealised gains	121.62c
NTA after tax	116.95c

The above figures are before the payment of a final dividend of 3.0 cents a share fully franked and a 2.0 cent special dividend fully franked, payable on 27 October 2006.

\* This is after the provision of \$1,089,000 (2.1 cents a share) in tax to be paid for the 2005/06 year.

### MARKET OUTLOOK

We have been looking for a modest pick up in domestic demand for some time but with high oil prices, concerns on inflation and higher rates weighing on sentiment, consumer demand has remained sluggish for longer than we would have expected. We are seeing evidence of the weaker conditions come through in the full year results that have been released to date. A raft of smaller companies more leveraged to domestic spending have reported weaker than expected results.

The other theme to emerge from the reporting season so far has been ongoing margin pressure from higher costs. We are hearing anecdotal evidence of wage pressures emerging across a broad range of sectors reflecting tight employment conditions. Some companies are better positioned than others to manage their trading terms in this challenging environment. Companies that are price takers operating in highly competitive sectors will struggle and represent good shorting opportunities. Those businesses that are well positioned to pass on or defer these cost pressures should fair better.

We have witnessed upward revisions to profit forecasts for the last 3 years both for industrial and resource companies. As you would expect as the cycle matures the rate of profit acceleration slows. With the domestic demand struggling to pick up as expected and cost pressures emerging we are starting to see earnings revisions turn negative. Equities will inevitably struggle in these circumstances.

We still believe the domestic economy will strengthen but there are headwinds in interest rates and oil prices that may defer the recovery further. Equities will most likely consolidate at current levels for a period until such time as expectations have adjusted to the new environment with higher costs and softer demand. Once this process is complete with valuation both locally and internationally seen as reasonable the market should move ahead again later in the year.

### **DIVIDEND**

The final dividend of 3.0 cents a share fully franked and a special 2.0 cents a share fully franked, will bring the full year dividend to 8.0 cents a share. The shares will trade ex dividend on 16 October 2006 with payment on 27 October 2006.

### **SHARE BUY BACK**

The board is focussed on maximising returns to shareholders and this will from time to time involve active capital management. The board views the introduction of an on market share buy back as being in line with this aim as it will add value to the remaining shares on issue and increase NTA per share.

A buy back of 10% of the issued capital of WLS commenced on 29 June 2005. The buy back was completed on 27 June 2006 with a total of 5,223,163 shares being bought back for total consideration of \$5,002,610.

### **OPTIONS ISSUE**

Last week the Directors of Wilson Leaders Limited announced a 1 for 2 bonus issue of options to its shareholders. The options are being issued to shareholders at no cost.

The Board is focused on creating shareholder value. The Board believe that this bonus option issue will promote this endeavour and will reward shareholders for their loyalty and support for the Company.

The options will have an exercise price of \$1.08 per option and they will expire 31 October 2007.

### **PORTFOLIO PERFORMANCE**

<b>Gross Performance</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>Financial YTD</b>
Wilson Leaders Ltd	-2.9%	-2.9%	9.1%	-2.9%
All Ords Accum	-1.5%	-4.0%	3.7%	-1.5%
Relative Performance	-1.3%	1.1%	5.4%	-1.3%

## **PORTFOLIO STRUCTURE**

<b>Investment Type</b>	<b>As at 30 June 2006</b>		<b>As at 31 July 2006</b>	
	<b>\$m</b>	<b>% of net assets</b>	<b>\$m</b>	<b>% of net assets</b>
Listed Securities	93.22	138.5%	101.88	158.8%
Fixed Interest and Cash	(8.84)	-13.1%	(11.99)	-18.7%
<b>Gross Assets</b>	<b>84.38</b>	<b>125.4%</b>	<b>89.89</b>	<b>140.1%</b>
Short positions	(17.07)	-25.4%	(25.74)	-40.1%
<b>Net Assets</b>	<b>67.31</b>	<b>100.0%</b>	<b>64.15</b>	<b>100.0%</b>

The listed securities portfolio is detailed on the following page.

As at 31 July the equity portfolio gave exposure to:

	<b>Market Value \$</b>	<b>% of Portfolio</b>		<b>Market Value \$</b>	<b>% of Portfolio</b>
<b>Commercial Services &amp; Supplies</b>			<b>Banks</b>		
Brambles Industries Ltd (BIL)	2,172,000	2.13%	ANZ Banking Corp (ANZ)	9,718,725	9.54%
Credit Corp Ltd (CCP)	3,417,834	3.35%	Commonwealth Bank of Aust. Ltd (CBA)	3,136,000	3.08%
	<b>5,589,834</b>	<b>5.49%</b>	St George Bank Ltd (SGB)	4,068,300	3.99%
<b>Consumer Services</b>			Westpac Banking Corp (WBC)	5,192,858	5.10%
ABC Learning (ABS)	4,488,812	4.41%		<b>22,115,883</b>	<b>21.71%</b>
Aristocrat Leisure Ltd (ALL)	3,791,785	3.72%	<b>Insurance</b>		
Tabcorp Ltd (TAH)	1,795,950	1.76%	AMP Limited (AMP)	1,802,000	1.77%
	<b>10,076,547</b>	<b>9.89%</b>	QBE Insurance Group Ltd (QBE)	2,646,000	2.60%
<b>Transportation</b>			Tower Limited (TWR)	1,545,313	1.52%
Toll Holdings Ltd (TOL)	513,720	0.50%		<b>5,993,313</b>	<b>5.88%</b>
	<b>513,720</b>	<b>0.50%</b>	<b>Software &amp; Services</b>		
<b>Media</b>			Computershare Ltd (CPU)	1,729,200	1.70%
Fairfax (John) Holdings Ltd (FXJ)	2,200,000	2.16%	Jumbuck Entertainment Limited (JMB)	1,053,016	1.03%
News Corp Class B (NWS)	2,698,800	2.65%	Melbourne IT Ltd (MLB)	1,282,485	1.26%
Publishing & Broadcasting Ltd (PBL)	1,197,000	1.17%	Reckon Ltd (RKN)	2,279,628	2.24%
	<b>6,095,800</b>	<b>5.98%</b>		<b>6,344,329</b>	<b>6.23%</b>
<b>Energy</b>			<b>Food &amp; Staples Retailing</b>		
Centennial Coal Company Ltd (CEY)	1,065,343	1.05%	Metcash Limited (MTS)	3,057,600	3.00%
Oil Search Ltd (OSH)	2,389,600	2.35%		<b>3,057,600</b>	<b>3.00%</b>
Woodside Petrol (WPL)	1,566,114	1.54%	<b>Telecommunication Services</b>		
	<b>5,021,057</b>	<b>4.93%</b>	B Digital Ltd (BBB)	962,866	0.95%
<b>Materials</b>			Singapore Telecomm. Ltd (SGT)	1,507,776	1.48%
BHP Billiton (BHP)	7,047,193	6.92%	SP Telemedia Ltd (SOT)	632,000	0.62%
Gunns Ltd (GNS)	1,560,000	1.53%	Telecom Corporation of NZ Ltd (TEL)	3,630,000	3.56%
Incitec Pivot Ltd (IPL)	120,350	0.12%		<b>6,732,642</b>	<b>6.61%</b>
James Hardie Industries (JHX)	3,535,000	3.47%	<b>Utilities</b>		
Rinker Group Ltd (RIN)	1,975,500	1.94%	Australian Gas Light Company (AGL)	1,426,500	1.40%
Rio Tinto Ltd (RIO)	5,141,994	5.05%		<b>1,426,500</b>	<b>1.40%</b>
	<b>19,380,037</b>	<b>19.02%</b>	<b>Food Beverage &amp; Tobacco</b>		
<b>Pharmaceuticals &amp; Biotechnology</b>			Select Harvests Ltd (SHV)	675,113	0.66%
Sigma Pharmaceuticals Ltd (SIP)	1,272,000	1.25%		<b>675,113</b>	<b>0.66%</b>
Mayne Pharma Ltd (MYP)	1,787,500	1.75%			
	<b>3,059,500</b>	<b>3.00%</b>	<b>TOTAL PORTFOLIO VALUE</b>	<b>101,881,388</b>	<b>100.00%</b>
<b>Real Estate</b>					
Lend Lease Corporation Ltd (LLC)	2,992,500	2.94%			
	<b>2,992,500</b>	<b>2.94%</b>	<b>SHORT POSITIONS</b>	<b>(25,739,871)</b>	
<b>Diversified Financials</b>					
Henderson Group (HGI)	293,013	0.29%			
	<b>293,013</b>	<b>0.29%</b>			
<b>Healthcare Equipment &amp; Services</b>					
AtCor Medical Ltd (ACG)	114,000	0.11%			
DCA Group Ltd (DVC)	2,400,000	2.36%			
	<b>2,514,000</b>	<b>2.47%</b>			