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WAM Global Investor Q&A Call

28 July 2020

Geoff Wilson: Good morning everyone. Thank you for joining us today for the WAM Global (ASX: WGB) Investor Q&A and Webinar. As you are all aware, this is your company and we have the opportunity to report to you about the year we have had. In terms of the 2020 financial year, what a difficult year it has been. Highly volatile.

At the Board meeting recently, we decided to significantly increase the dividend. The logic was that if we had an opportunity to support shareholders, then we would do so in any way we can. When a lot of companies are cutting dividends, we can be increasing them because we have the profits we have made. The Board thought it was very worthwhile. In terms of the ability to keep paying dividends, you would be happy as shareholders to know that we have about 24.0 cents per share profit reserve as of the end of June. I know a lot of people follow the portfolio very closely and they would be aware that the market in Australian dollars so far this month is up about a percent. If you look at the top holdings in WAM Global, you would be aware that they have done better than that. Therefore, at the end of July, you would assume the profit reserve will increase again.

In terms of the dividends, currently it is about 3.5% yield on the WAM Global portfolio. That is fully franked, and just a fraction under 5.0% grossed up fully franked. Today, we will be taking you through what has been happening from a global perspective with the portfolio. We have Lead Portfolio Manager Catriona Burns and also one of her Senior Equity Analysts Nick Healy who will be here for comments and questions. I will pass it over to Catriona who can take us through 2020 and look at the year in review, and looking forward at what she is expecting for the next 12 months. Thanks Catriona.

Catriona Burns: Thanks Geoff. It really has been a very interesting year. If we think to the backdrop for the first six months of this financial year, from July to December 2019, we had the US and China locked in a trade war, Brexit negotiations that were unresolved and the Hong Kong protests underway. At the same time, we had central banks across the US, Europe and in China cutting interest rates trying to counter the impact that this might have on economic activity. And we had the US Federal Reserve even intervening in

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repo markets to ensure the system had enough liquidity.

Then in January 2020, we finally had some progress on Brexit negotiations and the signing of the phase one trade deal between the US and China. With interest rates at record lows and central banks highly accommodative, this should have been a reasonably positive backdrop for equities, but then the COVID-19 pandemic hit and the global economy went into lockdown. From a portfolio perspective, we unwound risk, took up the cash levels and were defensively positioned, given how much uncertainty there was. We then identified stocks and sectors we thought would do well in this environment such as consumer staples and healthcare.

Today, we are now working through the attempted reopening of the global economy. When we look at what has happened to markets during that period, it is quite remarkable. With the possibility of the worst economic downturn since the Great Depression, from 20 February to 23 March we had global markets in AUD fall 24.0% and in local terms the S&P 500 Index fell 34.0%, the European market fell 35.0% and Japan fell 23.0%. Subsequently, we have had central banks and governments around the world declare that they will do “whatever it takes” to get their economies through this period. We have seen markets rally strongly to end the year to 30 June up for the full year on the back of improving data as economies have started to reopen on hopes of a vaccine. Within this backdrop, we have seen high quality, capital light, recurring revenue businesses continue to trade at ever higher valuations. On the other end of the spectrum, stocks with deeply cyclical characteristics continue to underperform as a result of the falling earnings and multiples being placed on these earnings.

We continue to focus our efforts on finding high quality businesses that trade at attractive valuations, where we have confidence in the earning certainty and the quality of the business on the other side of COVID-19. We stuck to our investment process, looking for businesses with strong management teams, resilient earnings growth profile, operating in strong industry structures and where we can identify a catalyst. In hindsight, as we focussed on capital preservation, we did miss some of the upside as markets rallied strongly, but at that stage there was significant uncertainty and a lot of solvency concerns. The beauty of our mandate is it is very flexible. We can be nimble and liquidity is very much not a concern, so we were able to bring down the cash as we got through the height of the uncertainty. The cash level for

the investment portfolio peaked at about 19.5% in March. Today it is at about 8.0%. That is the year that was.

Geoff Wilson: Going through the year we are going to have, I remember last time we had this call you were in Paris. Obviously things have changed. Looking forward, how has access to companies been when effectively you have been doing it all from Australia?

Catriona Burns: That is right Geoff. I was in Paris and was flying to London. I ended up having to cut the trip short by a couple of days because Australia was about to go into lockdown. I made it back the day before you officially had to quarantine for fourteen days, and I did quarantine anyway just in case. It is amazing how the world has changed since March. We do tend to spend a lot of time overseas in a normal year doing face-to-face meetings. We have overall been very positively surprised with the access to management teams and how effective moving to video conferencing and conference calls has been.

Over my 16 years in markets, I have spoken to a lot of management teams before and reaching out to these and to the new exciting companies we have come across has not been an issue from Australia. The whole world is in a lockdown so the entire market has the same access issues. It is no disadvantage whether you are sitting at this point in the US, in Australia or Europe. Speaking to lots of companies, brokers, and friends, as you would all have across the world, everyone has moved to different places. A lot of people moved out of New York and went to different places around the US. People left the US and went to Europe. We are all operating in a slightly different environment to what we are used to but I have been pleasantly surprised by the adaptability of everyone and the access.

Geoff Wilson: So you have better access now would you say?

Catriona Burns: I would say management teams are not travelling to their own sites, so your ability to get them and the time free is up. We were looking this morning at the company count and since the beginning of March we have spoken to about 260 companies. Our run rates of speaking to companies is absolutely up and it has been no issue at all.

Geoff Wilson: Looking ahead at the next 12 months, I know it is hard, what does our crystal ball say? What are your thoughts? How have you got the portfolio positioned?

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Catriona Burns: The backdrop is clear that we have ever supportive central banks and governments. We have economies around the world opening at different rates and with some fits and starts. We think there will be certain pockets of the economy that are going to be under pressure for an extended period, but we also have many businesses that are really benefiting and adapting to take advantage of where we sit today. Overall we do remain cautious but are actually seeing lots of opportunities across the world, particularly in small-caps which is where we love to focus, and which has really been the section of the market that has underperformed and lagged the broader index since we started the fund. The small-caps are about 18.0% behind large-caps over the last two years. We are trying to look through the short term market volatility that will be inevitable and find great companies that over the medium to long term will really do well.

To your question in terms of how the portfolio is positioned, we are identifying those areas and trends that we think will continue in a post COVID-19 world and sticking to a series of investments across those themes. That is trends like at home dining and entertainment. We do think restaurants will come back, but we think it will take time. There has been some structural shifts in the market that will benefit a number of our holdings, companies like Hello Fresh (ETR: HFG) and Electronic Arts (NASDAQ: EA) and Tencent (HKG: 0700) which I will go into some more detail about later. Then e-commerce trends, digital payments, Cloud computing, consumer thriftiness in the tough economic backdrop and health and wellness. We have these key themes that we think really will continue on past COVID-19. We have positioned the portfolio really to benefit from those themes and found individual companies within those thematics that we think will do really well.

At the other end, we are also sorting through the sectors of the market which have been more damaged to see if there are businesses that have been thrown out as inherently cyclical but which their competitive landscape has actually improved coming out the other side. They might be in a situation where they have indebted competitors that are going to have to cede market share. That is another part of the market that we are picking through to see if there are opportunities. But in the main, it is sticking with those businesses that we think are really well positioned to grow coming out the other side of this, no matter how quick or slow economies do reopen.

Geoff Wilson: And look just on that, Nick and Catriona, do you want to give us two or three companies that

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you are quite interested in at the moment? Maybe we start with Nick.

Nick Healy: Yes thanks for that. Happy to run you through three companies from different sectors that we really like going forward. And then I will pass over to Catriona for a few more. The companies I will explain today are Edwards Lifesciences (NYSE: EW), Intercontinental Exchange (NYSE: ICE) and SoftwareONE (SWX: SWON).

Edwards has been a leader in heart valves since they were founded in 1958. Today it remains number one and is leading the move into less invasive transcatheter heart valves with over 60.0% market share there. We really like Edwards because treatments are transitioning from this conventional open heart surgery towards the much less invasive catheter based surgery, where Edwards dominates with 60.0% market share. While the shift has been going for about a decade, change in medicine tends to happen quite gradually and the majority of interventions are still completed the old way. We are very happy to bet on a continuation of this transition, because the transcatheter approach has better health outcomes, it requires less than half the time spent in hospital, and it costs the hospitals less. It creates a win-win for all involved. Because of this we have a very firm view that Edwards can look forward to at least five years of double digit revenue and earnings growth, if not longer. At the same time it has been really interesting to see that the stock has been drastically underperforming other Medtech peers, like Masimo (NASDAQ: MASI) and West (NYSE: WST) as the market has become overly focused on whether a second wave of coronavirus could impact Edwards second half performance. However it is our view that the market and analysts are being too short term in their outlook on this stock and given we believe that it can deliver these five years of earnings growth and earnings peaks, we expect that stock to perform very well from here.

ICE is really two businesses. It is a world-class set of exchanges and it is a data business. The exchanges business allows firms to transact in energy, interest rates, derivatives and equities globally, with some big names like the New York Stock Exchange (NYSE) within the roster. And in general, in this case as well, we tend to love high quality exchanges. They have very high moats and see improved performance when markets turn volatile, which creates a nice balance in the portfolio. The other half of ICE is a data business which provides information to investors and traders across the world on prices and indices and valuation marks and portfolio analysis tools. We really like both halves of ICE, however, it is the data business that

really makes this stock stand out. While other data assets in the market are heavily loved right now, with names like MSCI and S&P Global up 30.0% to 50% this year, ICE is basically flat. We think that is wrong. We do not think ICE is getting nearly enough credit for its data businesses. There are great reasons to like data assets and for the market to bid these up. They provide really high quality, visible recurring growth and the cost of data tends to be really small relative to other costs for the clients. Generally they do not tend to switch off data unless worse comes to worse and they are going out of business. If we place ICE's data business on the peer multiples that we are seeing, we get the exchanges business for just far too cheap. This creates the undervaluation we really like to look for in our investments. Combining that with good prospects for growth and helmed by a very long tenured and high quality CEO with a lot of skin in the game, he has about 450 million of stock exposure, we really like the risk reward we are being offered on ICE today.

Last is SoftwareONE. SoftwareONE are a leading European reseller of IT software and IT managed services. It is differentiated because it only focuses on software, whereas most of its peers do software and hardware. We really like SoftwareONE because it is a great way to play this huge generational shift that we are seeing towards Cloud computing, without having to buy into companies that often trade at prohibitively high multiples. Importantly on this one, SoftwareONE is very focused on Europe, and Europe tends to lag the US in its roll out of Cloud technologies, with 70.0% of spend there still going towards on premise. This for us creates an even longer runway to growth of SoftwareONE's industry. Because SoftwareONE is Microsoft's (NASDAQ: MSFT) largest partner globally, we are convinced that it has the scale to offer a clear value proposition to clients, which we think allows it to grow with this industry growth, but also to take share off smaller peers. Based on this, we are confident SoftwareONE should enjoy many years of double digit growth. On valuation, it is a lot less demanding to be here than to be elsewhere. One example, SoftwareONE trades on 21 times price-to-earnings (P/E), and if I pick a SAP company like Workday (NASDAQ: WDAY), it trades on 80 times P/E. SoftwareONE also trades well below other peers like UK's Softcat (LON: SCT) and Germany's Wick Hill where the market has recognised the tailwinds and has bid it up for over 30 times. All of this, great growth, good valuation, combined with heavily incentivised insiders, gives us a lot of confidence in our SoftwareONE holding looking into the future. Those are three stocks on my end. I am happy to pass over to Catriona for three on her end.

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Catriona Burns: Thanks Nick. The three I will discuss are Hello Fresh, Lowe's (NYSE: LOW) and EA Electronic Arts. Starting with Hello Fresh, this is the largest meal kit company globally. It operates across 13 markets. It has over four million active customers and uses a subscription-based model. We bought Hello Fresh last year because we saw a business that was really successfully capturing the US market. And it uses a data-driven model and replicating this success globally. Unlike its main competitor Blue Apron (NYSE: APRN) in the US who was struggling with customer acquisition costs and ceding share to Hello Fresh, Hello Fresh had kept its cost of acquisition low and was really self-funding its growth. It has a strong net cash balance sheet. And at the time the market was growing 20.0%, it was growing 30.0% plus. It has a really high quality management team, we really rate the Founder/CEO highly. What we have seen, clearly COVID-19 has been an extra kicker to this business, it had been growing over 30.0%, last quarter it was growing over 65.0% percent, and for the full year it is guiding to 40.0% to 45.0% growth. At the time we invested, which was about EUR16, it was trading at 1.4 times sales at less than 20 times P/E forward year out, growing over 30%. Today the stock has moved up on the valuation but so has that growth and it is quickly accelerating its margins. What we see today is still a long runway of growth as it continues to expand geographically and driving the scale benefits they have. In terms of catalysts, it has delivered successive revenue and earnings beats since we bought the stock and we continue to see upside to earnings forecast. That is one we still like today.

Second is Lowe's. At the bigger end of the market, Lowe's operates in a duopoly. Equivalent to a Bunnings (ASX: BUN1), in the US, there is Home Depot (NYSE: HD) and Lowe's. Home Depot is number one and Lowe's is number two. The CEO who joined in 2018 was from Home Depot. Home Depot has traditionally been better managed and generated significantly higher margins than Lowe's, and they have been highly competitive over history. What we thought was particularly interesting was that he was leaving Home Depot to become the CEO of Lowe's. He knows the Home Depot playbook and has had a really immediate positive impact on the business. He is driving improvements in the supply chain and in IT infrastructure. He is well aligned and has about 17 million in shares. He actually bought shares at the beginning of April, demonstrating he is clearly well aligned to us as shareholders. We think the valuation is attractive. It is still at a significant discount to Home Depot, but has upside to margins. We think it has a really resilient earnings profile. We have seen that Bunnings in the Australian market home improvement has been a

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beneficiary of COVID-19 as we are all home a lot more doing DIY home projects. We think the pro-strategy is in its early days. The aged housing stock in the US also provides ongoing support for its growth. We see strong upside still even today after it has had a little bit of a re-rate.

Last is Electronic Arts or EA, a global leader in video gaming. The franchises offer packaged goods consisting of physical games but also online services delivered through internet connected consoles, computers, mobile phones and tablets. It has more than 300 million registered players in over 200 countries and is recognised for the familiar high quality franchises SIMS, Madden and FIFA. Like Hello Fresh, this business has a net cash balance sheet. In terms of the industry, there are a number of bigger video gaming companies such as Activision (NASDAQ: ATVI), Take-Two (NASDAQ: TTWO) and Ubisoft (EPA: UBI). This business really has something to prove because it had some execution issues a couple of years ago and has been really working to regain some credibility since. It is not overly promotional, but have been delivering consistently since that time. The CEO is well aligned in terms of his stock ownership. We think it is clearly currently seeing a strong uptick in demand, which some may prove to be temporary, but we think user engagement has increased. We think there is a new cohort of gamers that have been added to its stable and that it can monetise this over the coming years. There is also a new console cycle coming from Sony (TYO: 6758) and Microsoft later this year, and that has usually been a strong driver of growth in prior console cycles. It is still trading at a discount to its US peers given its prior execution issues but we think this discount will close as it executes over time. In terms of catalysts, the earning beat potential is high. We see upside to analysts' numbers. I expect that valuation discount to further narrow. Those are three stocks that we like at this point.

Geoff Wilson: Thanks Catriona and Nick. And we understand the market's dynamic. In terms of the stocks you have given, there are some that are probably benefiting from the current environment. You are saying there is a whole lot of new gamers, I am not one of them, but I have moved up the technology curve significantly. I do not think I will be driving to Officeworks to get my printing any time again. There have been some good things out of this very, very challenging and difficult time. In terms of the Webinar, I will pass to James who runs our Corporate Affairs area. James will take us through the Q&A section.

James McNamara: Thanks very much Geoff. And thanks everyone for your time. The first question I have

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is for you Geoff, from Lucy. "I have held WAM Capital (ASX: WAM) for 10 years, mostly for the dividends, why should I invest in WAM Global?"

Geoff Wilson: Thanks Lucy. I held WAM Capital for a long time. Now I have shares in all of them. I have been buying a lot of WAM Global shares, initially on the initial public offering (IPO), and also since then. You are getting a dollar of assets for 80-something cents as it is trading at a discount to net tangible assets (NTA). Of our listed investment companies (LICs) that we manage, the more recent ones are still trading at discounts to NTA. WAM Leaders (ASX: WLE), which is a fractional discount now, is nearly trading at NTA. We hope it will soon be at NTA if not at premium. And WAM Global. And it just takes a bit of time for share registers to tighten up. You tend to find the ones that have been around the longest will have tighter registers, so the share price will trade at NTA if not at premium. To me there is some potential free money in terms of getting that benefit from it going from the discount to NTA, and also in terms of dividends, we are starting to pay fully franked dividends. Will they be at the same magnitude as say WAM Capital or WAM Leaders, which are both paying high dividends or giving very high fully franked dividend yields? Possibly. That really depends on how we perform. Before we set up WAM Global, most of money in terms of diversification was in Australian equities, in our Australian products. WAM Global is an opportunity to get exposure to the set of companies that you can not get exposure to in Australia.

James McNamara: Excellent. Thanks very much Geoff. Catriona the next question is for you, from Angus. "A lot of the US holdings are names I recognise, I am less aware of the Euro stock, what opportunities and risks are you seeing there?"

Catriona Burns: Thanks for the question. The US has been the market to own in recent years, but what we are seeing at the moment is a significant number of new opportunities more in Europe than the US. We still love all the businesses that we own in the US, but incrementally, new ideas are increasingly being found in Europe. From a macro standpoint, the recovery fund that they are discussing of EUR750 billion is huge, and the fact that they are discussing EUR390 billion in grants, bringing periphery countries like Spain and Italy into the fold speaks to long awaited more cohesion across Europe. Whereas we still very much like the US and can find some great well wonderful businesses there, I would say this is a change from Europe and the backdrop does incrementally look more positive from a macro standpoint.

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Businesses that we tend to look for in Europe are really leaders in their field, with great tailwinds regardless of the macro backdrop. These are companies that we have talked to in the past, like Scout24 (ETR: G24), which was the REA (ASX: REA) Carsales equivalent in Germany, and previously had the ex-CEO of REA running it. We knew it from Australia, we knew REA and Carsales and how dominant they had been. Germany, it is behind in the Cloud transition that Nick talked to, far behind in terms of that playbook that REA Realestate.com and Carsales had used in Australia. That is the sort of opportunity that we love to find in Europe. And like Nick talked to SoftwareONE, it is looking at trends that are happening around the world and identifying, for example, that Europe is behind in that Cloud transition and the catch up going on. There is a great backdrop in terms of the thematic. We can find businesses that are trading at significant discounts to global peers. We are very much able to find those sort of businesses when we look across Europe.

We are increasing the weighting across Europe and really finding some exciting new businesses there; there are a few companies that we are in the process of buying so we will probably be able to speak further to them at later calls. We are not playing those deeply cyclical European deep industrial businesses, it is really about finding businesses with great industry structures, with great growth profiles, because in Europe the backdrop for growth has been slow but there have been some wonderful business that have grown in spite of that. Those are the kinds of businesses we like to find. In some cases, they may be a bit more obscure.

We invested in Dollar General (NYSE: DG) for example in the US, and went to Europe and found listed in the UK B&M European Value Retail (LON: BME). We had not heard about it before and did the research. IT had a loss making German business that was causing the profitability to be hurt but were close to exiting. When you took out that loss making business, the entire multiple of the business look much cheaper. It bought a business in France that looks really exciting, and it is much more undiscovered. We love Dollar General as a business but it is quite a well-known whereas B&M was sort of under the radar trading at a significant valuation discount. That is the case with a lot of the business you find in the UK and Europe. You can get these more undiscovered value players that still have great growth profiles. We are excited about the prospects in Europe of the businesses that we are finding.

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James McNamara: Excellent. Thanks very much Catriona. Nick the next question is for you, from Adrian. “Can you comment on whether Tesla (NASDAQ: TSLA) would fit the investment portfolio?”

Nick Healy: Thanks James. And thanks Adrian. That is a very well-timed question given Tesla is very much on the front of everyone’s mind at the moment with how it is performing in the market. The answer is a pretty clear no. Tesla does not fit into the portfolio criteria. I am actually a very big fan of its products and I am a believer in Elon and what he has achieved both at Space X and at Tesla, with autonomous driving, electric vehicles and landing the rocket, the re-usability of rockets. Honestly it is nothing short of incredible. But Tesla really does not succeed in passing our portfolio criteria. This year, Tesla hoped to make around half a million cars. Putting that in perspective, Volkswagen (ETR: VOW3) hoped to make over 10 million. And Tesla the company costs four times what Volkswagen the company costs. On a per car produced basis, the valuation is ludicrous compared to Volkswagen. Saying it another way, Tesla is a stock tha is currently over 100 times P/E and it is on more than 10x sales, and it is a car company at the end of the day. For us, it pretty clearly fails the valuation metric that we stay very disciplined on when we are making investments. That being said, I am not necessarily someone who would want to bet against Elon Musk. His achievements really are very impressive. But thank you for the question Adrian.

James McNamara: Excellent. Another question on a specific stock. “Do you expect to hold Tencent Holdings for an extended period of time seeing as they have such a stranglehold on the gaming market with ownership of Riot Games and recently releasing a popular game in the last couple of months alongside tailwinds being at home?”

Nick Healy: As Catriona discussed, we are a fan of EA and old Tencent. We think there is longevity to the idea that people are going to seek more of their entertainment from home. We have all been forced to try different things and find our entertainment in different ways. There is going to be a lot stickiness to people trying video gaming for the first time and continuing to play into the future. Tencent in particular is an incredibly well positioned company, owning the Chinese gaming market with NetEase (HKG: 9999) as the number two competitor. But if an international player wants to get into China, it has to go through Tencent or NetEase, and has to pay away a lot of the economics. This puts Tencent in the driver’s seat in the Chinese gaming market, which is both the largest and the fastest growing gaming market in the world.

Tencent has done very well. It holds 40% of Epic Games, which makes Fortnite, it holds Riot Games and holds stakes in other companies like Activision and Ubisoft. It has a very large stake in Supercell which has been incredibly successful on the mobile gaming front. Fundamentally, it is a very well positioned company.

Catriona Burns: I echo Nick's thoughts. The other area is clearly its foundation with WeChat, the 1.4 billion users on that platform and the ability to add new products through that user base. We believe it is a really interesting business that has a great future. In terms of the exposure, Tencent and Alibaba (HKG: 9988) were two stocks that, in March, we thought, "who is going to come out first and who is going to handle this pandemic with the rigour and discipline that maybe other countries won't?" That was why we had some holdings and we increased them in March. We think Alibaba and Tencent are well positioned with that backdrop for where the world is at today.

James McNamara: Thanks very much Catriona. Geoff the next question is for you, from Steven. "With no franked dividend income in the US and other countries how can WAM Global pay fully franked dividends?"

Geoff Wilson: WAM Global is an Australian company, investing in other companies that are listed on global exchanges. When we realise a profit, we pay tax in Australia. It is that tax that we pay in Australia that gives us the franking to pay fully franked dividends. How our other listed investment companies pay their fully franked dividends and how they have been able to pay slightly higher fully franked dividends than others, is the ability to not only pay the tax on the profit we make but also when we get fully franked dividends in from the companies we invest in. We can pay that back through shareholders as well.

James McNamara: Thank you Geoff. And Catriona next question is for you from Frank. "What exposure do you have to Asia?"

Catriona Burns: Two of the bigger exposures are Alibaba and Tencent, in terms of direct holdings. We own a large number of multi-national businesses that have significant portions of their earnings coming out of Asia. For example, Thermo Fisher Scientific (NYSE: TMO) which is a med-tech equipment business listed in the US but has a significant China business. It might be listed in the US but it does have a decent chunk of their earnings coming from Asia. In terms of the direct holdings, it is Alibaba and Tencent at this point. Another company, Techtronic (HKG: 0669) has done well for us. It makes the home improvement

products Ryobi that you may know from Bunnings. Other than those it is the multi-nationals that have decent chunks of their earnings coming out of Asia.

James McNamara: Great thank you Catriona and going back to you Geoff. This question is from Stewart. "We are pensioners with money currently in term deposits about to mature, reinvesting at about one percent is not encouraging. We are looking for income against growth but are very timid relating to the risk in the stock market. WAM products appeal with their attractive current dividends. How much risk is attached to dividend yielding products including your own?"

Geoff Wilson: If you are getting more than cash in the bank, you are taking risk. All our products have risk. And it is significant risk, equity risk. If you can take a long term view then you will do well over time. But as we saw earlier this year, the volatility in the market can be significant. You have to at various points in time be prepared to lose 20.0% or 30.0% percent of your money, accepting that over time you will get that back. Equities on average give you broadly 10.0% per annum returns over time, and that is a combination of capital growth and dividends. There can be periods of time where equities fall significantly. I am not saying we are in the 20's or the 30's where the market fell 80.0% at one point in time. When you buy any of our products, our listed investment companies, we invest in companies that are listed on the stock market and we are taking risk, even though it is diversified. Our ability to keep paying dividends means you need to keep an eye on our profit reserve. It is obviously a decision the boards make on a six-monthly basis. This is equity risk and that is a significantly different risk to having your money in the bank.

James McNamara: Thanks Geoff. Catriona, the next question is from Russell. "Rating managing is crucial to the WAM investment process. Can you tell us how you assess governance?"

Catriona Burns: Thanks for that Russell. Absolutely, management is very much crucial to the WAM investment process. Meeting management, speaking to management, is what we do day in day out. But there are management teams that can lie. That is the benefit of many years in the market and having experience with various management teams over time, seeing them deliver against what they have said. There is an element of knowing the management teams, assessing them externally, speaking to their competitors, speaking to their suppliers, to gauge if they do what they say. It is also a matter of looking at their incentives. We think people work to incentives and when looking at how they are paid can be crucial.

Then also assessing what is their ownership in a business. We very much check this along the way in terms of the management ownership and their incentives. We tend to love founder-led businesses, because they tend to take a much longer term view than an agent sitting in a job for a few years, relative to a founder who is building a business for the next 20, 30, 50 years. It is a matter of assessing the incentives, the ownership, checking with external parties to how they operate and do they do what they say, and having history with these businesses.

James McNamara: Excellent thank you Catriona. Nick the next question is for you, from Brett. "How sustainable is the US tech rally?"

Nick Healy: Thanks for the question Brett. It is a hard one to answer precisely. It seems too obvious but the tech rally will continue as long as people are willing to be an incremental buyer at the prices that the markets are offering on a given day. What we see with these rallies, is stocks usually start off on fundamentals, good growth stories and long tailwinds to growth ahead of them. Then towards the end of the move they have started to trade on hopes and dreams. Looking across the market, and we mentioned a stock earlier which I think this is true for, which is Tesla, a pretty large portion of the market at this point in time is really trading up on hopes and dreams. That ties with what we have seen with some of the numbers coming out of the Robin Hoods and the Charles Schwab trading accounts which show that the retail investor is back in the market like they have not been since the 1990s.

How long can it continue? Often these rallies tend to burst under the weight of their own expectations. There are a couple of examples recently. Tesla has been on fire, it is up so much this year. Everyone was looking to the recent earnings to find out if they could do a profit, and if they could do a profit they would have done four quarters in a row, and would be eligible for inclusion into the S&P 500. If anything, Tesla outperformed the expectations, but the stock is down quite a bit from that point, approximately 50.0% to 20.0%. Another brief example would be Netflix (NASDAQ: NFLX). It is the same story, great numbers but the expectations were even higher, so it crumbled under the weight in the shorter term. In the longer term the tech rally will end probably like most bubbles. It will end because expectations simply get too high, and then good performance will not be enough, and the incremental investor who was buying them because they were moving up starts selling them because they are now moving down. I would not be confident to

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call the end of the tech rally today. As Catriona mentioned earlier in the call we have very supportive central banks. However I would say we are closer to the end of this movement than we are the beginning.

James McNamara: Thanks very much. The next question is from Sally. "Congratulations Catriona, excellent work, how do you see the US election affecting the market?"

Catriona Burns: Thanks for the question Sally. In terms of the US election approaching in November, it is hard to know with the polls. They have been so wrong in recent times but have certainly swung in Biden's favour, I believe 61.0% to 39.0% currently. There is a lot of time until November and a lot can change. It will be very much dependent on what happens with the US. Prior to COVID-19 a second term was probably extremely likely for Trump but as we have gone through the pandemic, his popularity has certainly waned. We are watching firmly what happens.

In terms of the portfolio, we are thinking about stocks that would be affected one way or another. We are more cautious in terms of stocks we do not think are worth adding to the portfolio at this point and which sectors will be particularly affected if Biden is elected. That is areas like defence, some parts of healthcare, although on the pandemic has called out deficiencies in healthcare systems across the world, particularly in the US. You must counter that with the fact that they will be hard pressed not to make cuts too aggressive depending on the area of healthcare.

Tax is another key issue. Trump cut corporate tax rates from 35.0% to 21.0% and Biden is discussiong taking them back up to 28.0%, which would quickly and significantly hit S&P 500 earnings. Companies that really benefited had high levels of domestic US earnings, and almost immediately when the tax cuts were announced saw their share prices re-rate by the amount that their earnings benefited. We are very much looking at it on a stock by stock basis when considering new additions to the portfolio and the holdings we have today. We think there will be a lot of noise and volatility in any names that are potentially in the firing line if Biden is elected. It is very much on the radar, but we will see as we get closer to November, where the data and the US economy looks to be tracking. The economy will be a clear determinant of who ends up winning the election.

James McNamara: Excellent. Thank you very much Catriona. And we are approaching time so we will now

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close on the Webinar questions and open to callers.

Caller: Thank you very much for the investment performance to date and for the information flow. Great understanding. Just a question on exchange rates. How are you managing the rise in the Australian dollar given its overseas exposures to these companies? Thank you.

Catriona Burns: Thanks for the question. In terms of the currencies, we have seen dramatic moves in the Australian dollar, but on the 12 month 1 July 2019 to 30 June 2020, versus the US, Euro and Japanese Yen, the Australian dollar had not moved, despite having fallen 10.0% and risen 13.0%. Net for the year there was not too much of a currency impact actually on the portfolio performance for the entire year. When we listed, shareholders' feedback was that they were over exposed to the Australian dollar and to Australian assets. WAM Global provides a portfolio of overseas companies and exposure to multiple currencies. We are not hedged. We hold a basket of currencies. Those are predominantly in terms of cash held in US dollars, Euro, Japanese Yen and Australian dollars. That is how we manage the FX.

Caller: Thank you.

Caller: I have been invested for a while now. I really hate having to pay trading fees when I am trying to do a cost average into the different LICs and I was wondering if you would ever consider opening some sort of mutual fund or unit of trust structure similar to the Spaceship App where you can effectively buy shares directly from the Wilson Asset Management companies or an aggregate of them without having to pay the trading fees?

Geoff Wilson: I hear that and a number of people have that view. A corporate structure is different to a trust structure and I am pretty sure you were talking about trust structure. As the shares trade on the market, occasionally we have share purchase plans. In terms of for WAM Global, because it is trading at a discount NTA, then the company would not want to issue more shares at a discount. It would really be when the shares are trading to closer to NTA. Even though there is a little bit of a cost to purchase them because they are trading at a discount, then with a bit of luck we can get them to NTA and you can get more than that benefit of the cost. But there is not a simple structure. There are some structures in the UK that are a little bit more friendly and we have been lobbying people here to help us with that, where you

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could have treasury stock. It is not there at the moment so probably unfortunately I have not got a simple answer for you.

Caller: Okay. Thank you.

Caller: With the current US and China tensions, does that change how you are looking at investment in any of those countries?

Catriona Burns: Thanks for the question. It feels like a re-run of last year on the US China tensions. From that perspective, at least we know the sort of stocks that get punished in an escalation of US China trade relations. It is at the back of our minds when we are looking at any stock. Our view at that point, as we went through the last 18 months through the trade war and into the signing the phase one trade deal, it was in hindsight, and what we thought at the time, very minor in terms of what they ended up agreeing to. They certainly had never resolved any of the significant issues around IP theft, or State owned enterprises. We have never really resolved the issues that we have had for the last 18 months to two years. And Trump's 'China virus' comments have not helped relations. That backdrop is going to be the case. It will be very interesting going into the election. Trump loves to throw things out to see if he gets any bites in terms of potential votes. If he thinks escalating a China-US trade war and technology war will get him some more votes, you could well see the rhetoric pick up as we go into the election. Also at the back of our minds is if he gets a second term, that it will be his last. There is nothing to lose from him really going after China and trying to push the US positioning in the world. Certainly you could have US-China trade and technology tensions for multiple years ahead. We are cognisant of that and thinking about that in any of the investments that we are making.

Caller: Good. Thanks.

Geoff Wilson: Thank you everyone for your questions. If you do have any more questions feel free to email them to us and we can get back to you, or call the office. This is recorded and will be up on the website shortly. I would like to thank Catriona, Nick and James for being involved today. And thanks everyone for your support. Look forward to seeing you in person soon. Thank you.