

WAM Capital, WAM Research and WAM Active Investor Q&A

4 September 2020

Geoff Wilson: Welcome, and thank you for joining us today for the WAM Capital (ASX: WAM), WAM Research (ASX: WAX) and WAM Active (ASX: WAA) Q&A. This is your company and we are reporting to you. Thank you for your support. I have the “A Team” with me in terms of the people that are responsible for managing the money for the three entities: Oscar, Tobias, Shaun and Sam. I will be giving a little bit of a summary about the results of the three companies and then we will open it up for questions.

I would like to congratulate the guys who have done an extremely good job. Over the last twenty-one years, this was close to our best reporting season. Oscar will take you through that a little later. In terms of the results, we are focused on performing on behalf of all shareholders, protecting capital when we believe it is prudent to do so and providing a stream of fully franked dividends. To me, it was very pleasing that we were able to maintain dividends at the levels we have and also for them to be fully franked.

With the market sell-off overnight, today is a topical day. I am sure it will come up in the Q&A, our views on the market going forward. For WAM Capital and WAM Active, part of their portfolios is buying a dollar of assets for eighty cents. One of the stocks we held is a listed investment company, Contango Income Generator (ASX: WIE). We were very disappointed and quite shocked when a couple of weeks ago they announced a capital raising at a 15% discount to their net tangible assets (NTA), which could be highly dilutionary for a number of shareholders. We voiced our view to them. And at the same time, they decided to change their mandate significantly, going from Australian equities, income generating, to a US fund manager, a global long-short. They have a vote coming up on the 18th of September. We will be voting against that. They have changed. We put a proposal to the Board for us to manage it. It would sit in between WAM Capital and WAM Leaders (ASX: WLE). It would be the top 300, and it is only a \$70 million portfolio. WAM Capital is 1.3 billion and WAM Leaders is about 1 billion of funds under management. To manage another 70 million in that top 300 would work quite well for us. So we would be encouraging anyone to vote against this vote on the 18th of September, and then when our proposal goes up, to vote for that.

We also announced a takeover bid for Concentrated Leaders (ASX: CLF), another small listed investment

company. It has been trading at a discount for quite a period of time. We have little over 11.5% between from the trading part of the portfolio for WAM Capital and WAM Active. It allows us to get out at NTA. Assuming we are successful in the bid, we will get control of the company at NTA. As I mentioned, it is only a small company, but if you look at the balance sheet, it has the ability to pay about \$13 million as a fully franked dividend. Even though it has just paid one, it still has quite a bit of franking. That is not a primary benefit, but that is a secondary benefit that we see there. I will now pass over to Oscar. Could you take us through the reporting season?

Oscar Oberg: Thanks Geoff. And good afternoon everyone. The last time we spoke on a conference call I was bunkered down at the family farm back in Yass, country New South Wales in the middle of March. It is fair to say things were incredibly uncertain at that point in time, not just around the market but the spread of the coronavirus globally. I would like to thank you for all your support through this time. The team really appreciate it. It has obviously been a very difficult period over the last six or seven months working from home but I can assure you that I am very pleased with how we have performed over this period. It is not just the WAM Capital, WAM Active, or WAM Research team, it is the wider Wilson Asset Management team led by Chief Executive Officer Kate Thorley and Chairman and Chief Investment Officer Geoff Wilson AO.

In relation to the reporting season, it was a very strange one. This is largely because around 80% of the companies that we are invested in across WAM Capital had given earnings guidance for the current financial year before the August reporting season had begun. That was more due to coronavirus and the uncertainty surrounding the economy. It was obvious to us that companies would avoid outlook statements and giving explicit numbers around their earnings guidance. We saw this as a great opportunity to buy some beaten up stocks and sectors that were heavily hit from coronavirus, such as international education, mining services, retail and tourism companies. There were catalysts largely due to the fact that we could see earnings upgrades coming and a stronger-than-expected balance sheet, but a number of the analysts that were covering these companies had not updated their numbers from the lows of coronavirus back in March and April.

To give you an example, we did some extensive work on a company, an international placement and provider in the education sector called IDP Education (ASX: IEL). We felt that management had taken more costs out

of the business than the market was expecting at the time. We gathered forecasts from the eight analysts that covered the stock and what we found was a wide range of estimates ranging from a \$20 million profit through to \$100 million profit for the current financial year. Through the work that we did, we were confident that IDP would achieve the top end of this earnings range. In the end, they did, and we have seen a very strong performance on the share price. It has been up over 30% since that point in time.

As per usual in reporting season, we do have our fair share of misses. One company, Bravura (ASX: BVS), is a technology company. We felt there was not much expectation in this company going into the result, however, its largest business within the company actually slowed in terms of its organic growth. We saw the share price fall just over 15% as a result. Blackmores (ASX: BKL) was a company that we took a placement in back in May and we are positive on this company longer term. I believe that management is doing a good job turning it around. The problem is, it is probably going to take us another year longer than what we initially thought.

As Geoff said, we are very happy with how we went over the reporting season. But rest assured, it is very early days in the financial year. We are not getting ahead of ourselves and as we saw last night in the US and today in the Australian market, crazy things can happen, particularly in the small-cap companies that we are invested in.

Geoff Wilson: I will back up the numbers behind what Oscar, the solid results by the whole team. The WAM Capital investment portfolio compared to the indexes before expenses, fees and taxes for last month was up 9.2% where the market was not even up 3% for the month. And WAM Research was up 11.8% and WAM Active was 6.7%. It was really the research stocks that performed very strongly. In WAM Active, the trading side, when you are holding a degree of cash, any performance that is better than the market is a solid performance, and that was more than double the market performance. The profits reserve figures as at the end of August will be on the ASX.

Now Tobias, you spend a lot of time looking at technology stocks and when we had the WAM Microcap (ASX: WMI) call back in August, you were talking about the e-commerce sector in detail. Can you talk to us about how the portfolio is positioned at the moment, particularly, superimpose on that what happened last night with the significant percentage fall in the NASDAQ?

Tobias Yao: Thanks Geoff and good afternoon everyone. Over the longer term we continue to be strong believers in the e-commerce theme. We invested in this space relatively early and increased our exposure in March and April which has helped us over the last few months. These include pure online players like Temple & Webster (ASX: TPW), Kogan (ASX: KGN), Redbubble (ASX: RBL) and Marley Spoon (ASX: MMM) in addition to traditional retailers with a large part of sales coming from the online channels, such as Adairs (ASX: ADH) and City Chic Collective (ASX: CCX). Our view right now is that we are seeing a permanent change in the growth trajectory of many of these businesses due to everyone having to work from home. Humans are creatures of habit and once they are comfortable with shopping online, they will continue to do so going forward. When we think about the next few months, we believe the operating momentum should continue to be strong as a result of Black Friday, Cyber Monday and the Boxing Day trading periods. This is perhaps missed by the market. However, we do believe the current three-digit growth rate will normalise, that is definitely a risk and it's something that we are monitoring very closely.

Geoff Wilson: Thanks Tobias. I know myself as an investor and all our fellow investors would be sort of interested to know what one good stock pick there is from each of you. We will start with Sam and Shaun and then Tobias and Oscar. You can mention what company you are confident on at the moment. Sam, do you want to lead off?

Sam Koch: Thanks Geoff and good afternoon everyone. Our first high-conviction stock pick is Tyro Payments (ASX: TYR). If you have ever bought a coffee or a dinner on credit card, then you are likely to have used this product before. Tyro provides EFTPOS and credit card terminals to coffee shops, restaurants, pubs and clubs. The company performed strongly after listing in 2019 and was on track to beat prospectus forecasts. However, after beating our expectations and hitting our valuation, we sold the position in February this year. During coronavirus, a large portion of their customer base experienced a sharp fall in revenue and the stock sold off aggressively. What the market was missing however is the structural shift towards card payments and away from cash, which will drive Tyro's earnings growth going forward. The catalyst for us to re-enter the position was the belief that FY21 and FY22 consensus estimates were too low and had to increase over time. Currently trading at a 40% discount to its international peers, we believe that this valuation gap will close as we emerge from lockdown and more people use card over cash, therefore outperforming earnings expectations over time.

Geoff Wilson: Excellent. Do you have a price target for the stock?

Sam Koch: We do. We have a price target of \$4.30 to \$4.50 and it is currently trading well below that at \$3.44.

Geoff Wilson: Right. And Shaun what stock pick do you have for us?

Shaun Weick: Thanks Geoff. Good afternoon everyone and thanks for your time and ongoing support. My high-conviction stock pick is SeaLink (ASX: SLK). SeaLink completed the acquisition of bus operator Transit Systems just over six months ago which diversified the business into two core areas being marine tourism and buses. Following the market sell-off we identified two key catalysts that we looked at to buy the stock. Our analysis suggested the market was underestimating the defensive nature of the bus business which provides an essential public service and operated throughout the crisis. The recent FY20 result came in ahead of the market's expectations which resulted in analysts upgrading their forecast and reassessing the valuation. Going forward we think the marine and tourism business is well positioned to benefit from a recovery in domestic travel. Australians spend over 60 billion per annum travelling overseas and given the international border closures, scenic destinations such as Fraser Island in Queensland and Kangaroo Island in South Australia are likely to see increased demand. This is reflected in some recent conversations we had with the management team noting that they are now trading ahead of pre-coronavirus levels, despite no interstate or international tourists. We expect the share price to be supported by additional bus contract wins going forward along with the progressive re-opening of State borders. And we see earnings upgrades and further acquisitions as key catalysts for the stock.

Geoff Wilson: Would it be earnings upgrade that would be the main catalyst to re-rate it?

Shaun Weick: We think there is definitely a scope for earnings upgrades there but in the short-term the business has a number of material bus contracts which we think is well positioned to win. It has shown an appetite for acquisitions more recently with Transit Systems just over six months ago. The balance sheet is in a good position to capitalise on any distressed opportunities that may arise too.

Geoff Wilson: Great. Thanks Shaun. And Tobias?

Tobias Yao: My pick is Infomedia (ASX: IFM), a software solution provider for car manufacturers and

dealerships globally. We believe the long-term theme here is that its clients are now more focused than ever on parts and services revenue given that is where the margin is. That is how it engages customers. As a result, they are on the lookout for the best in class solutions, which is where Infomedia comes in. A profitable technology company and one of the cheapest on the ASX, Infomedia has almost 20% of its market capitalisation in cash which will be deployed into acquisitions over the next six to twelve months. Other catalysts include potential contract awards and earning upgrades over the next couple of years.

Geoff Wilson: Thanks Tobias. And Oscar?

Oscar Oberg: Geoff, you know me, it is always Myer, isn't it? No, definitely not this time around. Definitely not. The company I would like to talk about is Healius (ASX: HLS), which is actually the new name for the old Primary Healthcare. Healius is one of the largest pathology, radiology and medical centre businesses in Australia. Through March and April, there were plenty of newspaper articles saying that Healius was about to offload their travel medical centre business. That was a key catalyst for us to buy shares in the stock. Thankfully, Healius was able to sell the division in May at a price that was much better than the market had expected. Today, Healius has a very strong balance sheet that gives it the ability to make acquisitions.

Following the sale of the medical centres, Healius now has the second largest pathology and radiology business in Australia, but it has margins that are well below the leading industry players Sonic Healthcare (ASX: SHL) and Integral Diagnostics (ASX: IDX). These companies trade at much higher valuations than Healius. We see a cost-out opportunity and efficiency savings to drive margin upside over the next few years. And now the last point on it, the spice, is that Healius had a takeover bid which the Board rejected back in February for \$3.40 per share. In our view, this business is much better than what it was back in February. It is trading at a share price lower than \$3.40 per share. Key catalysts going forward are earnings upgrades, divestments to be made, and we also see some acquisitions. I think it is worth about \$4.50 per share.

Geoff Wilson: Oscar can you touch on travel stocks and the opportunities there?

Oscar Oberg: Thanks Geoff. Given the second wave in Melbourne and continued cases in Sydney, you might think I am a bit mad to be saying that we are looking at the travel sector. But at this point in time, these stocks in the sector are at effectively very low valuations when looking forward a few years. We believe these

businesses have much stronger balance sheets than the market gives them credit for. They are well positioned to benefit from a domestic tourism boom once borders re-open.

For context, prior to coronavirus, Australians spent just over \$60 billion on international tourism last year. This compares to around \$50 billion on domestic tourism. When the borders open, we believe a big portion of the international tourism spend will flow into domestic tourism. Stocks that we played through reporting season include Corporate Travel (ASX: CTD) and Webjet (ASX: WEB). Expectations for these stocks were very low with the market factoring in an earnings downgrade, balance sheet issues, and you could see that from the short interest in the stock which had gone to all time highs. We did a lot of work around their balance sheets and were comfortable with their liquidity. We also spoke to a number of companies overseas. We were seeing signs of life in tourism, particularly in Europe, and also the corporate travel market globally. We bought more of these shares and thankfully they have performed well through reporting season. While it is certainly going to take a long time, we do think that this sector looks interesting, particularly as borders re-open. This is also certainly one industry that will really benefit if we do see a vaccine.

Geoff Wilson: Thanks very much Oscar. The sell-off last night is concerning when the market had just continued to go up. After the solid result these portfolios had last month, the question is, “does it get any better than this?” The market has been driven by the phenomenal liquidity that has been pumped into the system globally, the Federal Reserve and record low interest rates.

The technology sector has been looking quite bubbly. I think back in 1999 to 2000, when we had the tech wreck, people were trying to think of what created the tech wreck. It was a day in March, I remember, the NASDAQ was down 6%. That was after some extreme moves from Australian stocks and also global stocks in the technology space. For those that have got a bit of grey hair, the Australian names were Solution 6 that had gone from 60 cents to I think \$16 and Securenet, which had gone from one dollar to \$12 or \$13. Davnet had gone from about 30 cents cents to \$4. It was the heat and the over valuations. In the heat coming out of the market, there was not a specific event that created the tech wreck. What happened last night, it is concerning. The question on everyone’s lips is, “is this the end of the big rally in technology stocks?” Unfortunately, our crystal ball is not that clear that we can tell you “yes” or “no”. All we know is that we are highly flexible.

When we had to reposition the portfolio in February, we went from a reasonably invested position with about 15% cash to up to 43% percent cash. We invested that money into companies that we believed would benefit. With technology companies, we all know it was getting incredibly frothy. Tesla (NASDAQ: TSLA) had a split, the share price doubled, the split goes up another 15%. There has been a lot of momentum money in the technology sector. With a bit of luck, it is a “healthy correction”. I do not know why everyone calls it a “healthy correction” because it means markets are falling and people are losing money. With a bit of luck, that is what it is and it takes a bit of heat out of the market. We will be monitoring that incredibly closely. I will now pass over to James McNamara who runs our Corporate Affairs Department. Thanks James.

James McNamara: Thank you very much Geoff. We have quite a few questions on profits reserves for the companies. Would you cover off those key numbers Geoff?

Geoff Wilson: In our listed investment companies, our ability to pay a fully franked dividend depends on our ability to A) make a profit and B) receive fully franked dividends, or pay tax and then pay that out as a fully franked dividend. In WAM Capital, before last month the profit reserve was just a little bit over the fully franked final dividend that is due to be paid. The estimated profit reserve now has more than doubled, so it is around the 17 cents per share at the end of August. That is quite pleasing. We have this current dividend and then the next one up our sleeve. Following, it is dependent on our ability to make more profit. In WAM Research, again the profit reserve is very healthy. We had a very healthy month in terms of performance, very strong performance. There is a little under 35 cents per share in the profit reserve. WAM Active we estimated is a little under 11 cents per share in the profit reserve. Paying a dividend is a Board decision. They will look at what the profit reserve is, what franking we have, and make the decisions at the time. All three of them are cum dividend at the moment, but our interim dividend will be announced in February with the results.

James McNamara: Thanks very much Geoff. You were correct in your forecast that there would be quite a few questions about last night in the US and today in the Australian market. Geoff, could you give your outlook in light of the overnight trade?

Geoff Wilson: The market had performed exceptionally well and it was nearly getting too easy. Unfortunately, the market is a great leveller. I heard someone say, all these billionaires have turned up, and they said as

quickly as the billionaires turn up, they will disappear as well. These are some of the technology billionaires. There has been a lot of momentum and not much volatility over the last little period, and it really felt like the market was getting frothy. So an adjustment like we saw last night to me is not something to panic about. It is something to remind you that investing in equities is with risk. One of the risks is whether this does take a lot of heat out of the market where there was a lot of effectively dumb money being invested. In the US, a lot of people had started trading the market aggressively that had not been in the market before. To me, the market tends to be a leveller, and makes you realise that it is not that easy in terms of investing. You have to do your homework, you have to buy undervalued companies. We try to buy undervalued growth companies, and only buy them when we see a catalyst is going to change the valuation. That is how we operate. It is a good wake up call, and the risk is that there could be a reasonably sized adjustment. Oscar, Tobias, Sam or Shaun, do you want to share your thoughts?

Oscar Oberg: It is worth pointing out that we have been calling the end of the technology market for the last three years and we have been wrong. I think the reason we have been wrong is purely because of interest rates, which, as we all know, are at record lows. It increases valuations. That is why we have seen a lot of this momentum that Geoff is rightly talking about in companies such as Tesla and Salesforce (NYSE: CRM) last week. It is important to note from our end, we are an active fund manager and we have been a beneficiary of a number of these companies that have performed over the last four to six months from the lows in March. In reviewing how our portfolios are positioned regarding exposure to technology companies, we are sitting at around a 6% exposure in WAM Capital, which is a lot lower than from the 9% to 10% that it was back in June. To give you an example, Appen (ASX: APX) performed incredibly well for us. We sold most of our stocks going into the result because the expectations were sky high. Our view is exactly what Geoff said, there is nothing to panic about. You have to be selective. You cannot just look at companies like Afterpay (ASX: APT) going from \$8 to \$90 and think that is the new norm. The biggest risk in our view for the tech sector is when interest rates increase, and if we see that, that is a sign to get out of the space. But certainly from our end the market needs some time to cool off. It has been crazy and the tech sector has been the big beneficiary of that.

James McNamara: Great, thanks Geoff and Oscar. Sam Koch, the next question is for you, on Brickworks (ASX: BKW) from Adrian: During the last November shareholder meeting, BKW was one, if not the largest

shareholdings for WAM Capital. It seems to have been sold down in March this year, is it primarily because it is less liquid? What is your view on that stock as a whole?

Sam Koch: Thanks James. And thanks Adrian. We did hold Brickworks into the start of the year and after the November Annual General Meeting as well. We reduced the position as the onset of the coronavirus came across the market and engulfed the global economy. We were concerned about the exposure to the housing market. As we have emerged from coronavirus and some of the long-term trends are quite evident now, we see that Brickworks can be a structural beneficiary from coronavirus. It has a significantly undervalued industrial portfolio within the conglomerate structure. We believe that is undervalued at a group level and some of the parts. We currently do hold shares in Brickworks and are quite positive on its outlook.

James McNamara: Thanks Sam. Next question is from Trevor on Plenti (ASX: PLT). Reading in the Australian Financial Review (AFR), WAM participated in the initial public offering (IPO) for Plenti (ASX: PLT). What is the catalyst, why do you consider it attractive, what is the path to profitability and what stands it ahead of its peers?

Tobias Yao: Thanks for the question. Plenti used to be called RateSetter. RateSetter UK is actually a different business. Plenti is not using P2P (peer to peer) as the key funding source. It uses asset backed securities, which is a much more traditional way of getting funding, and it is a lot safer than P2P. The other key difference for Plenti Australia is the key vertical, the key growth driver, which is what we are attracted to, is its exposure to the car loans space. Automotive lending is very different to unsecured consumer lending, which is what many of the overseas peers are focused on. In our view, as a 100% digital player, it can continue to take market share from the traditional players and the growth should be very strong over the coming years.

James McNamara: Thanks very much Tobias. John is looking for a view on Flight Centre (ASX: FLT). Do we have a position and what is the outlook for the company?

Oscar Oberg: Thanks James. Unfortunately we do not have a position, which was all my fault. I sold the business too early. It was about \$10.50. It is at \$17.00 unfortunately. But we did benefit from Webjet (ASX: WEB) and Corporate Travel (ASX: CTD) in the portfolio. We do not own Flight Centre currently unfortunately.

It does have a very similar outlook to Webjet and Corporate Travel. We have seen the share price rebound since the result. Liquidity seems okay for the time being, it gives it a home for the next two years and it has a bigger business in corporate travel and surprisingly spending on corporate travel has rebounded the fastest out of all the sectors. So it is doing a little bit better than what people had anticipated. There is a lot to occur in travel stocks over the next one to two years, but you have to take a long-term view and have an estimate of when you think borders will re-open and international tourism and domestic tourism will begin, which is clearly a few years away.

James McNamara: Thanks Oscar. The next question is for Shaun, from Simon: I would be interested to hear about your investment in the emerging dairy industry in Australia and, in particular, your views on Beston Global Food Company (ASX: BFC)?

Shaun Weick: Thanks for the question Simon. We currently have exposure to the dairy space in Australia in companies such as Bega Cheese (ASX: BGA) and Beston Foods. At a macro level, the key driver of our thesis is an improvement in seasonal conditions with record rainfall over the past four to six months in key dairy regions, which have seen the best conditions in recent memory. Our expectation going forward is that you will see ongoing consolidation of the dairy industry, which will see a more rational pricing environment. At a stock level, Bega and Beston share similar characteristics in that they are both undertaking a strategy to shift more production and volume higher up the dairy value chain, de-risking exposure to pure commodity markets. While we like the self-help drivers within both businesses too with cost out initiatives. In Beston's case, the focus is shifting production towards high value lactoferrin products which at the moment continue to hold very strong prices in the market. We think those stocks are well positioned going forward.

James McNamara: Excellent. Thank you very much Shaun. Oscar this question is from Mal: Does the WAM team still hold conviction that AMA Group (ASX: AMA) is a plausible way to play the economy opening up?

Oscar Oberg: Thanks Mal. We still hold AMA in the portfolio in a very small position. We quite like it. Early indications in driving have been positive and are approaching pre-coronavirus levels with the exception of Victoria. AMA suffered in a very weak period from the year before. We had a lot more rain on the East Coast which benefitted AMA. We also think the balance sheet is okay, there is good management and a good Board. We do see the potential at a later date that they might look to raise money to make an acquisition

and if they do that and protect the balance sheet then it would be fair to say there could potentially be a larger position in the portfolio.

James McNamara: Thanks Oscar, the next question is from John: Has the lockdown changed the way you research companies? Has it curtailed your physical visits and let you focus more on objective data like balance sheets?

Oscar Oberg: It certainly has changed. There is no change to our investment process. Clearly it has been difficult. We usually do overseas trips or we do trips to Brisbane and Perth but we have not been able to do that. We have done a ton of calls and the volume of the meetings that we regularly quote to guys on the phone has not really changed. Generally we have been doing more. Before coronavirus, we always looked at balance sheets, but back then it was the only focus, earnings did not matter at that point in time. All that mattered was liquidity. We are continuing that through this period and a lot of the companies that we own right now, particularly on the research side, the balance sheets are very, very strong. We will continue to invest in those companies for those reasons. The lesson for us and what we can apply going forward is we have done a lot of group team calls, we have talked through a lot of stocks, we have done a lot of industry calls with competitors or suppliers overseas and effectively our performance has been quite strong. Will we work more from home? Going forward there is probably a chance that we will, once go back to normality. It will be great to go into the office and do face-to-face meetings, you cannot beat that. Certainly being at home and getting away from the noise can be very positive; we have seen that in terms of the team over the last few months.

James McNamara: Excellent. Thanks very much Oscar. Next question is from Robert for you Tobias. Do any of your funds hold Buy Now Pay Later stocks?

Tobias Yao: Yes thank you Robert. We have Afterpay, Sezzle (ASX: SZL) and Laybuy (ASX: LBY) in the portfolio. We think these companies have grown exceptionally well over the last few months and what is more pleasing is that they have been able to report an improvement in underlying loss ratios. The key thing for us going forward is what happens when the stimulus gets turned off and so we will be monitoring the incremental data very closely.

James McNamara: Great. And the next question is for you Sam from Barbara. Your thoughts on Xero (ASX: XRO)?

Sam Koch: Thanks James and thanks Barbara. Xero is an exceptional global growth story and it is phenomenal to have witnessed and benefited from Xero's growth over time. At this stage we believe that Xero is probably fair to overpriced at current levels and we believe that there are other bets elsewhere within the technology sector that will play out for shareholders in a better way. Love the business but unfortunately at this valuation not attractive.

James McNamara: Thank you very much Sam. Next question is for Geoff from Tim: There is quite a lot of activity underway at WAM: Blue Sky Alternatives Access Funds Limited (ASX: BAF), Concentrated Leaders and Contango, how does the team manage these actions with investing?

Geoff Wilson: From an investment perspective, we have broadly three teams. We have Catriona that runs the global team. We have got Matt that runs the large-cap team. Oscar runs the mids and smalls, which encompasses everyone here today plus two others, Cooper and Tyler. We are taking over the management of Blue Sky, a listed investment company which has about \$200 million of assets. It is trading at a big discount to NTA. The code is BAF. We have employed Adrian Siew, ex-private equity, from Carlyle. He set up Carlyle in Australia. He has been with us nearly two years now working on this. And we are employing another senior person. They will be purely working on WAM Alternate Assets (ASX: WMA). They are trading around 86 to 88 cents now, now the NTA is a \$1.09. It used to trade at a premium NTA. It has some fantastic assets in there, including water rights. Our plan is to get it back to NTA. Over the last couple of weeks have been speaking to all the major financial planners who are invested and they are very supportive of us once we get it to NTA, to continue to grow it. It is 200 million of assets now and we could easily get it up to \$500 million or \$1 billion. And how that complements the business is you just get another lot of information. What we have seen as we have added WAM Leaders (ASX: WLE) or WAM Global (ASX: WGB) is the quality of the information we get now from the whole team is very high. That is BAF or WAM Alternative Assets.

In terms of Contango, Concentrated Leaders or any other listed investment company plays, that is the area I spend a lot of my time on, because it is not very labour intensive. You are buying a dollar for 80 cents. And then also our Chief Financial Officer Jesse Hamilton and Marty, our Head of Operations help me on that. So

even though everyone on the team is aware of what is going on, no-one else misses a beat. From the outside it looks like we are doing a lot, they are just incremental steps that we are taking that is putting no strain on any parts of the organisation.

James McNamara: Thanks Geoff. This question is from John: I know you are not talking about WAM Global and WAM Microcap (ASX: WMI) but are you able to comment on their profits and dividend increases?

Geoff Wilson: I do not have the profits reserves. WAM Microcap had a very strong month last month. We really cannot give you the figure as we would have to announce it to the ASX, but you can work out it had a very strong month last month looking at its major shareholdings. That would increase the profit reserve. The Global market was not anywhere near as strong as what was happening in Australia. WAM Global was up last month so that would have added to the profit reserve as well. On dividends, with all our companies, we try to maintain if not grow them, if we have the profit reserve and the franking credits. Everyone is picking their stocks. I like buying at \$1 for 80 cents if I can. Once BAF becomes a WAM product, then obviously to me there is an opportunity there. I see WAM Global as an opportunity. And WAM Leaders trading at a little bit of a discount and giving quite a good fully franked yield. To me they are the ones that are on the cheap side.

James McNamara: Thanks very much Geoff. We will now move to telephone lines for questions.

Caller: G'day, it is Simon Samuel. Are you still holding position in Reckon (ASX: RKN) and if so, how do you think it is going?

Osar Oberg: Thanks Simon. Reckon, where do I start? Unfortunately we have too much of this stock and it was a lesson for us a few years ago from a liquidity perspective not to buy too much of a company. However, there are some positive signs. In the company's latest result in August, it has signed an agreement for one of the divisions to partner with a company in the US. We see the potential for the legal business to potentially list on the NASDAQ, which is exactly what Reckon did with Get Busy a few years ago. In the accounting business, the shift to the Cloud is happening and it has accelerated over this period. The small business division performed very very strongly and the share price has done well since the result. We think it has turned a corner. The balance sheet is good and the company paid a good dividend. We are quite confident

on it going forward. Clearly it has not been one of our best investments over the years, but with the new CEO and a better balance sheet, it looks pretty good at the moment.

Caller: Good afternoon gentlemen. My name is Peter and my question is twofold with regard to Mosaic Brands (ASX: MOZ).

Oscar Oberg: We do not own Mosaic Brands. We sold Mosaic Brand back in February.

Caller: That is what I suspected looking at the significant shareholder notices. My second question is with regard to Warren Buffett. He recently reduced his holdings in American banks significantly and perhaps from an opposite point of view, taken quite a large shareholding in Barrick Gold (NYSE: GOLD). Is this reflecting a view on the nature of Fiat currencies? What is your take on that?

Oscar Oberg: That is a tricky question. At WAM Capital, we largely invest in small and mid-cap industrial companies. It is very rare for us to buy a bank or a gold miner. Given where gold prices are at record highs, we prefer to play it through industrial companies that are leveraged to a higher gold price. We have positions in the portfolio such as Codan (ASX: CDA) which effectively manufactures metal detectors. We hold ALS Global (ASX: ALQ) which is laboratories testing various samples. We have a range of sort of mining services companies within the portfolio. In terms of the banks, very rarely in the portfolio very very rarely. We view ourselves as industrial analysts. Whether gold prices or gold miners, it is generally a very small part of the portfolio.

Caller: Lastly, regarding to Warren Buffet. He has previously said that when the relative value of the American markets is higher than about 180%, it is not a good buy. 70% to 80% of the economic productivity of the country it is a great buy, but anything close to 200% you are in a lot of pain. And that is where we are at the moment.

Geoff Wilson: We could be heading for a lot of pain. The way that the market has bounced back, and the non-sophisticated money that has been pumped into the market, people have to realise that you buy a share and say it doubles or triples, that is not normal. Over time, the market does 10% per annum and there is a lot of volatility in the middle. The market does have a way of cleaning out excesses and it does feel as though the last few months it has been very frothy, particularly in the technology space. We could be getting close

to a bit of a cleansing. If you are a bit of a student of Warren, in his very early days he spent a lot of time buying shares in listed investment companies because it is a lot easier buying \$1 for 80 cents, which he talks about. There is a lot of risk in the market definitely.

Caller: Thanks very much for your time.

Caller: This is Don. I have a question about WAM Leaders. The Share Purchase Plan is pitched at \$1.171, and yet it is trading at less. Is this going to work?

Geoff Wilson: Thanks Don. The Board had to come up with a price that they thought was fair and that was the NTA. Since then we announced the NTA for the end of last month which was higher. And will it be a successful share purchase plan or not, really who knows? It runs until the latter part of September and then in the last week or so, that is when most of the money tends to come in. People will work out whether it makes sense or not. The tough thing is we cannot predict what the market is going to do. From the Board's perspective, they thought they were very fair in terms of doing it at the last stated NTA which was that figure. For shareholders, is it a great deal? Of course at the moment you would be better off buying shares on market than participate in the Share Purchase Plan yeah.

Caller: Is it possible the Board will revise their price downwards a bit?

Geoff Wilson: If there is a major move in the market on the downside then that could well be the case. It depends where we finish at the 22nd of September. The Board cannot increase it. It cannot go up is my understanding, it can only go down. I would be keeping an eye on it and I would be really putting a note in my diary in the week before it closes, and just keep an eye on it over that period of time.

Caller: Alright thank you Geoff.

Geoff Wilson: Thank you.

Geoff Wilson: I would like to thank everyone for their support. And as we have always said, we have this opportunity on behalf of myself and everyone at Wilson Asset Management, the guys on the call today. We love what we do. It is very exciting for us. And we love the opportunity you give us to do what we love doing. We are very passionate about it and is only by your support, and allowing us to do this, that we can. On behalf

of everyone at Wilson Asset Management, I would like to thank all the shareholders, the newer ones and the ones that have been with us for a long time. Please for the newer shareholders, we are always interested in your views or feedback. I know a shareholder recently emailed in and said, "I love your monthly investment updates, but the blue ink, I cannot read it. Can you make it black ink?" So we have changed to black ink. It is your company and we are always looking for feedback. Thank you for that. We are always trying to improve what we do. Please be in contact with us. We are very open and that to me is part of the benefit of owning a listed investment company that you are able to communicate freely with the investment managers. So on behalf of the team at Wilson Management, thank you. Thank you for your support. And obviously in these incredibly strange or bizarre times, stay safe.