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WAM Alternative Assets Investor Update and Q&A
Friday, 10 September 2021

Geoff Wilson: Good afternoon everyone and thank you for joining us today for the WAM Alternative Assets (ASX: WMA) Investor Update and Q&A. This is your company and we are pleased to provide you with the opportunity to ask us any questions. My name is Geoff Wilson and I am one of the Directors. I am also Chair of the Investment Manager Wilson Asset Management and the Chair of the Investment Committee for WAM Alternative Assets.

Today we are joined by Portfolio Manager Dania Zinurova and she will take you through what she has been doing with the portfolio and provide you with a bit of what will happen going forward. We are very lucky to have one of our investment partners here today, Managing Director of Adamantem Capital Rob Koczkar. Investment partners are the companies or the managers that we have used some of our shareholders' finite capital to invest with. Rob has a fantastic history. I have known him for quite a period of time in the private equity space and he has been very successful. We also have Adrian Siew who is on the WAM Alternative Assets Board as a fellow Director and also as an Investment Committee member. We will finish today's presentation off with a Q&A session. Our Corporate Affairs Advisor Olivia Harris will be running that. A number of people have already sent in questions so thank you. Anyone who has any questions, please send them in. A couple of days ago we hosted a webinar and we really just had a lot of questions. We try to restrict these webinars to an hour. If there are any questions that are unanswered during the webinar then we will definitely come back to you and answer them.

In terms of looking at the year we had for WAM Alternative Assets, it was a very solid year with a record operating profit of $22.6 million. The portfolio increased 13.3% in the 12-month period and for an alternative asset strategy that is a solid performance. As shareholders, you would know that we are committed to making sure the value of the assets are fully reflected in the share price of WAM Alternative Assets. At the moment shares are trading at a little over a 10% discount. When it was announced that Wilson Asset Management was going to take over as the Investment Manager, WAM Alternative Assets was trading at a 30% discount so we are happy with the initial reduction of the discount. Over the next period we assume that the discount disappears and the share price will fully reflect the value of the assets and start trading at around its net tangible asset (NTA).

The two cent final dividend was announced the other day and the Board gave a clear message that the FY2022 interim dividend will be two cents. The plan is to return to the Wilson Asset Management way of paying dividends, which is providing a growing stream of fully franked dividends to shareholders. We are looking for the fully franked dividend to grow over time. You would be aware that the marginal buyer for listed investment companies (LICs) tends to be the self-managed super funds. We have seen that with WAM Capital (ASX: WAM) and our other LICs, about 65% of those shareholders are self-managed super funds and we would assume this will be the evolution of the WAM Alternative Assets investors over time. The growing stream of fully franked dividends is very important to that group.

I will now ask Dania some questions. Dania, you have been effectively managing the portfolio for almost a year. Can you take us through what you have done with the portfolio over the last 12-month period?

Dania Zinurova: Good afternoon everyone. Thank you Geoff. I am very pleased with the portfolio's results for the financial year. Reflecting back, it has been a busy year for us but also a very productive year. We reviewed the strategy in the portfolio and there is more focus on the long-term sustainable performance of the investments in the portfolio and re-balancing the portfolio towards a better mix of income producing and capital appreciating or growth investment strategies which is very important given that it is a portfolio structured as a LIC.

I spent a lot of time on sourcing new investment opportunities and familiarising the market with the WAM Alternative Assets brand which is very important. I reached out to my network of contacts within the investment management industry and explained what WAM Alternative Assets is, what our proposition is going forward. It was great to see so much support in the market. I am getting a lot of inbound inquiries from investment teams willing to work with us and that obviously enables me to source very interesting investment opportunities for the shareholders.

FY2021 was also a very good and strong year for alternatives in general. Not only am I excited about this asset class, but it is the broader market sentiment. I would like to remind the shareholders that alternative assets is an asset class that provides great diversification benefits to the broader investment portfolio. Quite a few asset classes within alternatives can serve as a good inflation hedge such as real estate and infrastructure. It provides a better combination of income return and capital appreciation. Thematic investing is a big thing within the alternative asset space. We spend quite a lot of time with our existing investment partners going through their inherited portfolio and engaging with investment partners on the underlying investments.

The observation that I would like to share with the shareholders is that the portfolio is in a very healthy state. I have seen good valuation outcomes for the financial year across private equity venture capital and real assets. It also has a very clear maturity, in particular when I look at the illiquid part of the inherited portfolio. When we took over the management rights for WAM Alternative Assets, it was already getting close to its maturity profile which means over the next two to four years we will see more exits from the inherited portfolio and I expect good exits because some of the exits we had this year had delivered good results. So it is about setting the long-term strategy and recycling the capital that we receive from exits into new investment opportunities.

Geoff Wilson: Dania, do you want to talk a little bit about what companies contributed to WAM Alternative Assets' performance over the 12-month period?

Dania Zinurova: I will focus on asset classes rather than go through each holding within the portfolio. The top three were private equity, real assets and real estate. This is very much in line with what I see in the broader market.

Private equity was the strongest performer within the portfolio. As I mentioned previously, it is at a very good level in terms of the maturity. Most of the portfolio companies are experiencing this post J-curve effect as we see uplifts in valuations and the investment managers get quite a lot of inbound inquiries and interest in their portfolio companies. This year we also saw a successful exit from one of the private equity investments we had, Better Medical Fund, and that just shows strong demand in the market for these type of businesses. When I look at the broader Australian market and compare how our portfolio performed, it is very much in line with the performance. With a vintage year during 2017 to 2018, Australian private equity was the second best performer in the private equity globally with the lowest median standard deviation to net IRA. This basically means you are getting better returns with lower risks from Australian private equity. It is a very tightly held market, so that also helps with the performance.

I am a big supporter of real assets. It is a very resilient and very diverse asset class with great investment opportunities. Quality and skills are very important in this asset class and we have quite a substantial allocation to real assets within the portfolio. We have some really good real assets within the fund. I expect the allocation to real estate will grow over time and there are really good entry points in the market right now because of some mispriced investments.

Geoff Wilson: When you say real estate, I think of it as a layman's real estate. When you talk about real estate what are you talking about?

Dania Zinurova: In real estate there is a lot of diversity within the asset class. The sector is more traditional such as office, commercial, retail, industrial and last mile logistics, but also sectors such as healthcare real estate. We committed this year to a healthcare real estate strategy which has very strong market fundamentals. It is thinking about different approaches to investing in real estate. When I think of opportunities for WAM Alternative Assets, I am focused on what I call value add opportunistic strategies. This is basically finding assets that are undervalued or with high vacancy rates and finding investment partners who can execute the strategy, either redevelop the asset, refurbish and attract new tenants. This is usually the strategy with higher capital appreciation and after two to three years, the maturity of those assets starts yielding as well. It is an attractive play in the real estate market right now.

Geoff Wilson: Thanks. I do like assets that move up quickly in valuation and I am sure all shareholders are in that category. Dania, a final question for you before we open it up to questions from our shareholders. Where do you see the portfolio heading in the next 12 months? Is there any other areas that you are focused on or how you see the portfolio developing?

Dania Zinurova: I am very excited about the next 12 months because my expectation is that there will be more exits coming through, in particular from private equity and venture capital, which means I can recycle this capital into new investments. That is number one. Number two is the deployment of capital in the new commitments that we made this year. Just to recap, this year we committed to Palisade Diversified Infrastructure Fund, Barwon Institutional Healthcare Property Fund and Adamantem Private Equity Fund. Adamantem had a very robust investment pipeline and so they have already started deploying the capital that we committed. Palisade and Barwon are expected to start deploying capital next year which will improve their income profile within our portfolio. These are mature income producing portfolios that we committed to and this will definitely help us grow our LIC and its profitability.

Geoff Wilson: Thanks Dania. We will come back to you later during the Q&A. We have Adrian Siew on the phone who is on the Investment Committee and is also a Director. Three years ago, I remember ringing Adrian and saying look, there is a company called Blue Sky, and it has some interesting assets. We are thinking of putting our hand up to manage it because we think there is an enormous opportunity in people's portfolios particularly for a LIC that has alternative assets. Adrian jumped on board and did a lot of the hard work and the negotiating with the previous Blue Sky people and Oaktree Capital Management.

On behalf of all shareholders, thank you for that Adrian. You got us to the position where we could take over the company as the investment manager and we could bring on someone of Dania's exceptional experience. Adrian, you sit on the Board and also you sit on the Investment Committee. Can you share your perspective on the portfolio and perhaps some things that the Investment Committee are looking out for? I know you rang into this webinar because technology isn't working that well where you are. Thanks Adrian.

Adrian Siew: Thank you Geoff for that really kind introduction. My name is Adrian Siew. First of all I would like to thank the shareholders in WAM Alternative Assets for having me here today. It is truly a privilege to be involved in today's discussion. I will give everyone a bit of a background. I was with The Carlyle Group, a global private equity group, for more than 10 years, before getting the call from Geoff three years ago.

To some extent I have been on this journey since day one and I did share the pain and the frustration that our shareholders had to go through during those very difficult days of uncertainty. While I definitely would not want to relive those days, I must say that the whole restructuring and transition process was probably a necessary evil, because without having gone through it, I am not sure that the fund would be doing as well as it is today. As Geoff said, we spent close to 18 months pursuing the asset and I do not think we would have spent all that time and effort if we did not see the real potential in the portfolio. As Geoff says, alternative investments would be a really good addition to our investors overall investment strategy.

The original portfolio technically had strong fundamentals. It has arguably one of the best water rights portfolios in the market. Its private equity investments were already mature as pointed out by Dania and very well into the investment cycle some exciting opportunities in the pipeline. In my opinion, it was a good portfolio, but one which was in need of the right leadership, the right governance and the right incentive structure to do well. Fast forward to today, I cannot be more proud with the work that Wilson Asset

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Management and Dania have done in executing the investment thesis. Private companies are a significant part of the economy. There are materially more private companies than listed companies. So the opportunity here is huge. When Wilson Asset Management first took over the management of the fund, about a quarter of the fund of around $50 million was uninvested. This was by no means a significant amount of dry powder, especially considering the universe of asset classes which the fund could invest in.

To some extent, I was not surprised at all when Dania came to the Investment Committee with proposals to invest in Palisade, Barwon and Adamantem. These are some of the best-in-class managers and the people that have been entrusted for years to deliver a consistent track record adding real value to the investments. I am really glad that they are now part of the WAM Alternative Assets family.

In the Committee, my focus together with the other Committee Members is really to ensure our shareholders get the best possible level of returns without unnecessarily taking on too much risk. It is a very delicate balance, but one that we need to get right. One of the features of private investments that we are looking at is a multi-year investment horizon here. A typical investment in private equity will span three to five years and at the time of the exit, the next owner needs to continue to see any future value in the business. So as a result, we strive to form a very long-term view on the industry and on the business. As a private equity investor you better make sure that you do your homework. Every investment needs to be a high conviction investment, one that will stand the test of time. And it is far from being an easy task I can tell you. It requires a lot of vision. It requires a lot of diligence. And lots of flexibility because, candidly, nobody can predict a future with a high level of certainty. What makes a good investor is really the ability to be nimble and to adapt to whatever challenges are thrown at it. That is why the quality of the manager really matters here.

In this regard, while it is very early days, Dania is doing an excellent job. Having spent 10 years at Willis Towers Watson, she knows the private market intimately. Every time I talk to Dania I learn something from her as well. She appreciates which asset classes best complement the current portfolio, where the talents are, and who the best managers are, and equally important - where the pitfalls are. Within months of coming on board, the portfolio was repositioned in new investments, new managers and new asset classes. Equally importantly, I think she has fostered a very strong relationship with the legacy managers and our dialogue and rapport with these managers have never been better. This is very important because the legacy portfolio, like it or not, will make up a significant portion of the total portfolio and we all need to drive this portion of the portfolio as hard as possible in order to deliver the best possible outcome for our shareholders.

In closing, I would like to reassure our shareholders that the capital is in good hands. There is still a lot to be done to the portfolio. We are barely scratching the surface here in terms of fully exploring the opportunities. As Geoff says, the Wilson Asset Management team has been very committed to closing the trading discount. In my view, there is no better way of doing it than by demonstrating the ability of the fund to deliver consistent performance regardless of market and economic cycles. With that, I will turn it back to you Geoff.

Geoff Wilson: Thanks very much Adrian. You have given us a little bit of a heads up to our next guest, that is Rob Koczkar. Rob is the Managing Director of Adamantem. Just to give you a bit of background, I have known Rob for a number of years. In his very early days, he was at a management consultant, probably one of the best in the world, Bain & Co. He then went to Pacific Equity Partners where he was a Managing Director from 2004 onwards. He then decided to give back to society and worked for social ventures for a period of time and set up Adamantem a number of years ago. Dania has been aware of these guys for a period of time and selected them on their ability to perform. Why don't I pass over to Rob now. Rob, if you can share a little bit about Adamantem and maybe talk about the fund that we have invested in, provide us with a bit of colour, that would be great.

Rob Koczkar: Geoff, great to be here today and great to be partnering with you in this new venture. Adamantem has been around for about five and a half years now but as Geoff said, a number of us who started at Adamantem started our careers investing in private equity in the mid-to-late nineties. We got back into the private equity market because we saw both an opportunity to create a new approach to investing in the asset class in Australia and we had the opportunity to focus on a series of assets which we thought were being unexploited at the time.

What we do is focus on what we describe as mid-market companies with enterprise value of $100 million to $400 million, which sits between where the public market wants to focus its efforts in terms of research and following companies and where family companies and private entrepreneurs can generally work. We have a very proactive origination approach where we are focusing on private companies with multiple shareholders where their agendas start to differ. We particularly like circumstances where we can replace one shareholder and work with an existing founder or long-term holder of the business to grow value and take more operating risks in that business. We also quite like the public to private market because we think in that sort of smaller public company market there are plenty of situations where it is difficult for managers to really talk to the public market and get capital to grow their businesses and so we are able to come in and buy what we perceive to be growth opportunities based on a yield type multiple.

When we go and invest in a company, our core idea is to find situations where there is a reasonable market position in an industry which is not that cyclical, where there are environmental, social and governance (ESG) risk that are manageable, but where we can find one or two ideas that we can back a management team to go and execute which will significantly increase the profitability and the proper trajectory of the business. They might be investing in new product development, buying an additional company, launching a new market, investing in technology that allows profit improvement or significant overhead cost reduction as examples. At that beginning point of the journey we like to put the company into strategic motion which allows us to take advantage of opportunities as they come along.

One of the things that I think distinguishes our approach is that we are very conscious about the markets and the impacts that the companies have in terms of the products and services that they actually develop, and the way they are managed in terms of the ESG type risks that they are taking on. We have a very proactive approach to environmental sustainability participation and transparency, and are very considered in the way we think about climate risk, the way we think about investors and markets and employees, and the way we think about issues around transparency like cyber security, privacy, modern slavery and so forth. We think those things give us a differentiated lens on how we contribute to the value creation in businesses, how we attract talent in the companies that we are investing in both from a management perspective but also from a team perspective. This formula has been working well for us.

Over the last five years, we have invested Fund 1 over about three years and Geoff you have come into partner with us in Fund 2 as we mentioned. We have invested in two assets in Fund 2 at the moment. About 20% of the capital is already deployed. The first of those is in a company which is now called Linen Services Australia. That was the laundry business that we bought from Downer Group. It was part of Spotless' business that they had bought a couple of years ago. Linen Services Australia is the leading provider of linen services to the healthcare industry, and by far and away is the major provider of linen to all of the hospitals all around the country, and we have laundries in every State and in New Zealand. We have a significant business in garments as well. So that is largely to industrial customers and industrial uniforms. The investment thesis that we are working with there is to back a management team who have run that business before and achieve significantly higher levels of profitability than were being generated by the previous owners. And we are doing that through tight, on the ground management as well as investing in new laundries and new equipment and releasing some land to get some operating efficiencies in the total capital structure there and focusing on new client development. It has been quite interesting in the context of coronavirus to see a number of the hospital and health systems look to outsource some of their requirements to companies like Linen Services Australia where they previously were working things on a 100% insourced basis. So quite prospective in that business in that moment.

The second asset that we have invested in is a company called Climate Friendly. It is a carbon abatement project developer. What that means is they work with landowners to help them change the way they manage their land to grow trees and sequester carbon into the land. In that process, they generate carbon credits which they are able to sell into the compliance or voluntary markets. Carbon and climate change is obviously a massive issue for the whole world. This is a unique exposure to a business that has differentiated technology to help identify which parts of Australia are best suited to the methodologies that will generate these carbon credits and enable the business to grow by their book of credits that they are working with their landholders to produce. That is a bit of a sense of who we are and what the fund is exposed to at the moment.

Geoff Wilson: Fascinating Rob, when you were talking about the first one I was thinking what a fantastic business. Then the second investment, I mean what a fascinating investment opportunity you have there. Thank you for allowing us to come on the journey with you. This is WAM Alternative Assets investing in your second fund. And one of the great things is, from our perspective, we can invest with you but the thousand odd shareholders we have on the call today, they don't get that same opportunity because retail investors cannot give you money. I think the minimum ticket size is $10 million. However, it has been a long bull market so they may have that. Thank you very much Rob for allowing us to invest with you and we are looking forward to some pretty exciting times going forward. What I will do now is hand over to Olivia Harris. Olivia will take the questions and answers. This is your company, we are only here because you allow us to be here and we are reporting back to you, so please hit us with any questions you have. Thanks Olivia.

Olivia Harris: Thanks Geoff and thanks to everyone who are sending in questions. We are getting really interesting questions so I think we are up for an interesting conversation here. Dania, firstly we have a couple of people asking if you could describe what real assets are? Maybe you could give a couple of examples.

Dania Zinurova: Thank you Olivia. It is actually a very timely question because next week we are releasing our real assets educational video. Look out for the email and if you have not subscribed to our educational series please do so. Olivia will be able to share with you the details.

In real assets, we are talking about agriculture, timber land, water rights, fishing rights and other esoteric strategies. Often when you look at some of the institutional investment portfolios you would see the term that they refer to as natural resources. I define it as real assets most of the time. They are tangible, and we are talking about either growing trees or different crops, permanent or annual crops. Within those industries, there are various investment opportunities across risk returns spectrum. So a very diverse space.

A few key features about real assets. They have a long-term investment horizon in particular with agriculture and timber land. These asset classes often have negative or very low correlation to more traditional asset classes. On top of that agriculture and timber land are often seen as a natural inflation hedge when added to the portfolio.

Timberland is a very interesting one. Australia and the US are the markets where timberland investment is quite popular and I have seen a lot of offshore investments coming and investing in Australian timberland. It is an asset class that has a lot of flexibility in terms of delivering yield or exits because trees grow and you do not have to cut them, you can just wait in the years then. An example of agriculture where we recently exited in our portfolio within real assets was Hillston Citrus. The strategy there was to acquire an asset which included land, trees and irrigation infrastructure. It is quite a complex investment and a complex business. Their strategy is to add more modern varieties, replant some part of the trees, improve infrastructure, etcetera. I won't take more time but I think the educational video series will give more insights into this.

Olivia Harris: Thanks very much for that Dania. That was great. We do have a couple of questions coming through about the cash levels of the fund. The current cash level is 25.8%. Dania, can you speak to that at all and if there are any plans to deploy that?

Dania Zinurova: Thank you Olivia. The current level of cash does include new commitments. To remind our audience, we have two commitments to Barwon and Palisade with $50 million each. The expectation is that the cash will be deployed next year. The commitment to Adamantem was just about $10 million and it has now been deployed. The level of cash will gradually be lowered. However, with alternative asset classes, it is always important to keep in mind that allocations within the portfolio are changing over time, because some of the assets or investments will be exited which means capital will be returning, which affects the level of cash. New commitments will be deployed which again affects the level of cash. It is always good to have a healthy level of cash within the alternative assets portfolio in order to have the flexibility to pursue investment opportunities when they come. It is also very sporadic in terms of when they come, and from the moment that capital is committed to the moment the capital is deployed. On average, it usually it takes 12 to 24 months at least for cash to get fully deployed. So it requires a very patient approach. As Adrian mentioned in his comments, focusing on quality of the underlying investments and the underlying investment teams is very important because we are talking about illiquid asset classes where we will be for the next eight to 10 years.

Olivia Harris: Thanks Dania. We also have a number of questions coming in about the valuation process. Can you discuss how you value your unlisted investments?

Dania Zinurova: Thank you Olivia. Valuation is a big part of my day-to-day job. First of all, I will take a step back to explain how the ongoing interaction with the investment teams works and how we get access to the information.

On a monthly basis, I have update calls with our investment partners where I go through each investment, discuss any changes that could have happened over the month, how it affected the unit price. We then receive unit prices from the investment managers with the supported comments on any changes within the unit price. We then go through the process of assessing valuations every six months. We do half yearly and annual valuations which we have just done recently. It is a very thorough process, going through each of the investments and reviewing independent valuation reports. What is important to understand is, while we do receive unit prices on a monthly basis, the independent valuations in alternative asset classes usually happen on an annual or semi-annual basis. In some cases, it is done on a quarterly basis. For example, when we will be fully deployed with Palisade, their valuation cycle is quarterly, so on a quarterly basis we assess this. I hope that answers the question Olivia.

Olivia Harris: Thanks very much Dania. Adrian, did you want to add to that?

Adrian Siew: Sure, if you don't mind me jumping in here. First of all I think that is a very good question because I recall when I first sat down with Geoff three years ago to talk about this opportunity, and was drawing up a list of issues that we needed to focus on during due diligence, valuation was way up on that list. I definitely share the concern of the shareholders here. In this case, it is probably worth flagging a couple of things. First, it is worth pointing out that WAM Alternative Assets has gone quite a long way since the Blue Sky days. Since Blue Sky went into administration, we have gone through two annual cycles of valuation. One was last June and more recently June of this year, and both cycles were under the supervision of the new Board and audited by the new auditor, Pitcher Partners. While I cannot comment in terms of what they may have done in the past, I can assure you that valuations have been a key priority for the new Board and also for the new auditors. And after two cycles, I would like to think that we have refined the process enough that the old legacy issues are behind us.

The second point is that valuation is never really assigned, and there is always a degree of subjectivity involved. Unlike listed companies, private companies have very low liquidity. The lack of transaction makes it hard to establish a precise point of reference. Instead of getting a precise figure, like yesterday's closing trading price indicated in a listed investment, we get a range of values based on various valuation methodologies, and that can be a discounted cash flow analysis, multiples on comparable companies, comparable transactions and so forth.

I think what is interesting to me is where the manager lands in that range of feasible values. What I mean here is that it is not uncommon, for example for the independent valuer, to say that an asset is worth, let's say five to six times earnings before interest, taxes, depreciation and amortisation (EBITDA). I am just picking out random numbers here. But for the purpose of the NTA, you need to have a precise number within that range. Is it five times, is it six times, or is it somewhere in between? Anywhere within that range would be considered as fair and reasonable.

What I observed in the last valuation cycle, the one that Dania said that we recently went through, was the propensity for the managers to choose the lower end of that range, i.e. a more conservative valuation. Why, you may ask. To some extent I was not surprised at all. I think it has a lot to do with how people are being incentivised. As part of the transition process, which you would all know took a very long time, and that is for a very good reason, because we wanted to make sure that the interest of the managers and the shareholders are perfectly aligned. A key part to that was making sure that the performance fees are no longer based on the NTA of the assets, i.e. that we want to make sure that performance fees are only paid when the investments are being sold and when shareholders can actually see the actual gain coming back in the form of cash. I suspect that that may have driven a bit of behavioural change within the organisation, because right now there is no gain from taking an aggressive stance on quarterly or annual valuations because the ultimate test is in the realisation of the investment and not what the NTA value says about the unrealised investment. I would like to think that our valuation process has been vigorous, and that the stated NTA is fair, with probably a slight leaning to the conservative side, which hopefully over time, will prove the upside of it. It is still early days and we cannot read too much into one transaction, but the Better Medical sale is probably a good one. The investment was sold at a value that was above the current value.

Olivia Harris: Thanks very much Dania and Adrian, that was great detail. Geoff, we have a question for you and you did touch on this earlier. Are you able to speak to WAM Alternative Assets' plans for dividends going forward?

Geoff Wilson: Thanks for the question. I am one of the Directors and Adrian is another one of the Directors. Dividend payments are Board decisions, but just to give you a bit of an insight into the Board decision more recently, in terms of the final dividend, and the fact that the company has clearly articulated the plan for the interim dividend.

To pay a dividend, you need a profit. To pay a fully franked dividend, you need franking credits as well. At the moment, the profit reserve is 11.5 cents per share. Assuming the value of the assets have gone up in August, then whatever amount after tax they have gone up, that gets added to the profit reserve.

Let's say we are dealing with 11.5 cents, the Board was looking at that figure and has agreed to pay a two cent final dividend and clearly articulated that the next dividend will be two cents. We want to get back to a situation from a Board's perspective that whatever we pay shareholders in the interim, they expect there is a reasonable chance that the figure will be repeated in the full year. If it is two cent interim, then it is two cent final, so four cents full year, to ensure the cash flow is a bit smoother. Before, the cash flow was up and down. You had a quarter of your dividend in the first half and three quarters in the second half. That is effectively the plan.

Ideally we would like to go two cents per share and two cents per share, followed by two and a half cents per share and two and a half cents per share. Then three cents per share and three cents per share, followed by three and a half cents per share and three and a half cents per share. Something like that. It really depends how much is in the profit reserve, how much profit the company has made over the 12-month period, to what extent we can top those dividends up and how much franking we have, because of course we want shareholders to have the franking in their hands. It is more valuable to them than in our hands.

We want a growing stream of fully franked dividends with the interim in the full year, the interim being a good reflection of what will happen in the full year. Now there maybe anomalies. We may have exceptional periods where the Board decides to pay a special dividend. The Board might decide that we had a really good second

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half so they want to increase the final dividend greater than the normal. So there are a number of factors but broadly that is where we are going.

Olivia Harris: Thanks very much for that Geoff. Dania, the next question is for you. This one is from James. He has asked about the team structure. Given there is a wide investment scope, how do you manage the market research, the sector analysis, the due diligence and the portfolio management? Maybe if you can speak to a little bit about your investment process.

Dania Zinurova: Thank you Olivia. Very good question. While at the moment it is me in the team managing the portfolio, we do have plans over time to expand the team within WAM Alternative Assets.

In terms of how I approach the market research, I need to be fully informed what is happening in the Australian market across asset classes. I get a lot of insights and information through my own network but also leveraging the relationships and network of our equity team has been very helpful because they obviously have a lot of insights on the markets from the public equity perspective.

In terms of the due diligence, I will take a step back and talk a little bit about what I call the holistic portfolio construction approach. It all starts with the macro research for me, understanding the macro trends and understanding the market fundamentals across the sectors. Then I spend quite a lot of time analysing relative valuations across the asset classes within alternative assets. Let’s say if we pick one sector, for example healthcare, where is the best place, in terms of entry valuation, to place this theme? Is it in venture capital, private equity, real estate or infrastructure? Based on that, I will then make a decision which of the asset classes I will invest in.

Then I look at the universe. Australia is not a big market compared to global alternatives and I know this market really well, I have been doing it for a while. I usually reach out to my network. I have access to placement agents, I have access to various contacts in the market through our Investment Committee as well, but I also get a lot of inbound inquiries which is very helpful to source some ideas.

Then when it comes to investment due diligence, I am very thorough. For me doing a very detailed due diligence focusing on various success factors is really a key point. I look at the business in terms of the equity ownership, how the business is structured, how profitable the business is, because again these are illiquid assets so I do want to make sure those businesses are sustainable. On average I would spend 100 plus hours conducting investment due diligence just on one strategy. My intention is to continue in that fashion because I want to be a very patient investor rather than just allocate capital for the sake of allocating. Quality is key in the alternatives.

Olivia Harris: Thanks very much Dania. The next question is from Brad. He has asked about the investment in Argyle Capital Partners. Can you speak to the investment that we have there and if there are any plans to reduce that?

Dania Zinurova: Thank you Brad. It is a question that I have heard a few times from shareholders and market participants. We do have quite a high allocation to real assets. Even from the asset class perspective when I look at the portfolio, it is quite a significant weighting. I do expect that this weighting will change over time. First of all, within those real assets, we also have investments in agriculture, which have clear maturity and will be exited over the next two to three years. We also have just over 30% allocation to the water strategy. As the portfolio grows on the back of the organic growth and potentially through new capital raising, weights and allocations within the portfolio will change. I used to manage portfolios on behalf of large institutional clients who often had very strict strategic asset allocation targets, and that was when I first realised that in alternatives it is nearly impossible to be, at any given time, exactly at your strategic asset allocation target. It is much better to have a flexible approach to the portfolio construction, obviously following the risk management framework, and obviously trying to achieve better diversification over time, and that is my objective.

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Olivia Harris: Thanks very much Dania. We have a question from Mark. This fits more into your discussion about megatrends. Can you discuss if any proportion of the fund is currently invested in the digitalisation theme, and any other opportunities that you are looking at? Maybe if you could talk about some other megatrends that you are investing in at as well.

Dania Zinurova: Thanks a lot Olivia. I did look through the portfolio in terms of what our exposure percentage was. Just over 10% of the portfolio is currently exposed to the theme of digitisation and most of it is through private equity and venture capital. While the coronavirus-induced lockdowns did create havoc in our lives, it also served as a trigger or accelerator to these themes and digitisation was one of them. It was one of the first things businesses realised, that they need to spend more capital to prepare their business to move forward and to capture this theme. So lots of opportunities that are driven by digitalisation. Anything with online retail or Software-as-a-Service investment opportunities is very attractive now and has very strong tailwinds.

In terms of other themes, I quite like following the growing aging population. It is a big trend in Australia, quite a big theme, and obviously demand definitely outpaces supply when we look at healthcare services industry. Another one is climate change, and that is on the minds of many investors, but I also look at it from the alternative assets perspective. Because those assets are long-term assets, there needs to be more focus on climate change and the impact that climate change can have on those assets. It goes both ways. Finally, growing demand for food, which is a very long-term theme, and it can be played again across asset classes within alternatives.

Olivia Harris: Thanks very much Dania. We are just down to the final minutes here. I know we did not get through everyone's questions but we will give everyone a call or send you an email and get back to you because there are lots that we did not get to. I will pass back to Dania, maybe you want to say some closing words, and then to Geoff.

Dania Zinurova: Thank you Olivia. I would like to reiterate that alternatives play an important part in any investment portfolio. They also play an important role in our lives. So it is a very exciting asset class to invest in and it is a growing opportunity set. The year has been really strong for WAM Alternative Assets. I am very committed and for me this year has been fantastic. I am very pleased to be working with very bright people at Wilson Asset Management and I am looking forward to continuing to deliver for our shareholders going forward. Thank you.

Geoff Wilson: Thanks Dania, Adrian, Rob and Olivia. On behalf of myself as a shareholder and all the other shareholders, thank you for all the effort you are putting in to successfully guide WAM Alternative Assets. The recording of today's webinar will be on our website. If you have not signed up, please do so to the weekly newsletter from the Lead Portfolio Managers and you will get Dania's insights into what is happening in the alternative assets space. We think it is a great area to invest in. We are very excited to have WAM Alternative Assets as part of the Wilson Asset Management group. We think there is significant upside in a) the shares, b) the company, and c) the sector. Putting my Wilson Asset Management hat on, I would like to thank all the shareholders who have been there historically and are now joining us on a journey or the new ones that have bought more recently. I look forward to seeing you all in person soon. Thank you.