Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Wilson Asset Management

WAM Alternate Assets FY2022 Interim Results Webinar

Geoff Wilson: Welcome to the WAM Alternative Assets (ASX: WMA) Interim Results Webinar. This is your company. I'm a Director of WAM Alternative Assets and I am also Chair of the Investment Committee. I am joined here today with Dania Zinurova. Dania is the Portfolio Manager responsible for managing the pool of capital at WAM Alternative Assets, which I will call it for short, and also the revitalisation of this company since Wilson Asset Management was appointed in managing it. Dania has been responsible for the portfolio, now we are really looking at medium to long-term investment opportunities that we think are exceptional opportunities. What we are doing, or what Dania is doing with her team, is finding high quality investment partners where we can invest in their funds and broadly partner with them.

Today, is very exciting, we have Roger Lloyd. Roger is one of the Founders of Palisade Investment Partners. Roger was at Macquarie and BT before that for over a decade, very successful. Palisade is probably one of the most successful infrastructure players in the Australian market and just last week, I was nearly jealous I was talking to Roger beforehand, that he was on the list on the Australian Green Power Players list. Now that is something I will aspire to, to get on that one day! That was really for the impact that Palisade's been making with the billion dollar renewable energy fund, so congratulations Roger. Roger is a valued partner of ours. You will hear from Roger and Dania in detail a little bit later.

I will quickly just talk about the result because this is the six monthly result webinar and let me just focus on some of the highlights. You would be aware that the interim dividend was announced. The Board's plan, and this was discussed in detail over the last twelve months, is to be in a position really to provide shareholders with a growing stream of fully franked dividends and to equalise the dividends between the interim and the full year. That is why you will see that the interim that was announced with the result was a 2 cents per share fully franked dividend, you would assume there is going to be a 2 cents per share final dividend. That gives a yield of about 3.7% fully franked and grossed up a little over 5%.

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

In terms of the investment portfolio, and again you have to remember this is alternative assets, it is not the equity market. It really gives you a much smoother ride as an investor, but the portfolio was up which again was an extremely solid result. It was up 17.6% in the calendar year and that is while holding quite high cash levels, the risk you are taking to get this reward are really skewed in your favour because the cash levels were just under 25%. In the last six month period, the portfolio increased a little under 8% or 7.6%, and still the cash level was a little over that 24% mark.

One of the pleasing things is, since Dania has been managing this portfolio, the profit reserve has grown from very little, virtually nothing, to a solid 14.6 cents per share. The ability to keep providing you a growing stream of fully franked dividends is well and truly there, which really does make us very excited. Also, since Wilson Asset Management has been the manager of this portfolio, the entity was trading at about 32% or 33% discount to the value of its assets, and that has reduced significantly. Over the last 12 months or 18 months shareholder numbers increased 30% plus and that discount has narrowed. But still it is still trading today at a 12% discount. That will happen over time, and it takes a bit of time. The shareholding base will tighten up and you will see that the discount disappear, it will trade at net tangible assets (NTA), if not a premium.

We have experienced that numerous times at Wilson Asset Management. Probably the one that took us the longest to get it to trade to NTA strangely enough is actually now trading at the highest premium. That is WAM Research (ASX: WAX). It took us seven years to get that to trade at NTA and now it is trading near a 48% premium to NTA, which is great. The great thing about WAM Alternative Assets, a growing stream of fully franked dividends in a company that should give you significant diversification to the equity market, is you are buying a dollar of assets for 88 cents.

Now, I would like to pass over to Dania. Do you want to talk a little bit about the portfolio and how that has performed over the last six months? Any other little bits and pieces you would like to throw in that would be great.

Dania Zinurova: Thank you Geoff. Good afternoon everyone. We had very positive results within the portfolio and I would say this was driven by successful exists of some of the investments. As we announced then in the December NTA report, we exited Quality Food Services (QFS), which was a private equity investment managed by one of our investment partners, Fortitude Investment Partners. They have been working really hard on implementing the growth strategy for this business, in other words mergers and acquisitions (M&A), growing the footprint of the business and growing the attractiveness for strategic buyers of this business and their exit was above carrying value of the investment. The business was bought by another larger private equity player in Australia, one of the largest ones.

We also exited two other assets. One of them was an asset linked to a renewable energy solar fund that was managed by Argyle. It was a good exit from my perspective, in particular seeing the demand from global investors for renewable energy assets in Australia and this trend I expect will continue. I am sure Roger will talk more about the dynamic within infrastructure market.

Finally, a very interesting asset that we have in the portfolio based in Europe had some commercial real estate assets. The asset was undergoing a redevelopment strategy and it was actually announced upon exit that it is one of the highest quality assets in terms of the sustainability rating in terms of the quality and flexibility of the office space. We were very proud to get this coverage. The asset was managed by Coles Property Group in New York. Again, the exit was about carrying value.

As we previously discussed and communicated to shareholders, the portfolio consists of unlisted, inherited assets and the vintage year for those assets ranges between 2016-2017, which means that from last year to this year and next year, we will experience and we will see more exits within the portfolio. I get a lot of comfort looking at the current valuations or the assets within the portfolio and seeing the demand for these type of assets in the Australia market. I get a lot of comfort that we will see more successful exits over the next 12 to 24 months.

At the same time, the investment performance was also driven by yield. We do have several assets within the portfolio that are yielding, paying regular distributions, and that is very important for our portfolio structure. We will have more yielding investments in the portfolio and I will continue implementing the strategy where the return will be driven by a combination of fairly stable, predictable income streams and capital appreciation over time.

I would add that the portfolio is shifting gradually, you may look at the chart and see a very similar allocation across asset classes. I can assure you this will be changing over the course of the next year or two. It does take time to deploy capital in alternative asset classes. Usually, when we commit to a new strategy, it does take 12 to 24 months to deploy the capital in those investments. The point that I wanted to mention as well, while the portfolio is currently a mix of co-investments and some food funds' investments, I will be adding investments by different implementation routes, one of

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

them as example, is a separate mandate. You will see going forward a bit more variety in terms of the implementation route and this is done mainly to ensure we have flexible cashflow management opportunities, we can manage our cost base more effectively and we can exercise veto rights where possible in order to payload the portfolio in line with our strategy.

Finally I will add that WAM Alternative Assets' goal is to democratise our alternative investing. It is the only listed investment company (LIC) listed on the ASX that provides this diversified exposure to alternative assets which are often just not accessible by the broader retail investor market. I am very excited to be on this journey and very excited about bringing new investment opportunities to our shareholders.

Geoff Wilson: Thanks Dania and I have another question for you, but before I go there, I love that phrase the democratising of alternative asset investing. It reminds me when the first listed investment company was set up in London in 1868, it was by Foreign & Colonial. There was a great quote in that prospectus. It was talking about allowing people of little means to have access to what effectively the people with a lot of money have access to. We have seen this entity in its previous form has traded at quite a good premium to NTA and we are sure once we have sort of cleaned up the register and the people that are there that don't know exactly why, they have moved on, then I am sure you will end up having to pay a premium to get the benefit of democratisation of alternative assets. In terms of Dania this year going forward, a lot of uncertainty out there in the world with what is happening in Eastern Europe, obviously domestically in Australia the flooding, what are you looking at and what is your focus?

Dania Zinurova: Thank you Geoff. From the total portfolio construction point of view, when we think about an investment portfolio that includes equity, fixed income, alternative assets, the expectation is always that alternative assets provide not only great alpha potential, i.e. growth, appreciation over time, but it also serves as a very good downside protection. Before answering your question on what is ahead, what are the opportunities, I would just want to emphasise that alternative assets, they do have low, in some cases negative correlation, to other tradition alt asset classes. They have low volatility due to very different valuation cycles and we also need to remember alternative assets, their value is driven by tangible assets, by tangible businesses, there is less influence on the daily market noise on the value of those assets.

In terms of what is ahead and what I am looking at for the next 12 to 24 months, I am looking at growing our allocation to private equity. I really look broader rather than at a particular strategy, I am looking at the broader combination of strategies like mid-market buyout, private equity growth and one new one which I believe will play out really well in the current market environment is a strategy that focuses on turnaround and transformation. We do see that coronavirus, while it do not impact Australian economy to the same extent as in the US and Europe and other countries, it still had a negative impact on certain industries like travel, leisure and hospitality. Usually the type of strategies focusing on turnaround and transformation, they are implemented during those periods more successfully.

In terms of other asset classes within the alternative space, asset classes like infrastructure are of great interest. I won't steal Roger's remarks, but I always focus on infrastructure during those market environments because infrastructure can be a natural inflation hedge and infrastructure provides much more stable yield to investors than any other asset class because of the nature of underlying contractual revenues. It is a very safe asset class., an asset class that also gives a lot diversification to investors. I will also continue looking at opportunities within real estate, potentially private debt, real estate debt. The opportunity set is great currently in Australia, I am very positive about those new investments.

Geoff Wilson: Thank you very much Dania. Why don't we turn to Roger now and Roger congratulations on what you have done in Palisade in terms of setting it up and leading it as CEO. You have done a fantastic job and we are very excited to be investing alongside you. Do you just want to give us a little bit of an update on what we are actually invested in as we are all shareholders in WAM Alternative Assets? And also just a little bit about Palisade that people might not be aware of. That would be great Roger.

Roger Lloyd: Great. Thanks Geoff and thanks for those comments earlier. It is a privilege to be on the Green Power Player's list but we are a lot wide business than just being green I must say. Dania did steal our thunder a little bit, but I will give a brief on Palisade, because we are not a household name by any stretch of the imagination and don't intend on being so.

We are a specialist infrastructure manager. Even more specialist than that, we are deliberately focused on what we call the mid-market in the infrastructure market. Simply what that means is we are not targeting the big, privatised assets that we have seen sold by State Governments and then in secondary sales. We target a lower rest below that similar assets, similar characteristics, but not generally subject to the same sort of pressures in terms of pricing and auction processes to buy them. We like the mid-market, it is where we have deliberately been for since our inception 14 years ago and it is worked very well for us.

We are managing around $3.5 billion dollars in equity value in infrastructure in that mid-market. We really have targeted those sectors as we see as attractive and look to expand opportunistically often times, but expand by sectors that we see as attractive. We are now sitting on a portfolio of just 25 assets across the full spectrum of infrastructure. It is a portfolio now that really has us managing, in the main, majority interests, majority stakes, in the assets that we invest in. The benefit to that is that we can actually a lot more influence at management level. If you just think about it, if you are part of a large consortium bidding for Ausgrid or Sydney Ports, venery financial players, there might five or six of you in a consortium, you buy an asset, you sit on the Board, your influence is generally fairly limited. Whereas we can buy these smaller assets, and to give you an example, we have some Sunshine Coast Airport in the portfolio, we manage 100% of that asset. You can imagine the degree of influence is quite a lot higher than we would if we were sitting on say Sydney Airport's Board. It is our target and it is deliberately been and we have been singularly focused on mid-market infrastructure in Australia.

We manage money both through funds but also through separately managed accounts that Dania referred to earlier and it is about a 50/50 split and it enables us to pool a club of Palisade money to actually pursue large stakes in these assets, it has worked well. The fund that WAM Alternative Assets comes into is our diversified infrastructure fund, I will refer to PDIF from hereon in, because it is way too much to say all those words at once to get them all right. PDIF has a very diversified portfolio of assets invested in all bar one of the assets in our total portfolio, it is probably one of the more diversified assets in the market, more diversified portfolios in the market in infrastructure.

To give you a sort of idea as to what that diversification means. Yes 25 assets, soon to be 27 assets, it is across the spectrum. We have airport assets, renewable assets, and what are called public private partnership social infrastructure assets which are generally very low risk government revenue stream infrastructure assets, hospitals and the like, through to ports. We have our most recent acquisition was the Port of Geelong. We also have the Port of Portland in Victoria. Fairly rare to get hold of a port, we are pleased to now have a couple of those. But you notice there we have clusters within sectors we like and that's I think has been one of the things that I have found most satisfying over the last 14 years is actually building a portfolio by platform if you like. If we are going to get into airports, let's make sure that we can get a few airports. Use our sector knowledge. Use our expertise to actually maximise those investments. Having four airports now in the portfolio is fantastic. Having six renewable assets with 1.1 gigawatts of power in the generation, fantastic. We can bring all the synergies, we can bring the economies, we can bring all the intellectual capital that we have built up to play in those sectors. So as I say we are sitting on those 25, soon to be 27 assets.

Importantly, through coronavirus I think we have also seen a large part of our portfolio, around about 60% of our portfolio are contracted, contracted revenue streams. That really held us in good stead against some of our peers who are more heavily weighted towards gross domestic product (GDP) linked, so economic linked assets such as airports, ports etcetera and that meant that we through this didn't have a huge degree of volatility and that has been the case, over ten years we have generated 12.5% per annum returns. A lot of the comment, that you want yield, Dania and Geoff, we are producing that. We are producing that at 7% and have done for quite some time. A bit of a difference of late, airports haven't helped with no planes flying, but that is our target, we are a high yielding fund.

I think importantly another thing we should also mention Dania is correlation with inflation. We are not correlated with the public markets, the equity markets. We do have a very high correlation to inflation of around about 0.8, so that is where we want to be, we want to be highly correlated and we are achieving that, so real inflation protection at real terms. I will leave it there.

Geoff Wilson: That is great. Thanks Roger that is very exciting and what would you say of the assets that WAM Alternative Assets' invested in, what would be the most exciting one would you say in there? To me they are all fascinating. When you talked about owning Geelong Ports, I remember when I went to Werribee Park down there, the Chermside's had it. They had the Chermside Army which Geelong Port is the second deepest port in Australia, something like that, and that is where all the big ships in the 1800's used to come in. The Chermside Army would take them from Geelong Ports up to Melbourne. Fascinating group of assets. To me, such a smart strategy in terms of rather than being one of a number of players, to have significant influence on the assets you are buying as you are saying with the Sunshine Coast Airport, very smart.

Roger Lloyd: Thank you. Geoff, I am glad somebody shares our passion and excitement for our assets. Infrastructure is supposed to be a boring asset class, right? It is far from it. It is fair to say we do have some very boring assets in there and I have put our social infrastructure assets in that class, they sit there, we open the doors the government pays us, it is a relatively benign asset. But then when you move up the let's call it the risk curve towards airport assets, port assets, they have a lot more moving parts, they are a lot more dynamic. We have large, internalised management teams within those, you have a work pool, therefore we are always trying to engage and maximise the output from to make sure the assets are performing as best they can.

I think of late, and this is a sign of the times, airport assets have probably been the most exciting but it has been fairly hair raising. As we all have over the last few years been through this horrible cycle of lockdown, and that is impacted those airports quite heavily, it has taught us a lot too. It has taught us a lot about the costs of the airports, what it needs, what we need to have as fixed costs, where we can really work on our variable costs within airports to protect ourselves.

Also the need to diversify and you will hear me talk diversify a lot. I am very keen on diversification everything we do, but one thing we have found if we look at the various airports we have, once again regional airports, not capital city. We have Darwin, Alice Springs, Sunshine Coast and Coffs Harbour in our portfolio. Darwin is a very mature airport. Privatisation back in 1999. Sunshine Coast we only bought four years ago and it is not mature in that 90% of its revenue stream comes from people landing. Darwin held up quite well during coronavirus because we had a lot more revenue streams there. We have quite a big bank of property that has being developed from which we can still receive revenues even though we didn't have planes and that in with passengers, whereas Sunshine Coast doesn't have that. There is a bit of excitement there. We are going to be heading down the development route. We have a big property bank as most airports do that we can develop. Sorry I can talk about this forever, that is my passion and excitement.

Geoff Wilson: No that is brilliant and a great area to have property assets too up in Queensland. Roger one thing I did like was the correlation to inflation because as an equity market investor, I am worried about inflation with higher interest rates and then the great way is, invest with WAM Alternative Assets invested with you guys then they are going to get the benefit of any inflation and such a high correlation nearly 80%, which is exceptional. Thank you very much for that Roger and for letting us be involved with you. I will pass over to our Senior Corporate Affairs Advisor Camilla Cox now and Camilla, she will work the Q&A. Thank you.

Camilla Cox: Thanks Geoff. Thanks Roger and Dania. Dania the first question we have today is for you it is a two part question it is from Priya. She has asked can you please explain how you value the NTAs of the unlisted investments in the portfolio and also discuss the valuation process of the investments.

Dania Zinurova: Thank you and thank you Priya for this question. It does come up very often. Let's split it into two parts. One part is, how are the underlying assets valued? And, how do we then derive from those valuations the NTA, and how frequently is it all done?

Depending on the asset class, we are looking within our portfolio at venture capital, private equity, real assets, that includes, water rights and agriculture, real estate, infrastructure. Within private equity there are usually two main valuation approaches, sometimes independent valuers are using a third one. But it is principally their multiple earnings, discounted cashflow or market value or market comparables. What is happening with the underlying assets? Each asset within our portfolio is valued at least on the annual basis by an independent, external valuer. We are talking here about some high profile firms like PWC, Deloitte, KPMG. They assess the variation usually using two or three various valuation approaches depending on the nature of the company, depending on the nature of the assets, and then produce a very detailed independent valuation assessment report which is then shared with our investment partners and with our team.

The task of adopting the value determined by the independent valuer rests then with our investment partner, but they will have to explain why they think this is the most appropriate value. It is usually a range, what we call a lower base and then the higher base. We have gone through this process now three times assessing the valuations. We do it on the semi-annual basis and I can see within the portfolio there is definitely more skewedness to adopting valuations which are at the lower base. Basically, assets within the portfolio are conservatively valued.

Now this forms part of the process where we monitor those valuations on a monthly basis. I must tell you that the values within alternative asset classes and unlisted in particular, like private equity, adventure capital, real estate, they don't change month to month. There needs to be a business event or M&A activity or a capital raising activity in order for the valuation to change and there always needs to be a reason why there is an uplift or decrease in the valuation. I, as a portfolio manager, I have those updates on a monthly basis where I monitor where the portfolio is going, where the asset's valuations are moving, looking at the financials and also the market comparables.

Our investment partners then provide us with unit prices every month, which we then include in the calculation of our monthly NTAs. What is done at the higher level when we look at all the valuations of the underlying assets and take into account independent valuations or independently assessed valuations, we do it every six months, interim and then end of financial year. We also run the analysis, what we call what are the market comparables. If these multiple of earnings, let's look at potential market comparables of similar businesses or similar assets and we can assess how fairly does it reflect the market. We then prepare a very detailed explanation assessments which are then shared with our auditors for their more detailed review. That's in a nutshell how the valuation works.

Camilla Cox: Thanks Dania. The next question is for you Geoff and it's from John. He has asked how many years dividend coverage does WAM Alternative Assets have?

Geoff Wilson: Yes. I mentioned earlier in the introduction, in the profit reserve there's about 14.6, well there is 14.6 cents per share and we announced the 2 cents per share interim dividend. If we keep it at 4 cents per share for the next three years then, well three and a half years or 3.6 years of coverage. As a Director and as a sizeable shareholder in WAM Alternative Assets, and I'm sure you as a shareholder in WAM Alternative Assets would like the performance to be better than that on the dividend front. In terms with the profit reserve we have already, there's no reason why the dividend can't go 4 cents, 5 cents, 6 cents. Again, the profit reserve can be topped up on a monthly basis and effectively, it resets on the 1st of July each year. The opportunity over that three years, I'm sure the profit reserve would increase again and the dividend can continue to grow. What we try to deliver to shareholders is a growing stream of fully franked dividends and to me something like that 4, 5, 6 cents per share over the next few years should do well and that will help the share price move to NTA if not a premium. That would be my thoughts.

Camilla Cox: Great. Thanks Geoff. Dania back to you, this is also from John and he said, with the increased volatility in equity markets can we expect a strong performance over the next 12 months with the real asset exposure of the fund?

Dania Zinurova: Look, I am biased of course. I do expect strong performance, but as I said the volatility within alternative asset classes, in particular when you're talking about unlisted, it's much lower than in the equity market. The key here is really to find the long term megatrends.

Megatrends with strong tail winds that would be sustainable over the next five to 10 years and that gives us comfort that from the time we buy the assets until the time we exit, their value increases on the back of the macroeconomic factors and also on the back various strategies implemented on those assets.

I do think it's not necessarily a comparison between the returns when we think alternatives versus equity. It is an assessment of what is the role of alternative assets in my investment portfolio. It's a diversification. It is an asset class that produces fairly stable yield. It is an asset class that has low volatility, potential inflation hedge and it can get access to various megatrends that often are just not available through equity markets.

Camilla Cox: Thank you Dania and we'll stay with you; we have a question from Hayden. He says how quickly is cash anticipated to be deployed and what allocation can we anticipate moving forward?

Dania Zinurova: Thank you. Within the cash level that we have now, what we're seeing on the chart, is the total amount of cash. It's important to look deeper into this. About two thirds of this cash has been already committed to new investments. We base the results and this discussion on December 2021 figures. We are already in March, unofficially I can tell you there are already new commitments being made, so there is an even higher level of cash that is being committed.

What happens once we are committed? This cash is then gradually deployed over time. As an example, we expect Palisade, Roger and his team, to deploy our commitment in full amount in June. We expect deployment from other commitments to happen over the course over the next 12 months. This cash level will be increasing. On the other hand, because we are exiting maturing investments there will be further inflow into the cash level. I would say over the next 12 to 24 months, we will see variable levels of cash depending on where the portfolio is in terms of the new commitments and exits. But that should stabilise over the next one to two years.

Camilla Cox: Great. Thanks Dania. Roger we will go to you now. This question is from Amy. You have touched on this a little but what are some of the important themes that guide Palisade's investments?

Roger Lloyd: I think that question might be sort of sending me towards what are the themes that we like at the moment, what are the sectors that we like? I think it's probably more important to look

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

at what is our investment philosophy and what's our objective? Because the themes will continue to change, and I'll talk about themes we are very interested in in a second, but ultimately what we're trying to do is, from an open ended fund, which we continue to deploy capital on behalf of the investors. Ultimately what we're trying to achieve is to generate long term, stable cashflow from the assets we're invested into, with an overlay that we are protecting capital and we'll get all the other benefits correlation with inflation etcetera. That's a theme that's a constant. That never changes, that's what we're trying to do.

What we're able to be is relatively flexible and move towards sectors that we actually like. There will come times when we move away from a particular sector because we don't believe the risk reward is there. To give an example of that, we started our social infrastructure fund back in 2011, we have not invested anything in PPP's in the last five years. They became too risky. They moved into very high risk, massive construction projects like Sydney Metro, which we actually did invest in, we've now divested at a good return. But massively risky projects and not something we're interested in, we can move away from that, being flexible is really important for us.

I think I've talked about it before, which is around the platform approach. I think that's really important. If we have our current airports platform, we have our renewables platform, we have our PPP's etcetera, that's going to drive our investment activity going forward and that's I think where we are now getting the benefit of what we set out to do and have actually achieved. We have a more mature portfolio than we had. We currently have no construction across the entire portfolio, which I think is the first time in our history. But that means we have a very strong portfolio that is going to keep on generating some long term, stable cash-flows, which back to point one, that is what we are achieving. That may not answer the question entirely of the asker, but the themes are ever changing, we are very flexible and dynamic enough to chase those that work.

Camilla Cox: That is great. Thanks Roger. Dania we will go back to you, this one is from Bill and he has asked what is the current exposure to venture capital?

Dania Zinurova: The current exposure to venture capital is at about 10% currently within the portfolio. We do include venture capital within what we call private equity or growth investments. The future of venture capital within the portfolio is less, how shall I word it, is less of an importance for us because where I see most of the opportunities for WAM Alternative Assets, they rest mainly within the private equity space. As I mentioned before private equity growth, mid-market buy out,

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

turnaround transformation. Venture capital is an asset class where we do see higher dispersion between losers and winners. My focus is on reducing this dispersion between the returns within the portfolio, I would be spending less time on venture capital going forward.

Camilla Cox: Thanks Dania. Next question is from Stan for you and he's asked do you seek out the opportunities or do they usually come to you?

Dania Zinurova: Both, both. It's a combination of inbound, outbound inquiries. I come with many years of experience working in this market and in the global market, it's about reconnecting with my network, reaching out to the people that I already know. As an example, with Roger we've worked before I think since 2013. It's interesting that many asset managers nowadays are global, both global and Australian, they come often to us and they're willing to work with us, they're willing to tailor their services because everyone is very interested in working with the retail wholesale investor base in Australia. It's been a very positive experience over the last two years.

Camilla Cox: Thanks Dania. There's quite a few for you coming through, we will stay with you. This one is from Cathy and she said how do you choose your investment partners?

Dania Zinurova: A secret sauce! Well in all seriousness, it is quite consistent across asset classes within the portfolio. The focus is on six, what I call six success factors. One is what is the business like, how sustainable is business over the long term? Is the business profitable? How is the business operating? How is the business structured in terms of the organisation or design? Anything that would give me a deeper insight and understanding, if I invest with this investment partner for the next 10 years, is the business going to be there? There will be questions like how the equity ownership is split within the team. The more team members that are included in the equity ownership the better alignment is achieved etcetera.

The second one is around the team, investment professionals. Briefly looking at the level of resources, meeting with the people, understanding their skillset, experience, reference checks, what are the roles, how do they split within the team? As an example, with a strategy like turnaround and transformation, it's a very intense strategy their resources need to match how many portfolio companies are there within the portfolio. I need to ask questions how many people worked on that deal? And how many people are you going to allocate to a different deal to assess this level?

Then I would say it is a group of factors around investment strategy and portfolio management, factor three and factor four assessing whether it is the right strategy for the current market environment. What are the investment processes, do they follow the investment processes, level of the governance? On the portfolio management, a lot of time is spent on the track record analysis, lessons learnt, which is very important for unlisted investments, how an investment partner can adopt new practices.

Finally, two very important factors alignment and investment terms. Alignment in other words, there is a term within private equity, carried interest. Carried interest is seen as a long term incentive for investment professionals, I can actually give a practical example. When we took over the management of WAM Alternative Assets, we did renegotiate their structure of the fees with our investment partners to ensure there is a very strong alignment. What it means, it means that the performance fee needs to be based on exit rather than on cost, and there has to be very strong alignment and focus on exiting those assets at the right value at the right time and finding the right partners. These terms are very important to understand and we often provide feedback and work together where possible with the investment partner on improving those terms. On the investment terms, it's about what is the fee structure, is there a key man close provision? It's a mix of the investment terms and some legal terms that I'll look at.

It is a very interesting process. Usually it does take about I would say 100 hours if it is a new strategy, new investment partner. Of course now that the borders are open we can also start doing the property and asset tours to see the businesses, meet the teams.

Camilla Cox: Secret sauce, thanks Dania that's great. Roger over to you now. This question is from Ian, he says does Palisade consider overseas infrastructure or is the funds' investments contain just within Australia?

Roger Lloyd: Okay. PDIF, our diversified infrastructure investment fund is predominantly Australian and New Zealand, and we count New Zealand as part of Australia rightly or wrongly. It's predominant. To date we have very much focused on the Australian market. We made an investment a couple of years ago into an Undersea Cable, which is a data cable between the US and Australia/New Zealand by Hawaii. We could consider that an international asset. It was a fibre optic cable that joined the countries, but it was in international waters obviously and it was a US dollar dominated asset.

We have looked around the globe for where we can apply our skills most effectively and we have done this over a number of years we went into the UK/European market about four or five years ago, decided it was a very crowded market and very mature infrastructure markets. We've now pivoted our focus and are actually have been looking at the last 12 months or so at the US market and are very keen on that market.

It's a lot less mature. The deal flow in the US is absolutely enormous when you compare it to the number of managers that are actually playing the market. If we can take our skills and our mid-market infrastructure skills into that market we think there are huge opportunities for the growth of and the expansion of Palisade and therefore the ability for the diversified fund to access those as well. We have an ability to put up to 20% of the fund into offshore assets, so it's likely that we'll be in the US within six months I would suggest. It's likely that PDIF will get access opportunity there as well.

Camilla Cox: Thanks Roger. We will stick with you. Can retail investors invest in PDIF?

Roger Lloyd: No.

Camilla Cox: Okay. Great. We will go back to you Dania, answered the question thank you. Dania next for you is from Graham. He says will agriculture investing become a greater focus moving forward in your investment strategies?

Dania Zinurova: We do currently have quite a material allocation to real assets. That includes agriculture and water rights. While I do like agriculture as an asset class, it's a very interesting, very diverse asset class with many different options in terms of the investment strategies. I do also see this asset class where the specific risks associated with agriculture very difficult to manage and very difficult to predict. We have all seen over the last few weeks what's been happening in some of the States and Regions of Australia. These type of risks are extremely difficult to ensure from, extremely difficult to predict and to manage.

I would look at some other real asset strategies. I won't necessarily expand and grow a pure agriculture play. Now, pure agriculture play I'm saying when we're buying and managing permanent crop orchards or annual crop orchards. Assets such as sustainable green housing that could be a very interesting strategy for us. In the future, of course we are open. We have a very flexible mandate that enables us to tap into themes and to tap into attractive opportunities. It is unlikely though it will be traditional agriculture.

Camilla Cox: Thanks Dania. This next one is from Ian again. He says Barwon is listed as a boutique real estate fund manager. Can you outline the types of real estate they own?

Dania Zinurova: Yes. Barwon is the fund manager who manages for us, that is the strategy that we are committed to, manages an institutional healthcare real estate funds. There are various sectors within commercial real estate. In Australia, the dominant ones historically have been office sector and retail sector. Over time, both sectors experienced significant structural changes. The shift of consumer habits moved to online retail and office actually was accelerated by coronavirus and the changing lifestyle habits.

The two sectors that appear really interesting in Australia now are Industrial and Logistics because of this very strong online trend and the development and healthcare real estate. Now within WAM Alternative Assets, we have those long term megatrends such as ageing population and increasing demand for healthcare services. Healthcare real estate plays this trend really well. What Barwon does, they go and buy established, mature assets, most of the time that would have tenants like private, public hospitals, diagnostic centres. The portfolio is well diversified across the sectors. The attractiveness of this sector versus others within real estate is that the weighted average lease expiry profile is fairly long, usually 10 years plus, and leases tend to be with fixed annual increase or CPI increases. This is a bit more technical term, but they also tend to be triple net leases, which means these type of assets they usually have high maintenance costs. When the lease is structure this triple net, then the tenant covers those maintenance costs. In other words, a very attractive income producing strategy with quite a significant capital appreciation potential.

Camilla Cox: Thanks Dania. This next one is from Graham either for yourself or Geoff. Do shareholders pay fees twice in WAM Alternative Assets?

Dania Zinurova: I am happy to answer this and maybe if Geoff wants to?

Geoff Wilson: Yeah ladies first.

Dania Zinurova: Thank you Geoff. The fee within WAM Alternative Assets is structured the following way. We, as a portfolio manager of a LIC have management fee of 1%. We don't have a

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

performance fee. We look at the underlying fees across the portfolio. As I mentioned, we re-negotiated all of the underlying fees during the transition period, so the current level is very attractive on the equitable part of the portfolio. It would be within the range 1% to 1.1%.

Looking at some of our peers who manage LICs or LITs within the alternative space, either within private equity or private debt, this is a very reasonable, very attractive cost. What I would also say is that WAM Alternative Assets is not a pure funded funds model because we have a combination of direct or co-in investments. We have a combination of food funds. We will be expanding into separate mandates. I would only consider investments that have institutional type fee structures. I know that the alternative investments are offered to some wholesale investors and usually the fee structure is double compared to what institutional investors are paying. Now because of our scale, and because of our relationships with the investment partners, we negotiate and we do get investment type of fee structures when we invest. I hope that helps.

Camilla Cox: Thank you Dania. One for you now Geoff this is from John. He's asked what is the definition of fully franked dividend and grossed up franked dividend?

Geoff Wilson: Okay. Maybe the best way is to give an example. Say if a company earns $10 of pre-tax earnings, then the corporate tax rate is 30%, it will pay $3 dollars in tax, then it will have an after tax profit of $7 dollars. Now it can pay that out as a fully franked dividend and that $7 dollars will be fully franked because the maximum tax would have been paid on it. Then if you get that dividend and you have it in your super fund, self-managed super fund, depending on where you are if you are under the limit that you can have in there, that $7 dollars will be fully franked, so you'll get $3 dollars back from the government, which is tax that is already paid. Paul Keating brought it in so there wasn't double taxation. When I was talking earlier about WAM Alternative Assets giving you yield of 3.6 odd%, then that is fully franked, that's like the $7 you are getting.

The grossed-up amount I said was a little over 5%, that is effectively the money, if you have your money in a superannuation fund where we get the full refund, that's what it is, so you will get that money back. I hope that explains it. It is a tricky concept, but let us hope we are close.

Camilla Cox: Thanks Geoff and that was our questions today. Thanks everyone for writing in. Geoff I might just pass back to you for any final words.

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Geoff Wilson: Thank you very much Camilla. Again thank you all shareholders. You know we are only here because of you. It is your company, so please any questions, comments, suggestions, please feed them back to us.

I would definitely like to thank Roger for spending the time and being involved. I know when you said it when the question was from one of the shareholders can retail investors invest with you and you said unfortunately no, well, from our perspective that's one of the great benefits of WAM Alternative Assets, WAM. As Dania said, it is democratising and letting shareholders get exposure to people of your quality and calibre so thank you very much. And Dania again, on behalf of all shareholders and myself being a reasonable size one, thank you very much for all your hard work and we are looking for the share price to be trading at NTA if not a premium very soon. Thank you.