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Wilson Asset Management

WAM Capital, WAM Microcap, WAM Research FY2022 Interim Results Webinars

Geoff Wilson: Good afternoon and welcome today to the WAM Capital (ASX: WAM), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX) and WAM Active (ASX: WAA) FY2022 Interim Results Webinar. I am Geoff Wilson and I am Chair of those entities. I am also the Chief Investment Officer of Wilson Asset Management. The investment team that is lead by Oscar Oberg, unfortunately won't be with us today. A very, very close friend of theirs just passed away very recently of bowel cancer. The good news is you have me, or the bad news is you have me.

In terms of a more detailed assessment and really drilling into some of the companies that we own in those various entities, we will send you out an email in the next couple of days selecting another date in a couple of weeks' time. I apologise for that. When I was speaking to Oscar this morning, he was saying, "we can do it" and I said, "I am very happy to chat to shareholders as Chairman and I suppose as Founder of those entities". Now then there is an opportunity, you have an opportunity to ask me any questions you want for the next hour.

In terms of the results of those four entities, now WAM Capital being the largest listed investment company (LIC) that we have and the first one that we floated 20 plus years ago, the performance was sound in the six month period, slightly outperforming the market, the portfolio is up 4.8%. On the 12 months it was up a little over 17%. The interim dividend we were able to maintain that at 7.75 cents per share. That is giving you an annualised dividend of 7.1% before it's grossed up, so that is a very high dividend yield. There have been questions from time to time as to why we have not increased the dividend. The simple answer to that is we have tried to keep it the same for our shareholders because we have had franking and profit reserves, so we have been able to deliver to shareholders. A lot of companies two or three years ago when things were getting a bit tougher were cutting dividends. You will see with WAM Capital we have decided to keep it at this high rate. Would we be increasing the dividend in WAM Capital? We are giving shareholders a 10% grossed up return. Our ability to increase a dividend is not much at this point in time. Things change and the market is dynamic so let's see.

In terms of WAM Microcap, the interim result there is again an extremely good result. The portfolio for the six month period was up 13.8% which was a strong outperformance of the market and that is the Small Ordinaries Accumulation Index which was up a little over 8% for that period. The dividend was a good increase, a 25% increase from 4 cents per share to 5 cents per share fully franked, now starting to give a really nice yield for investors of 5.4% before grossing up the value of the franking credit. That is annualised. WAM Microcap is in a really strong position in terms of profit reserves at 52 cents per share. Just in terms of WAM Capital, WAM Capital's profit reserves, we have two and a bit dividends up our sleeve there. We have to make more profit and pay more tax to continue to pay fully franked dividends. But we have got the next couple of dividends there.

In terms of WAM Research, a solid result in the six months, the portfolio is up 8.8% outperforming the index by a little over 4%, which was solid. The dividend was 5 cents per share and there again, we are pretty high in terms of the amount of dividend we are paying out. That is an annualised yield on the share price which is quite a good premium to net tangible assets (NTA) of 6%. In terms of profit reserve for WAM Research, it has got a fraction under 44 cents per share, 43.9 cents per share is the figure, so about 4.5, just under 4.5 years of cover.

To me it is interesting, talking to some of the other Directors on the WAM Research Board. Now WAM Research we floated around 2003, 2004 and in the first few years it was very difficult to pay dividends because we had a little bit of profit reserve, but we just didn't have a significant amount of profit reserve. For WAM Research, it is a great position they are in now in terms of having a good profit reserve.

Looking at WAM Active, it was a tougher period over the six month period. WAM Active is looking for more short-term trading opportunities or buying a dollar of assets for 80 cents if they can or a dollar of assets for 50 cents, obviously preferably. That was up a couple of percent in the half year and effectively inception, just to give you some relative performance numbers, it had increased nearly on an annual basis about 12% per annum.

The fully franked dividend was 3 cents per share. That was maintaining level of 3 cents per share and that is because again in the profit reserve there is not significant excesses, there is a little over 7 cents per share. So they are the broad results and look thank you, this is your company and we can only do what we do because of your support, we are very passionate about it. We have already done a couple of presentations such as the WAM Global Presentation and the WAM Leaders

Presentation, but I think this group being the WAM Capital group plus others, you have been with us for a long time and you have sent in some good questions. I was talking Camilla before we started and I said, "hey, that is the great thing about the WAM Capital group, they have no problems sending in some good solid punchy questions!". If you have any other questions please send them in. Now, I will pass you over to Camilla Cox, one of our Senior Corporate Affairs Advisors, and she will be moderating the questions today.

Camilla Cox: Thanks Geoff. We have got some good questions coming in. Philip has said to us WAM Capital has been very active taking other leaks and forcing their shareholders to take WAM shares. Will the expected downward price pressure on WAM shares play havoc on performance, put the future dividend in jeopardy and ultimately reduce the premium?

Geoff Wilson: There is a number of parts to that question. First of all, most of the takeovers have occurred. With the last takeover that WAM Capital made, PM Asia, you could have accepted into WAM Capital stock. We went unconditional months ago, so pretty much anyone that bought shares in that, and anyone who bought shares in all of the previous takeover bids, would have sold if they wanted to sell from last year. With PM Asia, I would assume anyone who has accepted the bid so far and wanted to sell would have sold. PM Global, which own 19.9% of PM Asia, they sold. There is a lot of liquidity in WAM Capital, and I think they sold at over 7 or 8 days, 20% in PM Asia, so to me that has all happened.

I know there is a question later on and I will touch on it here as well. With the Westoz and the Ozgrowth merger, if there is any selling for that, the merger is going to occur on the 21st of April and there may be some selling from that. On the other side, this selling tends to be short-term. As we saw when we made the Amaysim takeover bid, there was some short-term downward pressure on Amaysim because what happens is a number of these hedge funds see the opportunity, they see an arbitrage opportunity, and you have to accept what is happening. They buy into Amaysim, accept the WAM takeover bid and sell WAM. Or, see the Westoz Ozgrowth bid, buy into that, accept the WAM bid and then sell WAM Capital shares.

They tend to all be short-term things. With Amaysim, that was a lot of the unnatural owners and the hedge funds had bought into Amaysim, sold WAM, share price fell over a very short period of time and then bounced back up a couple of months later. That is what has tended to happened, so I would assume that would happen again.

As I said, the 21st of April is when the scheme is meant to be implemented for Westoz and Ozgrowth on an NTA for NTA basis. Then any franking we pick up, that will be a secondary benefit. That is why we are paying the WAM Capital dividend it a little bit later. I think there is a question a little bit later on about the WAM Capital dividend, why is it not always at the same time? Ideally we would like to pay it at the same time, but again with the Amaysim takeover bid and with the Ozgrowth, we would prefer it to trade, once these deals are done, trade cum-dividend for as long as possible because there is always strong buying in WAM Capital on a cum-dividend basis. So if anyone wants to roll out of their positions, any of these people are hedging or hedge funds, then they can roll out and it has less of an impact on the share price. That is the takeovers for the share price. That was the first part of the question, what were the other parts Camilla?

Camilla Cox: Philip was wondering if this would put the dividend in jeopardy and impact performance and the premium?

Geoff Wilson: I have dealt with the premium. In terms of performance, it really doesn't impact performance because the day you get the money, all of a sudden, say if WAM Capital's got $1.7 billion of assets, say if they pick up another $100 million of assets, then the day you get access to that money then that is just managed like the rest. That should not affect performance.

Obviously WAM Capital is bigger than when we floated over twenty odd years ago when we raised $20 million. Managing $20 million and managing $2 billion is a different dynamic. You need different skills. You need to take advantage of different opportunities, so they are various things.

In terms of the ability to pay future dividends, the impact if you issue more shares, then that has a negative impact on your profit reserve and so there are some slight impacts on dilution. What fortunately we have been able to do and a lot of people that own WAM Capital are very happy with the fully franked dividends we have been able to pay, as I mentioned a little bit earlier, from these deals this is so far this financial year, it looks like we will be picking up as a secondary benefit from those takeover bids about $20 million of franking credits which is a little over 4 cents per share on a diluted basis. That is franking, so in theory that is 4 cents per share we are giving to shareholders that they would not have had before, and if we give it to them as a fully franked dividend, then they are in a self-managed super fund, then they are claiming the refund and getting a couple of cents back. The Board thinks that they do add value.

Camilla Cox: Thanks Geoff. This next question is from George. He says he notes that WAM Active and WAM Research hold similar companies to WAM Capital. Is there any benefit if we were to consolidate them into one LIC?

Geoff Wilson: Great question George and just so you understand it, effectively when I set up WAM Capital years ago, the focus was to buy undervalued growth companies and buy them when we could see a catalyst that was going to change the valuation. The whole idea was to sit in cash for as long as we could and to take as little risk as possible. Then when we saw a cheap company, we would not buy it unless we could see something that we believed would propel the share price up as a catalyst, and then we would buy it. We are trying to make the maximum return for the minimum amount of risk. That was WAM Capital's strategy and we were looking for undervalued growth companies. That was the focus.

When we were sitting on cash, because I have worked in the equities market for a number of years, obviously I had very good contacts at various brokers or companies I was aware of. When they were raising money or doing initial public offerings (IPOs) or there were placements, some of that free money that institutions get access to, and that we have been arguing that retail investors should get access to in terms of placements. But some of that free money, when we were sitting on the cash, we took that opportunity and if it was a dollar of assets trading at 80 cents or 70 cents, we would take that opportunity. What happened was WAM Capital ended up being broadly half buying undervalued growth companies of the funds and broadly the other half was sitting in cash or taking more short-term trading opportunities. That is WAM Capital.

As things have developed over time, I mentioned about WAM Research floating back in 2003, 2004, that just buys the undervalued growth companies. Then WAM Active that around 2009 we floated just at the start of the global financial crisis (GFC), the logic there was just to buy trading opportunities. So WAM Research is undervalued growth companies. WAM Active is short-term trading opportunities and WAM Capital is 50% of each of them, if that makes sense. WAM Microcap is then the same strategies as WAM Capital but on smaller companies, the less than $300 hundred million market capitalisation.

Camilla Cox: Thanks Geoff. On WAM Active, Tim has asked what was the rationale behind the WAM Active options (ASX: WAAOA) and will we be carrying this out any other funds?

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Geoff Wilson: The tough thing about WAM Active is we floated it before the GFC started and we had already prepared the prospectus. Back then I remember Matthew Kidman and myself saying, "look the markets are very expensive, but there is a lot of demand for product." We thought if we are going to do a product, we are just going to do a trading product so we have maximum flexibility to move to cash as quickly as we can. We lodged the prospectus and by the time the actual the prospectus was ready to close, the GFC had already started. We only raised a little over $15 million. It was a difficult, very small raising and we have been trying to grow WAM Active and the plan is to continue to grow it.

Now how do you grow it? You can do a share purchase plan, a placement or an option issue. With WAM Active, we actually ended up doing all three. What the option issue does it gives you another piece of paper. Effectively it is like a massive buy right on behalf of all shareholders. There is usually some time value of money in that option, so you can decide whether you want to keep that option, whether you want to sell the options or whether you want to exercise them. We have to perform for those options to get exercised, so that is the logic.

Camilla Cox: Thanks Geoff. Next one is from Sally. She says do you think LICs will become more popular in this era of uncertainty or are you concerned that exchange traded funds (ETFs) might steal the show?

Geoff Wilson: To me it is funny that argument of ETFs versus a listed investment company. The first listed investment company was created in 1868 and it was in the UK, Foreign & Colonial. The logic was to democratise investing. They were letting people of smaller means benefit from the way that the larger players in equity markets and debt markets in terms of how they could get exposure. They have been around for years in the UK, as that is where they started. In Australia, in the early 1920's, that was when Whitefield (ASX: WHF) started, which was before AFIC (ASX: AFI) and Argo (ASX: ARG). But they have been around for a long time and they will continue to be around and they will continue to grow. There is some great benefits for listed investment companies.

Conversely, on the other side, you have ETFs. Now ETFs are open ended products that will continue to grow significantly. The fact that the ETF exists is not negative for the LICs. To me it is actually positive for the LIC. It is weird, I think, that journalists get caught up with this ETFs versus LICs. "ETFs are growing so quickly," well of course they are, they are open ended.

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In a bull market, you would assume the money to flow in. Listed investment companies, they are just a fixed pool of capital, so they are closed ended. I saw this research about thirty years ago that showed how listed investment companies outperformed open ended funds like the ETFs or managed funds. That is one of the many benefits that LICs have, so they will continue to grow, they will continue to prosper, but ETFs will grow at a significantly greater rate than LICs and that is what you expect and that is actually what you want.

Camilla Cox: Thanks Geoff. This next one is from Michael and he says, do you expect the new Federal Government to stop franking credits?

Geoff Wilson: Well I suppose the question is, assuming Labor wins the next election, and they look as though they have got a good chance at the moment the way that Scott Morrison is performing. Assuming they do, will they do anything with franking credits? The great thing is, you know we were very passionate about franking credits before the last election and we ran a very strong campaign. We were trying to explain that we are bipartisan in terms of our views. With the current government we have been very vocal about annual general meetings (AGMs) and the negative things they are doing about making AGMs potentially only online and also various other things. To me, our goal is to make a difference. Make a difference for all our investors in terms of performing and make a difference for our shareholders in terms of being able to stand up for them if we can. That is where the franking campaign came from last election. The good thing is we kept on them after the election and the great thing is Labor have dropped that from their tool kit.

The reason we were against the franking strategy proposed by Labor before the last election was it was unfair and illogical. I know there was an article in the paper about Dick Smith getting a $500,000 of franking and he did not know what he should do with it. Well, I mean obviously give it to charity. To me, I think that is wrong, where these big personal superannuation funds and people get significant benefits from the franking system. I think it does make sense for there to be some cap, but a fair and equitable cap. In terms of what Labor was proposing, some of the unintended consequences were A) it was not fair, it would not be the same to all people. Anyone in a different position could have a different outcome even though they are the same age. There were some very strong, unintended consequences in terms of the negative impact it had on hard working people that have done the right thing all their life.

Camilla Cox: Thanks Geoff. And actually staying on the topic of shareholder advocacy. Michael said he saw a quote in the Australian Financial Review last year about the sophisticated investor test. Can you explain your position on that?

Geoff Wilson: Yes. A number of years ago the Clerk was introduced and it was in theory some new legislation it was meant to protect retail investors. Unfortunately, it significantly disadvantaged retail investors and part of it was the sophisticated investor test. And what effectively that meant was, the people that can invest in a placement that doesn't have a prospectus are sophisticated or wholesale investors and that is based on the number of assets that you own.

It is just so grossly unfair that a company that is listed on the stock market can raise some money and then if you are a shareholder in that company you want to put some more money into the placement and if you do not earn more than $250,000 dollars a year or have X amount of assets, then you cannot do it. Now New Zealand saw the light and they changed the rules back in 2013 and we have been trying to get the government to change the rules.

So if a company is listed on the stock market and it is doing a placement, then any investor should be able to participate because effectively what happens is the wholesale investors, like ourselves, we can participate in that placement. Then the company is listed on the stock market, then the next minute when it comes back on after it has done the placement we can sell the shares to you at a higher price and make a profit, and that just is not fair. I think where I was quoted I was saying, look, maybe there is another way of doing it. Maybe it is not on dollars. Maybe it is on skill or something of those lines.

Camilla Cox: Thanks Geoff. I have got a question now from John. So we listed WAM Strategic Value (ASX: WAR) last year and he is wondering if there are any plans for a ninth LIC?

Geoff Wilson: Thanks John, no short-term plan for a ninth LIC, but at our strategy meeting that we had a month or so ago, Camilla can you remember how many investment opportunities do we have in the various categories?

Camilla Cox: Oh gosh...

Geoff Wilson: Was it 8, 9, 10?

Camilla Cox: Up to 10 yes.

Geoff Wilson: There is various strategies we are looking at. What structures we use and where they fit. The priority for us is to look after the current lot of listed investment companies. WAM Strategic Value is trading at a discount to NTA and that is something that we have got to get back to NTA if not a premium. WAM Global is at a discount and we have got to get that back to trading at NTA if not a premium and WAM Alternative Assets (ASX: WMA) are discount. We have narrowed the discount significantly in WAM Alternative Assets when we took it over a little over a year ago, but we have still got to get that to trade at NTA, if not a premium. We still have a lot of work. We have close to ten people in the shareholder engagement, communication and marketing strategy, which compares to our competitors say the AFICs and the ARGOs, I think they have one or two. So we are very committed to that and that is the area we are focusing on at the moment.

Camilla Cox: Thanks Geoff. We have one from Ian who has logged onto the webinar. He has let us know that he owns shares in WAM, WAX and WAA, and he has asked, why do we have WAR when WAM does the takeovers if you can touch on that again?

Geoff Wilson: Why was WAR created? It was because the strategies that we adopt, WAM Capital is undervalued growth companies with a catalyst or more short-term trading opportunities. But because we are in the listed investment companies space, we also allocated 10% of the value of the assets of WAM Capital to buy other closed end pools of capital or listed investment companies or trusts that trade at a discount. What we decided was to clean up the structure and put all those in a separate entity, and that is where WAM Strategic Value was created. Its ASX code is WAR.

Now that is WAM Strategic Value. Just buying the undervalued assets. Say, buying VGI Partners (ASX: VG1), say it is a dollar of assets, you can buy them at 85 cents at the moment, or the Magellan Listed Investment Trust, which is trading at a 16% discount. We have been buying them recently. So you are buying a dollar investment cheaply.

In terms of making a takeover, it really depends where that pool of capital sits and which one it makes sense to do. With the last takeover, not in the scheme, the last takeover was PM Asia, it actually made more sense for WAM Capital to do that bid and use their script which was trading at a 20% plus premium than WAR because currently WAR is trading at a discount. It is about a 6% or 7% discount to NTA. It just would not be as appealing.

When we did the deal with Templeton Global Growth Fund (ASX: TGG), why did not WAM Capital do the deal if it had a bigger premium? Well, the logic was it made sense to put the assets with

WAM Global (ASX: WGB). That is the thing with WAM Global, it will just take a bit of time for that share register to tighten up and then I am very confident that we will get it back to NTA. In summary, WAR is doing the investing. It may do takeovers. It is probably more likely it will do small takeovers. Because with WAR, we raised $225 million and before, we never really looked at the $40, $50, $60 million dollar listed investment companies because, why invest in them when you have got about a billion dollars of fund that you are investing in? But now, with WAR, then all those smaller companies are potentially vulnerable in terms of us investing in them.

Camilla Cox: Thank you Geoff. This next question is from George. He says, given the WAM Microcap profit reserve basically equates to five years' worth of dividends, would the Board ever consider paying a one off special dividend?

Geoff Wilson: Thanks George. What we have done is as we have been growing the profit reserve, on an annual basis we will pay an interim dividend that we are comfortable with and a full year dividend we are comfortable with. With Microcap, pretty much every year then we have paid a final dividend and a special dividend. Now that the yield is getting up, then that will be a debate at year end. We have announced the interim dividend, will there be a full year dividend, well obviously there will be a full year dividend you would assume it will be similar to the interim dividend, and will there be a special dividend?

At the debate we had at the interim, we were questioning whether we would, it really just depends how the portfolio performs. Also you have to remember that our ability to pay fully franked dividends sort of turn up when we get franking credits from shares that we invest in or we pay tax and get the franking credits from the tax we pay. You tend to find there is a lag between when you pay the tax, you make the profit reserve first and you might pay the tax a little later, and it could be one or two years later. We actually aren't necessarily in a position where we could pay a significant fully franked dividend. We couldn't pay all the profit reserve out fully franked at the moment; it would only be a very small fraction of it because we haven't paid the tax yet.

Camilla Cox: Thanks Geoff. This next one is from Andre, and he is just looking to understand how profit reserves are kept. He asks, are they in the cash? And then how do they impact the NTA?

Geoff Wilson: Good question Andre. It is in theory an accounting concept. Probably the easiest way to explain it to you is, say we started with $100 million, we floated a new company it has $100 million. Over the six month period, the value of the assets goes from $100 million to $110 million. Say you are fully invested, 100% invested in the stock market. Then from an accounting perspective, after that six month period, your shareholders' funds, which is what you started with, is $100 million and you have $10 million of earnings. Now that $10 million dollars of earnings, what we do as a Board is we sweep that into the profit reserve. What the balance sheet looks like is $110 million of assets, $100 million of shareholders' funds and $10 million of profit reserve. You are 100% invested in the market, so in theory it is not cash that is sitting there, it is part of your assets. I tried to sort of use an example to explain it to you. It is an accounting entry, it is not something that you have got to put on one side and keep it in cash. It is just part of the pool of capital. We would be investing $110 million. Now if we wanted to increase the cash to 50% we would do that. If we want to be 100% invested we would be invested. We would put $110 million to the market and that $110 million is made up of $100 million of shareholders' funds which you started with, plus $10 million of profit reserve which you can pay.

Camilla Cox: Great. Thanks Geoff.

Geoff Wilson: Now if you have franking, then you can pay it out fully franked. If you don't have any franking, see that is what happens, that first six months you might not have sold a share, so your profit reserve is $10 million dollars and you haven't paid a cent in tax. If you paid that $10 million out, that would be an unfranked dividend. You would have to wait until we sold that $10 million worth of stock. Actually, it would not have been $10 million, because we would have provided for tax. But we might not have, so it would be $3 million off. So there would $7 million in profit reserve. But until we sell those shares and pay that tax, we cannot pay it out as a fully franked dividend.

Camilla Cox: Great. The next one is from Alan. He has just asked us are there any issues with your LICs trading between themselves?

Geoff Wilson: Fair question. First of all, they all have different strategies so they will invest in the different strategies. There may be an occasion where a company that we own in WAM Microcap might get significantly larger and it might be held in WAM Microcap and WAM Capital. We tend not to try to trade between the entities. WAM Strategic Value owns shares in WAM Global and in theory that is not a long-term position. That turned up from the takeover and in retrospect we probably should have accepted the cash for the Templeton scheme, but that was a 6% or 7% discount. I find it very hard giving 6% or 7% away. With the takeovers for Westoz and Ozgrowth, and WAM Strategic Value has positions in them both, the plan would be to roll out of the WAM Capital shareholding when the scheme goes through on the 21st of April over the following month or so. I think that I have tried to cover off everything and I hope that does.

Camilla Cox: Yes, thanks Geoff. This next question is from Fang who is wondering what is your view on the crisis in Ukraine and its effect on the sharemarket?

Geoff Wilson: Well the view is: totally appalled. I think everyone is incredibly sad and sorry for everyone who has been significantly negatively impacted by the war. I think even the people in Russia, the average citizens, I feel sorry for them. It is a tough period with what is happening in Australia with the floods and some people have been totally devastated and died as well. But obviously not on the magnitude that is occurring in Ukraine.

First thing, we just look through it logically. It is fascinating how the markets perform. Effectively the Cold War is over and the significant benefit that world economies got back in the early '90's, that is going to be reversed. Germany came out the other day and said they are going to put $100 billion aside for the fighting fund. All of a sudden the cost to defend yourself is real, and that is a cost to every country. It has got to be paid by someone. That will have a negative impact on world growth. Obviously going from globalisation to the opposite, that is a negative impact as well.

The interesting thing is, the million dollar question over this period, and we have seen it with coronavirus and with the GFC and just how central banks are prepared to pump money into the system. After the GFC, I remember seeing one of the guys talking in the US talking about how when Drexel was going under, it looked as though all the banks, all the monetary authorities were looking over the cliff and they just did not know what was down there. We have seen that they have learnt by stimulating economies, by dropping interest rates to very low levels and pumping money into the system, it actually keeps the system performing well. What it does do, the unintended consequences and we have all been a major beneficiary of that, is it pushes asset prices up. That is assets in terms of equities and assets in terms of property. Also, we are finally seeing some inflation because of that free money position. The risk with inflation is interest rates go up and obviously then price to earnings multiples (PEs) contract and that is negative for the market.

But the strange thing is the fact that war has broken out means that monetary authorities globally probably have to change their strategy, so instead of trying to tighten the monetary conditions, now all of a sudden they will think well we have probably got to loosen or we could have to loosen monetary conditions. That is potentially positive for the equity market, and I think that is why the

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equity market is a bit over the place. It obviously sold off early, I remember Desert Storm, when they invaded in Desert Storm, the day to buy was actually the day they invaded. Old Rothschild, back in the was it the Battle of Waterloo his famous quote, "buy when the blood runs in the street". Maybe that was the case on the first day. But I am still of the view, I would still be being very cautious with your money.

I would definitely be in a position ace, so if the market fell 20% or 30% you wouldn't be stressed, so if that means you have to be holding a bit more cash than hold a bit more cash. It has been a very strong and long bull market. We know the market and asset prices have been a major benefit of the drop in interest rates, and asset price being equities valuations and property you would have to say are at pretty extreme levels. So to me there is a lot more risk now than there was historically, so I think that sort of sums up a little bit of my current thoughts.

Obviously, now the equity market we know you never pick the top. I think January '87, everyone knew the market was expansive, it went up another I think 50% before it crashed in October that year. You have to keep investing because we never pick the top and we never pick the bottom, but make sure you are not over extended because there has been a lot of new money in the market. When I was a young broker, I was taught that you make your money in your second bull market and I think I worked out that whatever money you make in your first bull market you lose again. That is what the philosophy was there. So the newer players to the equity market, the odds are whatever they may disappear and then they will be a bit wiser. They will take a bit more off the table next time, they won't over extend themselves. Thanks Camilla.

Camilla Cox: Thanks Geoff. John's just written in and he has asked does the P/E ratio apply to listed investment companies?

Geoff Wilson: It doesn't. We were always taught buy companies on low P/Es and sell them on high P/Es. Well that was when I started the market in 1980, but probably in the last period it is bottom on high P/Es because that means they are growth companies and probably sell them on low P/Es. But no, it is really the value of the assets. In theory you are trying to buy a dollar of assets as cheaply as you can. If you can buy that dollar of assets for 80 cents or 85 cents, then you get a dollar of exposure to the market and you are not paying the full amount, so you are getting it at a discount. The P/E is just a backward looking measure for listed investment companies of the profit they made last year.

Camilla Cox: Thanks Geoff. We have just Sabi write in with an interesting question. He wants to know your view on the brand value of your name at Wilson Asset Management in light of Magellan's issues?

Geoff Wilson: Yeah very little, very little! First of all, our listed investment companies are closed end pools of capital, so there won't be any redemptions. To me the funny thing is, it does amuse me, people I speak to they think I do all the work. We have 50 people, you are seeing one of them with Camilla today on the Comms Team. She is one of ten on that area. You see some of our investment guys. We have now 14 nearly going to 15 people in the investment area, they are the ones that do all the hard work. The Accounting, the Operations, they are all the guys that are doing the hard work. I am the old one that just makes a bit of noise now and then and does the introductions! But today I have to do a bit more, so I have to sing for my supper a little bit more. To me, having me not around it probably frees them up a little bit more. They will probably be more creative and perform better, who knows!

With Magellan, that is the strange thing, I am significantly more hands off, I think Hamish is a bit more hands on, but he is one of 35 people on the investment side. Those other 35 people are still there even though Hamish isn't, so I would assume Magellan, obviously they are dealing with outflows at the moment. If I was looking at buying the stock I would probably give it six months just to see where it bottoms out and I would definitely try to buy it before you started to see it growing again. Or if you want to be a bit more conservative, see the fund starting to grow and if they are getting inflows then that would probably be a smart time to buy.

Camilla Cox: That is great, thank you Geoff. One last question today which has been asked by a few people. Amanda says why do you only report monthly? Surely a daily or weekly report would be more beneficial.

Geoff Wilson: Thanks Amanda. We did a presentation the other day for WAM Global and we had the same question. Probably the best way for me to explain it is if you look at WAM Research, which is one of the listed investment companies we were talking about today, we floated that back in 2003, 2004. After a few months it went to a discount and it traded at a discount for nearly seven years. That is the longest amount of time it took us to get a LIC to trade at NTA if not a premium. What happened over those seven years is we were explaining to the shareholders what we are doing, how we are investing the money, taking a medium long-term view, buying undervalue growth companies with a catalyst, and it just took a long time to get that message through and really to shake out the traders and the people that were there more short-term, looking for more short-term opportunities.

And as I explained with WAM Capital, when we made some takeover bids, for Amaysim or Templeton Global, we have had to deal with the short-term traders that have bought positions and just trade out. My view is, the decision you have to make is whether you believe the people who are managing the money are going to perform for you. Is it the right structure you want to be in? Do you want a growing stream of fully franked dividends? You have to be able to trust those people, and circumstances change, and you may change your mind. But you really don't want someone buying the shares because the NTA announced today is a little different to yesterday or a little bit different to the day before or the day after that. We have just stuck what the ASX rules are and that is we have to announce at least once a month and we have to announce by the 14th day of the following month. And that is really to have shareholders take a medium to long-term view.

The proof of the pudding is in the eating, and with WAM Research it was trading at 20% and 30% discounts back in that first seven year period and now it is trading I think it is trading over a 40% premium. We probably did too good a job there in tightening up the share register and getting more medium long-term shareholders there! But that is why we are just doing the ASX regulations, we don't want to encourage sort of more short-term trading.

I know it is good, it creates liquidity, probably creates opportunities for people, but our goal is to have a medium long-term good quality business and it is to find people that align with us and we can go on the journey together. That is the plan. The interesting thing is the ones that do daily NTAs, it doesn't actually help them. I know the Perpetual guys (ASX PIC), do daily NTAs and I don't think they have traded at a premium for very long at all in terms of the period of time they have been listed, so it doesn't help premium or a discount.

Camilla Cox: Thanks Geoff and thanks for everyone who wrote in questions today. Do you have any closing words Geoff?

Geoff Wilson: Oh look thank you very much everyone and I have really appreciated the time and it is probably good now we have been able to have a bit of quality time together. It is a difficult period. I think incredibly sad in terms of what is happening around the world and back in Australia, everyone who has been negatively impacted from the floods. Our hearts go out to them and I am

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really looking forward to seeing you all again. We will send an email in a couple of weeks and in a couple of weeks' time we will have the A-team back on the webinar and if you can send in your questions we will talk a bit more on how we have positioned the portfolios and also companies and stocks. Thank you.