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Wilson Asset Management

WAM Capital, WAM Microcap, WAM Research and WAM Active Q&A Webinar

Oscar Oberg: Good afternoon everyone. Thanks for your time this afternoon. I am Oscar Oberg, Lead Portfolio Manager of WAM Capital (ASX: WAM), WAM Active (ASX: WAA), WAM Research (ASX: WAX) and WAM Microcap (ASX: WMI). To my left is Tobias Yao, Portfolio Manager, to my right is Sam Koch, Equity Analyst and unfortunately Shaun Weick can not join us today. He is sick so fair to say it is all happening at the Wilson Asset Management office at the moment. Before I begin, I like to apologise for not being here a week ago. Unfortunately, we had some bad news. A good friend of ours who was a stockbroker passed away and we found out last Thursday, so it has been a pretty tough few days to say the least for the team.

I will also like to have a shout out for anyone who has been impacted by the floods in New South Wales and Queensland over the last few weeks. As you see in your inbox we do have a donation set up where Wilson Asset Management will match any donations, also for Ukraine and Russia and also for the floods, so please donate.

Now, in terms of how we will run today, it is going to be a Q&A session. There is no Geoff today. I think all the questions were asked of Geoff last week, so we are here as long as you need us for the next hour or two to talk about anything in the market, anything related to our stocks in the small-cap space and obviously any ideas that we have. I will start off with an introduction then pass onto to Tobias who will talk about sectors that we quite like at the moment and the three of us will talk about some stock ideas.

I will give you an introduction in terms of how the financial year to date has played out. When we last spoke about six months ago we actually started the year very, very well. We were outperforming the All Ordinaries Accumulation Index by just over 4% by the end of September, as you would have seen in our last update at the end of December we were slightly outperforming the market. Now I think it is fair to say it has been a very, very tough environment for small-cap industrials which is what we invest in within WAM Capital and WAM Microcap since mid-September and this is largely due to a combination of inflation, rising interest rates, Omicron and of course what we have seen recently with the Russian/Ukraine conflict. It is fair to say the technology sector has been in focus over this period, but across all small caps whether it be growth or value across any sector it has all been

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impacted. So it has been a very, very tough environment. To put some numbers around this. What we have seen since mid-September is that the small-cap industrials index has actually fallen 17%. This is to the end of February and this compares to large-cap companies within the all ordinaries index, which has fallen 6%, and also the small resources sector which has increased 11%. We have seen more of a divergence in these numbers over the last few weeks of March. In terms of our performance, we have underperformed our benchmark of the all ordinaries in the first few months of this calendar year and if we look at the small-cap industrials index which we feel is a better representation of the stocks we invest in, we are actually outperforming by 5% and we actually had a very, very strong reporting season although it didn't reflect in the numbers. To give you some numbers around this, out of the 63 companies that reported in WAM Capital, we had 38 companies that actually beat expectations and only 8 that missed. What is interesting is that of those 38 companies that beat expectations, only 13 of them saw their share prices higher at the end of February than compared to the beginning. I think it is fair to say if we had a look at those 13 companies, they would all be lower now than what they were before, before reporting a very strong result.

Despite the fact the outlook is uncertain, we are actually very positive on the small-cap companies that we invest in. Valuations are actually at decade lows when you take out the technology sector and if you look at the United States the differential in valuation between large-cap and small-cap companies is actually the lowest it has been in the last 23 years, so we do feel there is a strong environment for small-cap companies once the market comes back to us and there is a little bit of certainty and certainly in terms of how we are positioned within the portfolios. Tobias will talk about this in a bit. We are very much exposed to a reopening of the economy coming out of Omicron and this is in sectors including retail, travel and also building materials and construction. If you look at balance sheets, they are very strong. If you look at WAM Capital, over 60% of the companies that we invest in have cash or property that is higher than the debt they have on the balance sheet, so this gives companies a very good ability to conducted in capital management in a tough environment or also make acquisitions.

Turning to inflation, which has been the buzz word for the last 12 months. We were talking about it in an April or May conference call and we were telling you that we had a very small exposure to the technology sector and we certainly have over the last 12 months. But as I said earlier, inflation is impacting every single sector in the market, you cannot get away from it and there is no better example than what we have seen in the last couple of weeks with oil and also the nickel price in the last few days. If you turn to the United States, consensus expectations have priced in quite aggressive interest rate hikes. We are looking at six interest rates hikes this year and then when we go into 2023 consensus is looking for another two or three. It is our belief that the current uncertainty that we are seeing in Russia and Ukraine, and the fact that some of the data in the United States is starting to roll over a little bit whether it be in consumer sentiment. While we will definitely see interest rate hikes, we are not sure that we will have six interest rate hikes this year, it might be four or five and if that occurs, we actually think that it will be a good environment for small-cap investing again.

To conclude, we are very positive on the companies that we have invested in. They have very strong balance sheets and while they have been hit hard over the last two and a half months, we think they are very well positioned and have a very strong valuation and when the market comes back to us, we will do very well. I think it is fair to say the current environment is incredibly uncertain. I think it is an hour to hour, minute to minute proposition.

There is something that is happening every day in terms of Russia and Ukraine, you only have to look at last Friday with what was supposed to happen with the nuclear reactor is a good example of that, so our cash levels have increased. If you look across WAM Capital at the moment we are sitting around 19% cash, that compared to around 11% cash when we were in February in the middle of the reporting season and also WAM Microcap is sitting at around 14% cash. We are happy with where we are at the moment, it has been a very tough environment for small-caps. We have said valuations are very low, but our liquidity across the portfolio and the equities that we own is very high. So as you saw in March 2020 when we went to cash at the worst of coronavirus, we do have that ability to do that right now. But at the moment we are very happy with how we are positioned and as I said we are very confident and when the market comes back our way, we will do very well. With that I will pass over to Tobias Yao to talk about some of the sectors that we are interested in.

Tobias Yao: Thanks Oscar. It is an extraordinary time right now. The best opportunity that we see in the market for us is actually investing some of the highest quality companies in the mid to small-cap space that is relatively liquid that has come off with the recent broad base sell off. To illustrate that point and Oscar has touched on this earlier, we had over 60% of the portfolio upgraded during the February reporting season of which more than 50% of those actually saw a negative month. So as a team, we are super excited to be buying these companies at valuations we have not seen since the death of coronavirus. These are companies like Breville (ASX: BRG), Credit Corp (ASX: CCP), IPH (ASX: IPH) and ARB, these companies have very strong growth both organically and inorganically, they have very strong balance sheets which helps them navigate the macro uncertainty and they have all reported really good results and provide a positive outlook.

In terms of a theme, we have talked about the reopening theme. Just to refresh everyone's memory, the investment thesis is investing in companies like Ardent Leisure (ASX: ALG), Event Hospitality (ASX: EVT), oOh!Media (ASX: OML) for example that will come back in a post coronavirus environment. The investment thesis there is that these companies have fundamentality recalibrated their business model and the cost base such as that when we come out of coronavirus, their profit run rate is a lot higher than when they entered into coronavirus. We are still heavily invested in those names and we think those two themes I have talked about earlier, will yield very strong returns for us over the coming 12 months. So as a team we are laser focused on finding stocks. There is a lot of opportunities in the market and we are really happy to be deploying some of that capital selectively into key opportunities that we see in the market.

One of the other thing that I wanted to touch on is the pre-IPO opportunities. Up until December, we have been very active in that space. Needless to say, since December, everything has really grinded to a halt. In the pre-IPO opportunity space we found that a lot of the opportunities we have seen came through our internal network and we have been super selective and I think the flexibility of our strategy allows us to not have to deploy that capital into some of these businesses. In terms of some of the substantial companies we have in the pre-IPO portfolio, Iris Energy (NASDAQ: IREN) which is a bitcoin miner which listed a few months ago had a very volatile start to its listed life on the NASDAQ. However we are still up a few times versus our initial capital that we invested. We also have a couple of companies such as Xpansiv which is a carbon trading platform and Chrysos Corporation which is a gold analysis business that is looking to list over the next few months depending on the market. Now, I would like to pass it onto Sam Koch, who will talk about his top pick over the next six to 12 months.

Sam Koch: Thanks Tobias. Our first high conviction pick is Ridley (ASX: RIC), ticker RIC. Ridley is one of Australia's largest animal stock feed processors and producers. The management team there have systematically improved the business since their appointment in mid-2019. They have decentralised decision making, cut excess costs out of the business and sold underperforming assets. In turn, that has driven an increase in margins. It has delivered the balance sheet and it has actually improved shareholder returns as well. Going forward, the management team have actually identified a number of organic revenue opportunities that will continue to drive revenue growth from here. Despite all these changes to the business, the company is trading at a lower price to earnings multiple than it has ever done in its history. At 12 and a half times versus its historical average of 15 times, we think the catalyst to close that valuation gap is deploying $65 million dollars of excess balance sheet capacity into their capital returning projects, acquisitions and/or capital management. I will throw over the next one to Tobias.

Tobias Yao: My high conviction pick continues to be Tuas Limited (ASX: TUA), the ticker is TUA. Tuas is a disruptive mobile service provider in Singapore which has around 9 million handsets. The founder for Tuas is David Teoh, the founder of TPG Telecom and a very proven and successful business leader, especially in the telecommunication space. We think Tuas Limited is like TPG Telecom in that it was able to disrupt the encumbrance over a very long period of time by offering attractive products, data inclusions and mobile plans to their customers. In our view it can continue to increase their market share in Singapore from 6% to potentially up until 15 to 20% over time. David Teoh owns over 30% of the company and we like founder-lead businesses. We think the market is underestimating both their potential to grow market share and also the operating leverage within the business, so that is my top pick.

Oscar Oberg: I have two top picks since Shaun is not here. I will give him SG Fleet (ASX: SGF), so if it doesn't work then it is his fault, not mine. Anyway, SG Fleet's ticker is SGF, it is a fleet leasing and novated leasing company. It has largely been impacted by a lack of new cars coming into Australia. The company acquired one of its largest competitors Lease Plan around 12 months ago and it has actually overdelivered on its synergies to date, but this is a typical stock whip that we own in WAM Capital where it actually upgraded earnings by over 30%. If you have a look at the share price now, it is actually lower than what it was before it actually upgraded earnings, so we see tremendous value in this stock. It has a good balance sheet. It is trading at a price earnings multiple of around eight times and its nearest competitor Smartgroup is on 14 times, so we think those valuations will converge over time and we think the share price is probably worth around $3.50.

Now turning to MAAS Group (ASX: MGH), ticker here is MGH. This is a vertically integrated property developer, construction company with also building materials and quarries. The business is focused in regional Australia and particularly New South Wales and South East Queensland. It is a family lead business which are the businesses we do like a lot over at Wilson Asset Management and the company itself is doing very, very well. There is a huge pipeline of construction in regional Australia whether that across civil infrastructure, but also in residential. These guys are well placed, they have strategically bought land over the last 10 years that is about to be developed and it is about to benefit from the huge amount of population growth that we are seeing in regional Australia. The company confirmed its guidance of $120 to $125 million of earnings at the result despite Omicron impacts and also the wet weather that we have seen. It has a very strong run rate as we go into the next financial year. The current share price is around $4.50. We think that is the valuation for the property that MAAS Group owns on its balance sheet which means again the operating business for free, so we think this business can double over the next two years. That is the end of the formal presentation as such. I am going to pass it over to Camilla who is going to read out some of your questions that we will endeavour to answer.

Camilla Cox: Great. Thanks Oscar. We have a lot of questions to get through. The first one is for you, it is from Peter. He has asked: how are you positioning the portfolio to deal with the current conflict in the Ukraine and what you think the impact on equity markets will be as a result of the conflict?

Oscar Oberg: Great question. I think we all have not slept for a number of weeks because of this. No, as I said earlier, it is an incredibly uncertain market and I would almost argue it is more uncertain that what coronavirus was to fair because commodity prices are spiking and there is an announcement on something every hour it feels in the market. They could throw it up 2 or 3% or down 2 or 3%, so look it is very uncertain. From our perspective, given we invest in small industrial companies, we have a number of options. We can either sell and go to cash. We can look to get out of certain sectors that are being impacted in the current inflation environment such as technology and so forth and we can also hold our nerve and invest in companies that fit our investment process that are trading on a very strong valuation and have catalyst. We have chosen the latter which has been a very tough time over the last three months, but we see tremendous value in the small-cap space at the moment and as I said earlier, once things die down and we see some certainty, we do see it coming back to our space and we will see a close strong uplift in the small-cap companies that we invest in now. Not ruling out to putting more cash into the portfolio, at this stage at 19% cash we are very happy.

Camilla Cox: Thanks Oscar. Tobias we will turn to you now. This one is from Bill and he asked: what your view is on technology stocks moving forward?

Tobias Yao: Yeah thanks Bill. Our view on technology stocks hasn't changed. I think in fact we have become even more selective in terms of the companies we are looking at. I think we can no longer rely on investing in some of these technology companies because we think there is a valuation multiple expansion opportunity or investing in some of these companies because it is the theme of the month. None of the catalysts would work in the current market. We are staying further away from the cash burning businesses. Our view on the space is that the investment universe because of technology companies has definitely shrunk for us. However, there are still technology companies that are trading on industrial multiples often with strong net cash balance sheets that has an earnings like say often 15 to 25 times price to earnings ratio (P/E ratio) that we are selectively investing in, so that is our wheel house at the moment but it is definitely a very uncertain period for technology companies.

Camilla Cox: Thanks Tobias. Just sticking with you, Anthony asked what your view is on retail players at the moment?

Tobias Yao: Taking a step back, I think at the last webinar we talked about our bullishness on the retail sector. Our simple thesis was the fact that with coronavirus restrictions coming off and with people going back into working more, retailers that were impacted during the coronavirus period would benefit the most. What has happened since, cost of inflation has gone up, there has been a lot of supply chain disruptions and obviously the most recent macroeconomic uncertainty. In terms of our view we have reduced our retail exposure but we are still invested in some of the highest quality names like Accent Group (ASX: AX1) and Lovisa (ASX: LOV). We think these companies are best placed to navigate the macro uncertainty and so if the tide does shift, these company's share price should come back quicker than many of its peers. We are still invested but we have reduced our exposure.

Oscar Oberg: Retail has been a sector over the last two years that has done very, very well and we differentiate those companies who have been coronavirus beneficiaries where it might be in say furniture retailing or some of the e-commerce names that we did own a couple of years ago like Temple & Webster (ASX: TPW) and so forth or a Kogan.com, so those companies have been impacted by coronavirus. Giving you an example, Accent Group is a retailer of footwear and sports shoes and so forth. It is leveraged for people going out and about, so that was one of the calls that we made in September/October when Omicron hit. It probably wasn't ideal for us but we still like the business and we think the business will come out stronger in the near term and also the medium-term.

Camilla Cox: Great. Thanks Tobias. Thanks Oscar. Sam we will go to you now. We have a few questions on the recent reporting season. Can you provide an overview of companies that announced better-than-expected results and just take us through the sectors that you are also impressed by.

Sam Koch: Yeah definitely. One sector that definitely stood out for us during the reporting season was the agricultural sector. You saw positive results out of the likes of Nufarm (ASX: NUF) and GrainCorp (ASX: GNC) which are well understood and appreciated stocks in the market and the market supported those quite well. We are playing the agriculture sector through three key positions. Ridley, Select Harvests (ASX: SHV) and also DGL Group (ASX: DGL). Ridley we have already spoken to. Select Harvest to start there, the current share price is trading around the asset backing or the net tangible assets (NTA). We believe the catalyst to see a rerate from here is really an improvement in the almond price driven by normalisation in supply chains. For DGL Group they have a large exposure to the agriculture sector and if you look at its larger peer Cleanaway, it is trading on a similar enterprise valuation multiple. However we believe that DGL has a better organic and inorganic growth outlook. When you compare the two, we think DGL has the opportunity for rerating versus Cleanaway and it is really acquisitions that will drive that rerate, so that is the sector that stood out for us.

Camilla Cox: Thanks Sam. Oscar, Thomas has asked if you can speak to some of the notable detractors from the recent period?

Oscar Oberg: I said earlier that we only had eight misses in the February reporting season and we always have what we would call a blow up as such. Two of them were City Chic Collective (ASX: CCX) which is a stock we have owned for a very, very long time and also Life360 (ASX: 360) which was ironically the only technology stock that we owned in the portfolio. Both of these two stocks we actually quite like and I think the selloff that we have seen in both of them is probably more of a reflection of the current environment in, not necessarily the companies and their performance. Interestingly Life360 actually upgraded earnings or their revenue expectations and City Chic actually came in above earnings expectations but have spent more on inventory which has gotten the market worried given the current environment. As I said before with both, two companies did

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hurt us, but actually still positive on the outlook. We had a strong reporting season in terms of calling earnings upgrades, but it is fair to say that the share prices did not respond.

Camilla Cox: Thanks Oscar. Sam, Annette has asked: are you still positive on travel companies now that borders are open and are you concerned of new threats of coronavirus variants even though most of Australia are vaccinated now?

Sam Koch: Thanks Annette. Great question. Travel is always a topical sector in the market. We are positive on the outlook for travel companies. Whilst the risk of new variants is always omnipresent, it is one of those things that we are investing in. Travel companies that we expect will exit the pandemic in a better state than they actually entered the pandemic and we are playing the sector through two key positions, Corporate Travel Management (ASX: CTD) and Webjet (ASX: WEB) and largely avoiding the retail store based heavy network travel companies like Flight Centre (ASX: FLT) and Helloworld Travel (ASX: HLO). If you look at Corporate Travel, they didn't waste the crisis through acquisitions and organic new client wins. They are looking to drive revenue and earnings 75% higher post pandemic than they will have achieved pre-pandemic and that is despite the market cap only being 30% higher. Similarly with Webjet, the structure of their business model has meant that they have actually won shares from competitors during this period. Total transaction value on our numbers is up 50 to 100% in a post pandemic world versus pre-pandemic and the market cap is only 5 to 10% higher. So we see a normalisation or a resumption of normal trading conditions and further acquisitions for these two businesses as driving a rerate from here.

Oscar Oberg: And just on travel, Sam is right, travel is probably the shining light of the reporting season and it was a very good sector for us. I think it has been courant in the sell-off in the past few weeks, we have not sold shares in any of the companies and what was interesting is yesterday Alan Joyce from Qantas (ASX: QAN) came out and actually said that demand for Sydney to London flights, despite what has happened, are still above pre-coronavirus levels in Booking.com overseas. They said that I think bookings in Europe are down 10% but if you drill down that is Eastern Europe related. Western Europe is actually up 10% on pre-coronavirus levels, so the demand is there and our view is that if the consumer has choice between going on a holiday overseas right now and potentially buying a couch or spending a lot of money on retail, they are going to choose a holiday, so we are sticking with our travel names within the portfolio and as Sam has mentioned Corporate Travel, Webjet, Kelsian Group (ASX: KLS) is another stock that we own. Another company that is also exposed to the same factors as IDP Education (ASX: IEL) is one of the largest holdings in the research part of the portfolio, so it is a sector we still really like.

Camilla Cox: Thanks Sam. Thanks Oscar. Oscar, Peter's asked what are your thoughts on Expansive?

Oscar Oberg: Yeah. Tobias touched on this before, it is a pre-IPO holding and we were lucky enough to get an exposure to this company early last year in both WAM Microcap and WAM Capital. They have performed incredibly well and basically what this business is, as Tobias said, they've created the ASX to trade carbon credits let's call it and as we know this space has gone ballistic over the last few years and with Expansive and why we like it is the Founders have actually been doing this for a very, very long time. They saw the opportunity like over 10 years ago and they've put the building blocks in place and it is really taken off over the last call it 6 months. One of the privileges you get being a pre-IPO investor is you can see how these businesses can transform and this business has smashed its numbers over the last 12 months and now they're looking at potentially IPOing in the next few months which will be fantastic, but yeah we're very positive on this company. It is done incredibly well and it is in a very, very positive sector.

Camilla Cox: Thanks Oscar. Tobias over to you, George has said that PEXA Group (ASX: PXA) posted strong results in the recent earning season and he has asked, is WAM Active going to take advantage of the property sector?

Tobias Yao: Yep. PEXA Group had a very strong result. PEXA Group is the dominant property settlement, a digital property settlement and exchange in Australia and it is making its foray into the UK looking to disrupt the antiquated method of settlements over there. We really like the business. We think they can continue to gain market share in Australia, but in the UK the market is three times the size and we think over a five year period UK could potentially be the same size from a revenue perspective as Australia. The revenue comes from the volume that goes through with refinancing of home loans as well as obviously property settlements. We also have Domain Holdings (ASX: DHG) in the portfolio and in terms of how we are looking to get exposed to the property space, we understand there is a risk with the price of properties going forward with inflation, interest rate expectations. The way we are playing at it is through volume, so during periods of price volatility volumes should go up and these companies are best placed in taking advantage of that. Volume is how we are going to play through the property sector.

Camilla Cox: Thanks Tobias. Oscar, Mark said that recently WAM Microcap has been a substantial investor in Swoop Holdings (ASX: SWP). Can you explain the strategy here and then the term catalyst for the stock given its short-term underperformance for the stock and stocks like it?

Oscar Oberg: No problem. Swoop has been a tough one for us, typical company that we own. It upgraded earnings and I think the share price has fallen 30% since the result, so doing everything right. This is a company that we participate in the IPO back in May, did incredibly well. It is in the telecommunication space, in fixed wires. It has great guys on the Board, James Spenceley is one of them that we know very well, ex-Vocus Group (ASX: VOC) guys and we like management and the catalyst was a simple one. Swoop Holdings is a roll-up and we saw earnings accretive acquisitions, but I think to its detriment it raised money back in October and it raised about $40 million dollars off the top of my head for acquisitions. What we have seen over this period is any company that raised money or any company that had an IPO in the last six months has been hurt a lot and this is a company that raised money at $1.80. I think yesterday I think it was 85 cents share price. But have they done anything wrong? No. And they have actually outperformed all our expectations and beaten our numbers, so we are very happy with the position. It is a substantial holding but as I said earlier in the introduction once we think all the dust settles here that will be a stock that should do very, very well.

Camilla Cox: Thanks Oscar. Sam, Rose has asked: what are your thoughts on Electro Optic Systems Holdings (ASX: EOS)?

Sam Koch: Thanks Rose. Yeah we've had concerns for a while the cash collection profile of EOS or Electro Optic Systems Holdings hasn't been really up to our standards or up to what we were expecting. The recent results have actually alleviated some of those concerns there, however we see downside risk to market expectations looking forward given the pretty buoyant market expectations into FY2023 and FY2024 despite the order pipeline coming down in the most recent period as well, so largely an avoid for us now Rose.

Camilla Cox: Thanks Sam. Oscar, Ian has asked: will the high oil price send the world into an earlier-than-expected global recession and how do you best position for this?

Oscar Oberg: I hope not. Looking at history, I think it might have been over about 50 years but correct if I am wrong. Seven times we have seen oil spike to the extent that it has and unfortunately six times we have seen recessions 12 months after that, so look we don't think we are at that point yet. We are hoping that we see a resolution or a ceasefire in the coming weeks or months and that there is a solution because what we are seeing at the moment is crazy with the number of these commodities, how much they have gone up in such a short space of time. We are being patient although we are cognisant of it and that is reflected on the fact we have increased our cash levels across both portfolios. In terms of how we can prepare it, I think it is avoiding those companies that have direct oil leverage within their business such as packaging companies or potentially airlines, but fair to say if we have oil prices stay where they are for an extended period of time, that is negative for consumer facing companies no question. The only thing I will say is that this time compared to last is that we are coming out of Omicron and there is a lot of savings, pent up savings from the consumer particularly in Australia. We do think they will be able to absorb the higher oil price for a period of time. Maybe siz to 12 months, but we would need to see oil prices come off again. At the moment we are staying patient and not panicking and we are happy with how we are positioned across the portfolios.

Camilla Cox: Thanks Oscar. Staying with you. Alice has asked: when will the next correction be? Is it time to buy some bargain share or is now still high to buy?

Oscar Oberg: With small-cap industrials, we think we have already had a correction. Looking at what the markets done in March it is 20% now. So we think there is definitely bargains. I will give you an example. In our WAM Microcap portfolio we own a big position in People Infrastructure (ASX: PPE). It is a labour hire business. They have just upgraded earnings, very strong balance sheet. They are growing at over 20% this year and it is on a price settings multiple of seven. We own Dusk Group (ASX: DSK) in WAM Microcap. Its dividend yield is higher than the price earnings multiple ratio trading on its net cash, so we are seeing silliness in the market. We are seeing opportunities for bargains. Can these companies go lower? Yes they can because it is a very uncertain environment. But if you are taking a medium-term view or a medium to long-term view, we thinks it is very, very attractive at the moment and that is the point I was trying to get across earlier: stripping out the technology companies, looking at sectors such as retail, travel, building materials, construction, mining services. Put them altogether, they are trading on the cheapest valuation that we have seen in a decade so there is definite value. But you need the Russian/Ukraine conflict to settle. Everyone is concerned around inflation to settle and we think demand will come back to the small-cap companies into those sectors. So the long answer is yes, but you have to be patient.

Camilla Cox: Thanks Oscar. A question from a shareholder Paul who says: I bought WAM Capital, WAM Research and WAM Strategic Value all with excellent returns being paid. He bought WAM Capital on 19 September 2018 when the share price was $2.48, however it is now around $2.16. Do you think there is likely to be a bounce back in the share price in the future?

Oscar Oberg: I can't give you any financial advice. But in relation to WAM Capital and the share price I think investors need to understand that the fund is trading at a significant premium to its net tangible assets. When you first bought it might have been trading at a 25% premium to its net tangible assets and today it is trading at maybe a 16 to 17% premium. Now as Geoff will always say, and you can have a look at some of the actions WAR has done over the last 12 months, is he likes buying a dollar of assets for 80 cents. Now clearly WAM Capital isn't buying a dollar of assets for 80 cents, it is paying a premium to a dollar of assets. We would all love the share price to go higher as shareholders with WAM Capital but we can't control the premium or even the discount to the net tangible asset, so I think that is just one thing investors need to be mindful of when they are looking to buy shares in WAM Capital.

Camilla Cox: Thanks Oscar. Sam this one is from Joseph who says: based on the volatile market at the moment, some of the good companies are selling below their intrinsic value. Do you think it is a good time to pick some of them up for long-term holding?

Sam Koch: I think this is a great question and it goes to what Oscar was speaking about a little bit earlier. I think it really depends on your investment time horizon. When you see uncertainty like we have seen with high commodity prices, the conflict in Ukraine and Russia, inflation, interest rate expectations going higher, then typically investment time horizons from the market perspective compress. People stop thinking about five or 10 years from now, they start thinking about what next year or the year after does. Really that is an opportunity. That is an opportunity for people who are willing to look a little bit longer and obviously who can afford to think a little bit longer as well. I think the answer depends on the investor's time horizon.

Camilla Cox: Thanks Sam. Oscar over to you. This is also from Joseph who says: will you consider thinking about issuing any options, rights, issues or a share purchase time for your stable at WAM Capital?

Oscar Oberg: The answer to that is you never say never, but at this stage no, no we won't be.

Camilla Cox: Thanks Oscar and sticking with you. You touched on this earlier, but a question from Grace. Lovisa did well this earning season, can you share any more thoughts on the stock?

Oscar Oberg: It was our best result in the reporting season. The two blow ups we had was City Chic and Life360 but they were more than offset by Lovisa. We were also lucky to get in CIMIC Group (ASX: CIM) for its takeover. But for Lovisa it was a very, very high quality result, it beat earnings expectations by over 20%. This is a discount jewellery retailer with significant offshore plans and saw roll it out opportunities in Europe and the United States. But again I think it went well over $20 a share after the upgrade and I think if you look at it now it might be $18. We are still very, very positive on the company, it has a tremendous outlook for growth and we think it is a high quality company so we have been adding to our position.

Camilla Cox: Great. Thanks Oscar. Tobias this one is from Bernadett. She says: are you still positive on Estia Health (ASX: EHE)? Do you think it still has potential in 2022 despite the volatility?

Tobias Yao: Definitely, Estia is one of our largest positions. We rate the board and the management team highly. It is an aged care operator and over the last two years they have been impacted by coronavirus. Coming out of coronavirus we think they have managed that. We think they will benefit from normalisation of the operating environment and we also think that the government's funding package that we should get carried on over the next few months should be positive for the sector and particularly efficient operators like Estia. If you look at some of the recent transactions both in the listed and unlisted space and price those transaction multiples on Estia, the upside potential is quite large. Allity was bought by Estia for $180,000 dollars per bed. If you apply $180,00 dollars per bed onto Estia, the upside is potentially up to 60 to 80% versus the current share price. So we are there for the long-term and we really like the business still.

Camilla Cox: Thanks Tobias. Sam this one is from Bob who says: what are your thoughts on Structural Monitoring Systems (ASX: SMN)? After the announcement of the breakthrough FAA certification is there anything more that is required before WAM Microcap becomes a shareholder?

Sam Koch: I think that is a great question and I have looked at Structural Monitoring Systems and obviously the FAA's recent approval is a massive tick, a massive validation of the technology that they have. At the moment it comes down to execution in terms of executing the commercialisation post that approval. When you look at the share price and what it has done this month, the stock is up 100%. With a $120 million market cap I think they did $18 or $15 million in revenue over the last two years before coronavirus, so their expectation is building already within the share price, that they will be able to execute accordingly. At this stage we are probably looking for a better entry price.

Oscar Oberg: And Bob we have not caught up in person for a long time, you have been telling me about Structural Monitoring Systems for a long time, I am sorry, we should have invested in it.

Camilla Cox: Thanks Sam. Thanks Oscar. Tobias this one is from Roger. He says that WAM Microcap was progressing well, but he thinks it has gone into a lull period. Can you explain this please?

Tobias Yao: Thanks for the question. As investors for WAM Microcap all we can control is effectively the performance of the fund and we think we have done a really good job with WAM Microcap outperforming around 8% thus far even with the resourced headwinds that we see in the index versus the small ords. That is what we can control and we are laser focused on continuing to pick stocks that will deliver for us over the short-term. In terms of the share price movement, it is very hard for us to give a view there. Our view is that if we continue to perform in terms of the investment performance, the share price will look after itself.

Oscar Oberg: Similar to WAM Capital, when WAM Microcap's share price was well over $2.00 dollars we are looking at a premium of between 15 to 20% and when you see uncertainty like we have seen in the last few months, microcap companies are incredibly risky, all that we have seen with the share price is the premium has gone from say 15 to 20% to 5 to 10%. In terms of the portfolio, as Tobias said, at the end of February we were outperforming just over 8%. We are extremely happy with that outcome in this environment. Because we don't have many resources stocks there, stock picking has been excellent. So again we are very happy with the performance in WAM Microcap.

Camilla Cox: Great. Thanks. Oscar we have had a few similar questions on this. This is from David and Thomas. What are you doing to drive some real growth in WAM Capital? How sustainable is the WAM Capital dividend going forward with the volatility that is in the markets including increasing inflation and possibly reduced growth?

Oscar Oberg: That is a very good question and Geoff might have talked about this last week. With WAM Capital, you need to look at what our profit reserve is. Now at the end of January I think at the

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last reported update we were at 19.3 cents a share. We are paying out 7.75 cents again in April, that leaves us say 11.3 cents. It means we can pay another 7.75 cents per share, well hopefully pay another 7.75 I should say in October/November. Then we are left with 3 and a bit cents for the dividend this time next year. The way we pay dividends is by generating unrealised or realised gains through the portfolio. We are going through a very difficult time for small-cap companies as we were saying this financial year, but the clock finishes at 30 June and then starts again on 1 July into the FY2023 financial year. It will be important for us to generate profits or see the market go up from 1 July and for us, to stay in line with the market, and when the market is up, we are making profits. We will be able to generate for the profit reserve to pay that dividend this time next year, so keep an eye on the profit reserve for WAM Capital definitely because in terms of all these investment companies WAM Capital is the tightest, has the tightest profit reserve to be able to keep maintaining those high dividends that you are receiving for an extended period of time.

Camilla Cox: Thanks Oscar. Sam, Ian has asked: is stock selection performed on an individual company basis by market analysis or are themes identified such as electric vehicles used to guide the selection of stocks?

Sam Koch: Thanks Ian. It is definitely bottom up, obviously macro trends definitely help drive bottom up performance of certain companies and we have benefited from that in e-commerce companies immediately post coronavirus and also building materials companies at the same time late last year, so macro drives the bottom up and we look at both.

Camilla Cox: Thanks Sam. Oscar this one is for you from Denise. He asked: why has a special dividend been issued for the last three years for WAM Microcap? Why this listed investment company (LIC) and not any of the others? Would we be likely to know if there was another special dividend to be received this year?

Oscar Oberg: Thanks Denise for the question. We have been very proud of the performance of WAM Microcap since the IPO in June 2017 and we have been able to I think this is the fourth year in a row we paid a special dividend back in November last year. When we raise the money in WAM Microcap back then, we made the point that we wanted to keep the company small and that is a reflection of the fact the companies we are investing in they are less than $300 million dollars in terms of the market capitalisation. They are small, they are illiquid, so we wanted to keep the fund small and I think that is why we have been paying special dividends to reward shareholders for their loyalty. That obviously reduces the size of the fund and so as we are sitting at today, the fund is around $340, $350 million in size and that is the appropriate size that we see for the companies that we are investing in. When will you know if we are going to pay our special dividend? That is a decision for the Board in July. I can't comment on the ability for us to pay or whether we are going to make a special dividend, all I can say is that we have a very healthy profit reserve with WAM Microcap which I think is off the top of my head just over five years of coverage. We do have the ability, but a lot of that is dependent on the current state of the market. One of the things we have learnt over the 20 odds years that we have run money for you is the last thing we want to do is cut a dividend or not be able to pay a dividend, so that is certainly something we will take into account with WAM Microcap.

Camilla Cox: Thanks Oscar. Tobias this one is from Jan. She has asked: what is WAM Capital's exposure to Russia and China, and if there is any, how quickly can it be extracted?

Tobias Yao: We have zero direct exposure to Russia and China. In terms of indirect exposures it is very minor. For example some of the travel names Sam has talked about earlier that obviously could be impacted by what is happening there in Europe.

Camilla Cox: Thanks Tobias. Oscar this is from Moe, he says: I am writing to ask you about a takeover offer for CIMIC. I think you mentioned this earlier. As CIMIC is a big holding of WAM Active do you think it represents a fair value or does it undervalue the company?

Oscar Oberg: It is a good question. In this market, getting a takeover which I think at the time was 35% for $22 it was hard from our perspective to resist. CIMIC is a difficult one. If Hochtief didn't own over 70% of the shares on issue and it was just another company buying CIMIC, you would probably argue that it probably did undervalue CIMIC. However giving its largest shareholder and there is unlikely to be a competing bidder because Hochtief own so much, basically the price is $22. We sold into that takeover bid and took our profit from that investment.

Camilla Cox: Thanks Oscar. Tobias this is from Lester who says: with small-caps and technology stocks there must be a re-entry point. What catalyst do you see for a return to sustained growth?

Tobias Yao: Thanks Lester it is a great question and one we ask ourselves every day. I think with the technology companies we have two baskets. One is the profitable companies that is on industrial multiples, so PE multiples. And the other basket, these are the previous companies that have done exceptionally well from a growth perspective but are massively cash burning and the market for that is just not there right now. I guess the catalyst for that basket to rebound is, we have watch closely the interest rate expectations and what that does for growth in general. In terms of re-entry points, companies we are looking at are in the former basket where they are profitable, have strong balance sheets. These are for example Data#3 (ASX: DTL). Data#3 is an example where it is a high profitable business, net cash balance sheet and with potentially 10 to 20% top on growth over the next few years per annum, so that is the space we are currently focused on and I think that is the space that we think we can get the best return for our shareholders.

Oscar Oberg: I think one thing we have learnt over this period from coronavirus in particular, is that it is very dangerous to rule out a sector in its entirety. Look at the oil sector right now. 12 months ago it was hated and now all of a sudden oil is $150 dollars a barrel. One of the good things about Wilson Asset Management is we see a lot of companies, we are sector agnostic, we will see companies across any sector. Yes we are underweight for the technology sector right now, but we will keep seeing those companies. We know the companies to buy if things go the other way and as I said earlier if we see the inflation expectations come off or interest rates heights come down, technology companies will be back in vogue again, so we need to keep our options open and certainly we are not ruling out this sector altogether because a lot of these companies have a significant revenue growth profile. We are keeping an eye on a lot of companies because it can change.

Camilla Cox: Thanks Tobias. Thanks Oscar. Oscar this one is for you. It is from George. He asks: does it make sense you can buy in WAM Active and WAM Research into WAM Capital seeing WAM Capital is actually a blend of both of those LICs already?

Oscar Oberg: Thanks for the question. It is a good question, it is certainly one as a management team we do talk about a lot. The difficulty with doing that is that WAM Research does have quite a lot of profits reserve relative to WAM Active and also WAM Capital, so you would be disadvantaging those WAM Research investors if you were to do that. Potentially it would be a simpler structure there is no doubt about it but look, at this juncture we are happy to keep the funds as they are.

Camilla Cox: Thanks Oscar. Tobias another question from George. He asks: have you increased your cash holdings in the last month given the uncertainties relating to the impact of inflation including those potentially associated with the Russian invasion of Ukraine?

Tobias Yao: Yes we have. I think Oscar touched on that earlier, where we actually increased our cash over the last period.

Camilla Cox: Sam over to you, this is from Steve and he asked: do you invest in resources, if not why don't you?

Sam Koch: Good question Steve, we do invest in resources and we can and we have that flexibility. At the moment we have a couple of resources companies in the portfolio the likes of Mincor Resources (ASX: MCR), Champion Iron (ASX: CIA), Paladin Energy (ASX: PDN), Karoon Energy (ASX: KAR) and 29Metals (ASX: 29M). Obviously the total weight and aggregate pales into comparison against BHP and Rio Tinto. They are part of the all ordinaries index, but we apply the same stock picking and process to these companies as we do to the industrials. Have to be undervalued, growth, resource companies with a catalyst to realise that value.

Oscar Oberg: That is a good point Sam, if you look at the 23 years history of WAM Capital, resources has always been a small component of the fund and yes resources are doing very, very well at the moment. The frustrating thing for us is that normally mining services has been a little bit of a hedge for resources but it could not have been a worse hedge in the last two years given the border closures that we have had. We are not changing our process, we are sticking with industrials. That is where we view our expertise and our view is that as I said earlier when things shift and we will see things shift at some point when it comes back to small industrials we will have the best portfolio for the small-cap industrials index and we will do very well and that is why we are sticking to our knitting.

Camilla Cox: Great. Oscar, Lester has just followed up on the cash question. He says: you mentioned ARB Corporation (ASX: ARB), Credit Corp Group (ASX: CCP), oOh!media (ASX: OML) and Ardent Leisure Group (ASX: ALG) and the cash has increased. Since February 1 what other positions have you reduced?

Oscar Oberg: Those stocks that were mentioned we have not reduced. In fact we are buying. I will give you some broad sectors. We had a very, very small exposure to technology that has been reduced. Consumer discretionary has been reduced and particularly those we see with oil prices right now and when I am talking consumer discretionary, I am talking largely retail. We had some wins over the reporting season and took the opportunity as well to take some profit and to reduce our exposure. But if you had a look at the portfolio compared to what it is today versus the start of

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February, it is not really that different. Reporting season in February is such an important time for us and we want to have the biggest weights in the portfolio that we can to benefit from it. The reporting season we just saw was not normal, it was anything but. We have dialled up our weights for most sectors into reporting season and then as companies have reported we have taken that opportunity when the liquidity is there to reduce those weights. That is why we have gone from say call it 11 or 12% cash in the middle of February in WAM Capital to around sort 18 to 19% at the moment and as I said earlier we are very happy with those levels.

Camilla Cox: Thanks Oscar. Tobias this is for you from Sally. She says: she keeps hearing about the semi-conductor shortage. Is this the space that you see as an investment opportunity?

Tobias Yao: Thanks for the question Sally. From a semi-conductor shortage issue perspective we are looking at it more from a supply side in terms of semi-conductors being a component of some of the companies we have invested in. It is something we are focused on more from a risk control perspective, but not so much from an opportunity perspective.

Camilla Cox: Thanks. Oscar this is another question from Ian. He asks: if you think the flood damage will lead to further sale strength for Nick Scali (ASX: NCK)?

Oscar Oberg: It is interesting when I said go on a holiday versus buy a couch. As I was saying it I was like “oh hang on, we just had all these floods in New South Wales and Queensland”. The answer is yes probably. The thing is with those companies like Nick Scali is a great example of this. They have extraordinary levels of sales over the last two years. Temple & Webster also another beneficiary no doubt. Where we have come to in the market is yes, they might get a bump from this no doubt, but the market will generally look through it because it is viewing the level of sales that they have done over the last two years as the peak level of sales. So yes you might get a little bump definitely, but I think the market will look through it and that is why we are in the retail sector. We are focusing on those retails that have been impacted the heaviest through coronavirus. We have not even talked about Myer Holdings (ASX: MYR), but Myer is a great example, they have been smashed through coronavirus. There is no one in the city going to their large stores, shopping centres have been empty for a period of time, but now we are seeing people come in, foot traffic and so forth. That is the style of retail that we are looking to invest in. Nick Scali is a great business, great management team, but I just feel like they have had a massive bump from coronavirus, so they are the ones that we are avoiding.

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Camilla Cox: Thanks Oscar. Just sticking with you. We have another question from Gail. She says that you are avoiding packaging companies because of oil prices, however are they not defensive due to the link to consumer staples?

Oscar Oberg: We thought so Gail. One of the stocks that we did slip up on was Pact Group Holdings (ASX: PGH). We talked about that probably a year ago and everything was going right. Their input costs in these businesses we underestimated and in particularly the oil price is a significant input into resin. They do have the ability to pass on costs through their end customers, but in some situations they can't and they have to wear it. So unfortunately the two companies Pact and Pro-Pac Packaging (ASX: PPG), we own Pact in WAM Capital, we own Pro-Pac in WAM Microcap. They have really struggled through this period. That is an example of when we are talking about oil price and what we can do with the portfolio. It is doing the work around those sectors and trying to understand which ones will be impacted the most and unfortunately that is a tough sector right now. It is frustrating because it should be a defensive sector and you are right. We are avoiding the packing sector right now.

Camilla Cox: Thanks Oscar. This next question from Collin is for the whole team. He has asked: are you all shareholders in WAM Capital, WAM Microcap, WAM Active and WAM Research?

TEAM: Absolutely yes. It is our second biggest investment after our house.

Camilla Cox: Fantastic. This one is for you Oscar. It is from Macker. He said: why do you think interest rates will increase so strongly?

Oscar Oberg: We are coming off a very low base. There is no doubt about that and as I said earlier, everyone underestimated how tough the inflationary environment has been. We are pretty confident that once we went back to normal some of that supply chain inflation would reduce, but the commodity prices that we have seen of late is large. Oil price is high. It is a big input. Interest rates do have to rise, they will rise, and the question is how much. Now we are making a bet that we think that consensus expectations to interest rate rises will come down a little bit. The interesting thing is and you go back in history, we have done this a lot over the last few weeks. In periods like this when we see an interest rate hiking cycle it has actually been a good thing for the market because earnings growth has come through, there is a reflection of economic growth in the health of companies and the only difference this time I would say is that we have the Russia and Ukraine conflict. That us what I am saying our view is if we get to some sort of stability there, we really do think the market will come back to our space. If you go through our companies, we are leveraged to the consumer, we are leveraged to a reopening of the economy really, post Omicron. Long answer again, I seem to be doing that a lot at the moment, but that is why we think interest rates will rise.

Camilla Cox: Thanks Oscar. Sam we will go to you now. This question is from Perry who has asked: what is your current view on Sovereign Cloud Holdings (ASX: SOV)? Is there a catalyst that you have based your investment on?

Sam Koch: Definitely we are positive on the outlook for Sovereign Cloud Holdings. We think that NEXTDC (ASX: NXT) and Craig Scroggie taking a stake in the business recently is a validation of their technology in their offering for their clients and it is just that extra tick that you get as being an external minority shareholder in that company. The catalyst for us is seeing a continued acceleration in sales growth. They are coming off a low base, but at the same time we see a lot of opportunity for them in Canberra with government contracts.

Camilla Cox: Thanks Sam. Tobias this one is for you. It is from Ian. He says: as a WAM Microcap stock has the biotechnology company Avita Medical (ASX: AVH) come onto your radar?

Tobias Yao: Thanks Ian. Typically we have not historically invested in biotechnology companies due to the lack of domain expertise. A lot of the biotechnology stuff require pretty technical knowledge, so Avita hasn't been one that we have looked at closely.

Camilla Cox: Thanks Tobias. Another question for you Oscar from Sally. In regards to the WAM Capital profits reserve, she remembers that years ago WAM Active provided a return of capital. Is this something that would be considered if the WAM Capital profits reserve was challenged?

Oscar Oberg: It is probably a better question for Geoff, but we are a while off that at the moment. We do have support with the profits reserve as I said we have about 75% let's call it of the full year dividend after next financial year, so it is something we would always consider if things progressed to that point, but we are nowhere near that as yet.

Camilla Cox: Thanks Oscar. This one is from Steve. He has asked: is your benchmark the S&P/ASX All Ordinaries Accumulation Index? Why did you opt to invest large-cap stocks given you are sector agnostic and have the flexibility?

Oscar Oberg: Yeah I mean our benchmark in WAM Capital is the S&P/ASX All Ordinaries Accumulation Index. The view we have always taken over the last 23 years is that on average small-cap companies outperform large-cap companies and that is where our focus has been. But if you look at the two strategies there is the market-driven strategy and there is the research-driven strategy. Effectively we are happy to look at any company that has a catalyst that fits our investment process. I think it is fair to say the vast majority of what we do look at is in the small-cap space given that is generally where we see the growth come from. So if you looked at our portfolio right now, there is a handful of top 100 companies within there that are small exposure, it is largely small-cap industrial companies.

Camilla Cox: Thanks Oscar. Another question from George for you. Iris Energy (NASDAQ: IREN), he says he thought your investment universe was limited to Australian and New Zealand stock exchanges is this correct?

Oscar Oberg: The prospect for WAM Capital is very broad and so you can include other exchanges. Now clearly we have always focused on Australia and to a limited extent New Zealand. What happened there was effectively when we invested in Iris Energy, and this is a very small position at the end of 2020, their intention was to list on the ASX. Unfortunately at the time, which was frustrating, the ASX didn't want anything to do with Bitcoin. Iris Energy was left with no option but to list in the NASDAQ. What ended up happening was Square bought Afterpay and Square has a huge exposure to Bitcoin, so I think now I am pretty sure that Bitcoin or Bitcoin Miners are allowed on the ASX, so it was just an unfortunately circumstance. Ideally we would prefer it on the ASX, but the fact that they have been listed is a positive particularly because it would be very tough listing right now. It sits there in the NASDAQ but there is nothing else across both portfolios that is listed on an exchange outside of Australian and New Zealand.

Camilla Cox: Thanks Oscar. This one is for you Sam. Is Qantas buy a hold or a sell?

Sam Koch: I am going to say a buy. Obviously it is not currently in the portfolio. We have talked to Corporate Travel Management and Webjet and our thesis there. We are positive on travel companies. Qantas can take cost out of the business. Why I am saying it is a buy, as it is in the WAM Leaders' (ASX: WLE) portfolio and they have talked about that in their webinar. Everyone is worried about oil price. We think that they have efficiently hedged that profile and so we think that the concerns there are overblown.

Camilla Cox: Thanks Sam. Oscar this one is for you. It is from Collin. He says: given that oil price has bolted, how do you see its medium and long-term prospect? What are the best oil stocks that WAM Capital are favouring?

Oscar Oberg: Short-term who knows what happens. Medium-term I think it would be fair to say that we were positive on oil, so if the WAM Leaders guys were here they would say the same thing and that is largely due to the lack of investment over the last three or four years with coronavirus and just generally probably the environmental, social and corporate governance (ESG) push has probably discouraged investment into oil and gas projects globally. I think generally and as we came out of Omicron as well, there should be more driving and demand for oil largely should have increased. I don't think anyone has predicted $150 oil and who knows what happens with Russia and banning exports. We are sitting here today and oil was $100 I think we would all be saying it would be positive in the medium to long-term outlook.

How are we playing it? We have two companies that are probably around 4% of the portfolio. We have Viva Energy (ASX: VEA) which we have owned for a long, long time. These guys are Shell service stations. They will actually get hit on the service station business with oil going up, we all know how expensive the bowser is at the moment, filling up with petrol is ridiculous. But they get hurt in periods where the oil price goes up. They need a bit of stabilisation here now, but on the reverse their refining business has been loss making for a number of years. They are going to have a very, very big year, so we think that will more than offset any sort of margin reduction they get in their service stations. The other company is Worley (ASX: WOR). It is an oil services contractor, very global and they have had a pretty tough environment to be fair the last 10 years. But earnings we feel have bottomed and they are a big beneficiary of increased oil and gas capital expenditure. They are the two companies that we are playing it through.

Camilla Cox: Thanks Oscar. This one is for you Sam, it is from Rick. He says there is talk of stagflation. How is WAM Capital, WAM Microcap and WAM Research positioning for this?

Sam Koch: Great question Rick, thanks for that. It seems like more and more people are speaking about the prospect of this happening. You have two dynamics. You have rising interest rates and slowing economic growth for that to happen. At this stage we see the rising interest rates are an indicator of the health of the economy in our view and that is our thesis and that is how we are playing that within the portfolio. If we see changes where economic growth is slowing or

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underwhelming relative to our own expectations we know the right sectors to be reducing or to be managing in that situation. So it is a watching brief.

Camilla Cox: Thanks Sam. Tobias this one is from Charles and it is for you. He asks is Xero (ASX: WRO) a buy, hold or sell?

Tobias Yao: That is a very good question. It is actually something we are working on right now. If we had this webinar in a week's time, I could give you an answer because Xero is one of the highest quality technology companies on the ASX. We are just actively working on Xero right now.

Camilla Cox: Thanks Tobias. We have one last question today. It is for Oscar and it is from Alan. Do you have a view on the AGL takeover by Mike Cannon-Brookes and Brookfield? Will you be buying into it?

Oscar Oberg: AGL is a large-cap company. It is not a stock that we know very well. Probably can't make a comment on it unfortunately.

Camilla Cox: Thanks Oscar and that is all our questions for today so I will pass back to you for any final words.

Oscar Oberg: Thanks Camilla, thank you very much everyone for dialling in this afternoon. Again, sorry about last week, but if you have anymore questions please send them through, we will be happy to get on the phone and talk to you. As per usual thank you very much for your support.