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Wilson Asset Management

WAM Strategic Value FY2022 Interim Results Webinar

Geoff Wilson: Good afternoon. Welcome to the WAM Strategic Value (ASX: WAR) FY2022 Interim Result Webinar. I am Geoff Wilson and you will be joined by myself and two of the team that work very closely on this portfolio. That is our Chief Financial Officer Jesse Hamilton and Marty McCathie who is one of our investment specialists. We will do the presentation and then we will open up for questions and answers. Thank you very much for sending in a lot of questions. Now as you know this is your company and we are only here because you allow us to do what we are very passionate about. Our Senior Corporate Affairs Advisor Camilla Cox will be running the Q&A a little later.

Looking at the six month period to 31 December 2021, the first half yearly result for WAM Strategic Value, if I was giving a mark out of 10, probably a 7. It was a reasonable result in what was a challenging market. The portfolio increased by about 6.2% over that period, that was since the initial public offering (IPO) was oversubscribed in June 2021.

In terms of the Board and dividends, there is 4.2 cents per share in the profit reserve. The Board had decided to start with a dividend. In theory, everyone understands that sometimes the franking comes after the profit reserves, so the franking will come later. The logic was to start with a 1 cent per share fully franked dividend. The plan would be to grow that over time and to provide an increasing stream of fully franked dividends to shareholders.

In terms of WAM Strategic Value's share price, it is relative to the net tangible assets (NTA) and from my perspective it is cheap. It is trading at close to a 10% discount to NTA, which we would assume will change over time as we continue to perform. We hope that that will move from the discount to NTA and then logically it should move to a premium at some point in time.

In terms of the opportunities we have found, the great thing about buying a dollar of assets for 80 cents, there are always opportunities. Maybe in the presentation in Q&A a little later we will cover them. What I would like to do first is I would like to now pass over to Marty McCathie who will just provide you with a bit of an overview of the growth that we have seen in the listed investment company (LIC) and listed investment trust (LIT) sector. Marty, can I pass it over to you thank you.

Martyn McCathie: Thanks Geoff and good afternoon everybody. As Geoff said I will just run through some of the growth that we have seen in the LIC sector and the opportunity set that we have through WAM Strategic Value. The LIC sector has grown significantly in the last few years. In 2012, there were almost 40 listed investment companies and today we are standing close to 100 listed entities. From many years ago, the industry has grown from a little over $23 billion to in excess of $56 billion as at 31 December 2021. And at the end of December 2021, there were 78 LICs and LITs trading at a share price discount to their NTA.

During January and February this year, we are obviously seeing extreme periods of volatility and the LIC sector saw a widening of discounts within the sector, particularly in the market capitalisation between $60 and $200 million. As volatility occurs and discounts expand, it is providing an opportunity for WAM Strategic Value to acquire LICs and LITs at attractive price points.

To address the time within the sector, we have seen a period of consolidation during 2021 as a number of LICs were subject to takeovers, scheme arrangements, or conversions into different structures and we anticipated this trend will continue through 2022 as we see consolidation in the sector ahead of what we think will be growth long-term. Jesse, do you want to run through some of the structural changes that we have seen in our portfolio through the period ending 31 December 2021?

Jesse Hamilton: Definitely. Thanks Marty. Obviously since we listed WAM Strategic Value in June 2021, there has been a number of companies looking to address their discounts to NTA. Now some of those have looked to address that from a structural problem and then some have looked to merge with other entities within the listed investment company sector.

One entity, Antipodes Global Investment Company (ASX: APL), have done a scheme arrangement where they have moved their LIC structure into an exchange traded fund (ETF), so it is an active ETF which enabled shareholders to realise out of that investment vehicle at the underlying asset backing versus selling the shares on market at a discount to its NTA. Through the scheme, WAM Strategic Value was able to realise its investments in APL via Antipodes Global Shares (ASX: AGX1), it was called, at its NTA value less transactions costs. From the announcement of that change up until that point, we saw the share price close in on that discount to NTA, which enabled a lot of investors to realise the full value.

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Long term, we are big believers in the listed investment company structure, so whilst the change from Antipodes addresses the problem, I think in the long term, as LIC investors we still prefer the listed investment company structure for these investment vehicles and that goes into what Magellan also did in August last year. They took the Magellan High Conviction Trust, that was a listed investment trust and they moved that into an ETF structure which enabled investors to realise at NTA.

Some other companies have looked to merge within the sector versus change the structure completely, and these are some smaller listed investment companies. You would have seen the Templeton Global Growth Fund (ASX: TGG) and WAM Global (ASX: WGB) merger and more recently Westoz (ASX: WIC) and Ozgrowth (ASX: OZG). They announced schemes of arrangements with WAM Capital (ASX: WAM) at the end of last year and recently the courts approved for the Notice of Meeting to be sent out to the WIC and OZG shareholders. On 31 March there will be a merger calculation completed and those shareholders will vote on the merger on 4 April, so if everything goes forward, those two entities will merge with WAM Capital on 21 April this year.

When those mergers were announced, WIC and OZG were trading at significant discounts to their underlying asset backing and that has closed significantly and it is still closing at the moment in the market compared to the overall value that the scheme presents those shareholders. We should look to see more of that discount close leading up to the scheme approval at the end of March.

Geoff Wilson: Thanks Jesse and now we will pass over to our Senior Corporate Affairs Advisor Camilla Cox. Camilla can you take us through some of the questions we have received? Again thank you very much for all the questions you have sent in. Anyone that has any additional questions please send them in because this is your company and we would like to explain any questions you have, or any comments or suggestions please feel free to pass them through.

Camilla Cox: Great thanks Geoff we have had lots of questions come through. This first one is for you, it is from Jason and he says: what are some of the key factors that drive WAM Strategic Value's investment portfolio performance?

Geoff Wilson: WAM Strategic Value is totally focused on buying that dollar of assets for 80 cents. The factors for us are the timing of investing the money, and at the moment we are sitting around 35% cash. We have held our cash level and actually built it up a little bit and that is because, well I mean the market has had a great run, we knew that was the case and in terms of opportunities we have just been gently increasing our exposure buying a dollar for 80 cents. One we are buying a dollar for 81.8 cents at the moment is the Magellan LIT, so they are the opportunities.

What drives the performance is our ability to find those opportunities and the timing on when those discounts close. They are the two factors because broadly you would assume that WAM Strategic Value should get the performance of the underlying managers, well it will get the performance of the underlying managers, but on top of that, if we are successful in buying a dollar for 80 cents and it eventually turns into a dollar if not more, then that closing of the discount, you will get that benefit as well, so they are the two. The exposure to the underlying managers, plus the closing of the discount and that is a bit more arbitrary, the closing of the discount.

Camilla Cox: Thanks Geoff. This next one is also for you, it is from Tom. He asked: why isn't WAM Strategic Value conducting takeovers but WAM Capital is?

Geoff Wilson: Amongst the Wilson Asset Management stable, takeovers will be undertaken where it makes sense. You have independent Boards, each independent Board. WAM Strategic Value looked at obviously being an investor in the LIC and LIT market. When the most recent takeover bid for PM Capital Asian Opportunities Fund (ASX: PAF) was made, WAM Strategic Value had a good look at that. If WAM Strategic Value was trading at a premium, then it would have made sense for WAM Strategic Value to bid. Unfortunately at the moment WAM Strategic Value is at a discount. That is something that we are blatantly aware of and we have a broad strategy to deal with that. I can talk about it, it will probably come up in a question a little later. It made sense for an entity with a premium to make the bid and that was WAM Capital. The merger with Westoz and Ozgrowth, they actually approached WAM Capital. They were attracted to WAM Capital's size and its premium. The Board of WAM Strategic Value obviously will be interested in making takeover bids if it adds value to the WAM Strategic Value shareholders. It will only do it when it adds value to the WAM Strategic Value shareholders.

Camilla Cox: Thanks Geoff. Jesse we will turn to you now. WAM Strategic Value recently announced an interim dividend of 1 cents per share. When will we see this increase?

Jesse Hamilton: Thanks Camilla. All dividend decisions are that of the Board of WAM Strategic Value. Looking at the first initial period, the company does take some time to build its profits reserve through the performance of the investment portfolio. If you look back to say WAM Leaders (ASX:

WLE), WAM Global even, in those initial periods, both of those inaugural dividends were 1 cent per share after the first six months. Then they have grown steadily from that point.

One of our objectives is to pay a stream of fully franked dividends to shareholders and we have built that profits reserve to 4.6 cents per share. We have started at the 1 cent per share fully franked interim dividend and over time as we build that profits reserve and we can see that we do have a sustainable level in the reserve to increase the dividends, that will be something that the Board is considering in each six month period.

Geoff also mentioned before that franking credits is important, and at the moment we are in this first period of portfolio performance. We haven't had our first tax return. We have received some flow through dividends from the underlying LIC portfolios, so we had just above 1 cent per share in franking credits available to distribute to our shareholders and that is something that we also want to build as we build the profits reserve over time.

Camilla Cox: Thanks Jesse. Geoff, this next one is for you. It is from David. He has asked what your view is on VGI Partners' (ASX: VG1) merger with Regal Investment Fund (ASX: RF1)?

Geoff Wilson: Yeah. It is an interesting one. We know both Rob Luciano and Phil King, and to me, I think it is a logical one because it appeared from the various public statements that VGI was really focused on managing their wholesale money. Their listed investment companies, they were finding it challenging, really spending time on the shareholder engagement, the communication, the marketing, and that is a very hands on business.

Camilla is in our Corporate Affairs team that does that and we have close to 10 people in that team, so you really have to commit significant capital to that. We are very committed to that. It will be interesting to see what they do with the listed vehicles. I will have a chat with Phil and Rob at some point, but I would have thought it probably make sense when they are merging them, the two management companies, why not merge the three listed investment companies as well, then into Regal, so then you have a large say $2 billion plus LIC. The interesting thing we are finding in this LIC space, you look at the larger players, there is some benefits of being large. You look at AFIC (ASX: AFI), the other day when I looked at it, it was trading at a 14% premium. Argo (ASX: ARG) was a 7 or 8% premium and WAM Capital 20% plus premium. They are the three largest listed investment companies in the space, they can pay up for liquidity, so I think that would make sense. I spoke to Phil the day that the deal was done.

WAM Strategic Value's a shareholder in VG1 and VG8, they are both trading at big discounts. Selectively we are buying more when we think it makes sense and that is obviously one of Phil's goals is to make sure that they close those discounts. Regal have successfully done it with their RF1 and unfortunately the VGI guys haven't, so to me I think it definitely will be positive for the VG1 and VG8 shareholders. There could be a corporate transaction there. I haven't discussed this with either parties, it is just something I was thinking about and at some point in time I will mention it to them.

Camilla Cox: Thanks Geoff. Marty we will turn to you now. This question is from Mario. He says that short selling is mentioned as a possible strategy within the prospectus and he is wondering how much of this is actually employed within WAM Strategic Value?

Martyn McCathie: Thanks. Good question Mario and as you have pointed out obviously short selling is a tool that WAM Strategic Value has at its disposal as we are investing capital. To date we have not exercised that ability. We have not short sold any securities. Getting liquidity and borrowing within the sector is difficult with listed investment companies. You could only be looking at the larger LICs and that is not something we have used to date but still remains a tool that we have at our disposal.

Camilla Cox: Thanks Marty. Geoff, back to you. This one is from Lee. He has asked if you can talk us through WAM Strategic Value's share price performance since listing?

Geoff Wilson: Yeah. Okay so we came out and said that thought about $225 million was the right size for this vehicle. We were incredibly, very pleasantly surprised at the demand and unfortunately we had to cut some shareholders back, so it was oversubscribed. There was more demand than supply. What that meant was there was a build-up of excess demand. When we listed with assets of $1.25 and within the first little period it was trading at $1.30, $1.30 plus. It pushed it to a premium because that pent up demand was there. Really unjustifiably pushed it to a premium because we really had not delivered in terms of on performance. Then, various people were buying at a premium and it got a reasonable premium there 6%, 7%, 8%, and since then we have had a couple of market shakeouts.

What you tend to find is it has gone from a premium to a discount and obviously some of the people that bought shares either in the float or bought shares after the float, questioned themselves. Am I a real believer in what is happening? We have seen that before.

Our goal is, as I mentioned earlier, WAM Strategic Value is trading about a 10% discount, I have been nibbling away more recently at the discount. It will just take a bit of time to tighten up the share register and then once we do that, it is really getting all the people that are believers in what we are achieving or what we plan on doing. If shareholders are very happy with what you are planning on doing, then you actually have no selling, and then the share price moves to NTA and then eventually moves to a premium.

One of our LICs that had a similar situation to WAM Strategic Value, and this is years ago back in 2003, 2004, well I don't know if we had anyone in the Corporate Affairs department then, I don't think we did - we really had not committed ourselves to shareholder engagement, marketing, communication part which is very important. But WAM Research (ASX: WAX) back in '03, '04 had traded at a discount for quite a period of time, it was actually seven years. It is the longest of any of our LICs. Over that seven year period, the people that were happy with what we were doing were buying or staying as shareholders and the ones that were there just for more of a short-term trade, they moved on. Eventually the share register tightened up. When I looked the other day it was trading at a 40% plus premium to NTA which is crazy.

That is pretty much the performance. My view is when the markets have a bit of jitter, then you work out who really wants to own the shares in the company. Because the people that are not committed, they sell out and that provides an opportunity for other people to buy in. People ask me from time to time, "Why don't you do a share buyback at a say 10% or 12% discount?" I would prefer to let other people, other smart investors buy a dollar for 90 cents rather than do a buyback. Buybacks really don't work. Marty, you were looking at some analysis recently. Do you want to touch on the buybacks?

Martyn McCathie: Happy to delve into them Geoff. As Wilson Asset Management and WAM Strategic Value are looking at investment opportunities and other listed investment companies, we are looking to identify a catalyst and it is in line with the investment process that Geoff has deployed over 21 years. One of the potential catalysts, or is believed that one of the potential catalysts for a listed investment company, could be the implementation of a buyback. We have spent countless hours analysing buybacks, not only for our companies and whether they are beneficial, but also as we are looking to invest in other LICs at a discount, and to discover if they could be a catalyst for that discount narrowing.

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From the analysis that we have done, there is no direct correlation between a buyback and the narrowing of a discount. What it does is, the buyback provides short-term liquidity and a bit of a sugar fix, and you see that discount narrowing short term, but you are not rectifying the supply/demand imbalance that Geoff has talked to. Although you are providing short-term liquidity, effectively you are providing longer term issues because it is that short-term fix.

Based on the LIC sector as a whole, nearly 25% of LICs have announced or are conducting buybacks in the last 24 months and each of them like doing that at a Board level with the intention of reducing the discounts. Interestingly though, over a period looking at that cohort of LICs, the discount across those 25% of the market actually widened. As Geoff said, a well-articulated communications and market and engagement strategy helps for that long-term supply/demand imbalance and equalising the share price, compared to buying the shares back and effectively kicking the can down the road.

Camilla Cox: Thanks Marty and thanks Geoff. We will go to Jesse now. This one is from Susan. She has just asked: if you can please explain in simple terms the outperformance fees for WAM Strategic Value?

Jesse Hamilton: Thanks Camilla and thanks Susan. Simply put, and as it is set out in the prospectus for WAM Strategic Value, the performance fee is based on the performance of the investment portfolio. As the investment portfolio increases after management fees, there is a 20% performance fee on that outperformance. That is subject to a high water mark. For example, if the portfolio does not increase above its starting value or about the value that it last paid a performance fee, no future performance fees are paid until the portfolio recoups that value.

Camilla Cox: Thanks Jesse. Back to you Geoff. This one is from Anita and she has asked what you think the biggest risk is in equities moving forward?

Geoff Wilson: Yeah, owning them! The biggest risk probably, let's rephrase it, to the market. It is a very difficult market at the moment and the reason it is difficult is because it is a market in transition. We have seen 20 or 30 odd years of a bull market interest rates just getting lower and lower and lower. There is an indirect correlation between interest rates and the performance or the value of companies. Lower interest rates means higher value for companies, higher fee values, more corporate activity, and people can pay higher prices because they are borrowing more cheaply.

Interest rates were a big driver of equity valuations and that is what we have seen over a long period of time. Now that is pretty much close to stopping.

Because of the concern about inflation, it appears that interest rates in the future will start going up and that can be pretty brutal. Now if interest rates double, then price to earnings (P/E) ratios for companies in theory, assuming an efficient market, should halve. Assuming earnings per share does not change, that means the market halves. Now that is a bit of an extreme case, but what we do know is we know interest rates are going up.

We also superimpose on that recently what is happening in the Ukraine, is it the Third World War? Whether it is or isn't, back in the early 1990's if you were investing in the market there was a big benefit to global growth because it was called the Peace Dividend. Everyone stopped spending 2%, or 3% or 4% of their gross domestic product (GDP) on Defence. Now we are going to have the reverse of that. You saw Germany announced the other day $100 billion specifically to a Fighting Fund. I think in the Financial Review yesterday talked about another submarine base on the east coast of Australia bringing forward a few things. Globally there is going to be more money spent on protecting each other's territory, so that is a cost. Now that is a cost to global economy, so effectively you are talking about a War Tax, effectively, from what Putin has done.

You have various things happening at the moment and then you also have a situation where because of what is happening in Europe, monetary authorities probably are not going to be as quick to tighten as they would have historically knowing these various other factors. That is probably an underpinning, a positive underpinning.

And then you have the latter part of coronavirus. I know it is a brutal disease, but globally everyone has been working out how to live with it, so that has very positive for opening economies. It is a challenge. Another factor is, you have a lot of people that have gone into the market over the last year or so who have not been in before. I remember in the early 1980's when I had my first job as a fund manager, it was actually my second job at '82 when I was working as an analyst at a broker in Melbourne. This old Broker said to me, and I was young I was 24, 25 and he said, "hey Geoff, don't worry too much". This was the first bull market I've been in. He said, "you make your money in your second bull market". What he meant by that is you are playing around in your first bull market, you are going to leave all your money in, you are not going to take any of it off the table and you are going to lose it. Whatever you make you will lose. He was saying you learn your lessons in the first bull market broadly and you make your money in the second bull market. So a lot of those newer players to the equity market over the last year or two, unfortunately they have to get cleaned out and they have to realise that when you are investing in equities, it is a medium-to-long term strategy.

At the moment, I would be making sure you have had your portfolio positioned so if it was down 20 or 30% you would not be stressed. I am not saying that will happen, but you tend to find the market is cyclical. To June last year I think the Australian market had the best Australian performance of the Australian equity market for 34 years. At the moment we are dealing with floods, so that means that in a period of time we are going to have drought. Go back two or three years ago when they built the desalination plant in New South Wales, that was basically ringing the bell on it was going to start raining. I don't know if they ever used it.

It is cyclical, so when you have had a really good year, that means you are probably close to a bad year. The tough thing is we don't know. I don't know when the top of the market is, I don't know when the bottom of the market is. I can tell you when I think things are a bit extreme or things are looking a bit extreme on the positive and on the negative. I don't think we are in an extreme on the positive or extreme on the negative, but we have had a lot of positives in terms of the overall performance of the equity market. To me there is some risk on the downside.

In saying that, you have to keep investing. Back in, I know a number of our shareholders have been around for a long time, you go back to 1987, at the start of '87, January '87, everyone knew the market was expensive. The Australian market went up another 50%. It ended up falling 60% in the last quarter of that year and ended up being 10% down for the year, but you just never quite know where these tops and bottoms are. Hope that doesn't confuse you but gives you some ideas.

Camilla Cox: Thanks very much Geoff. We have another one for you, it is an interesting question from Lisa. She is wondering what your view is on the recent media coverage of Magellan?

Geoff Wilson: The media coverage, the tough thing is, the media is brutal. I think to an extent Magellan brought it on itself. When the CEO resigned and no one knew why he resigned then people end up making up stories to fill in the lack of information. The pressure of various factors came to bear on Hamish, and he has decided to take a break. Chris Mackay has taken over as CEO. Again you have to remember there is 35 people on the investment team, plus Hamish Douglass. But Hamish is on sick leave, so plus Chris Mackay. There is a lot of intellect there, a lot of intellect. I think there was a question that I saw flip in about if we have been buying or do we own the Magellan LIT, MGF, and the answer is yes we do and yes we have been buying it. Because it is trading a little over an 18% discount.

They have some options outstanding which are March 2024 and they cleaned up the concentrated fund. Once the structure is cleaner and those options expire, who knows, they could clean up this fund as well. To me, you are buying exposure and you are buying it cheaply. In terms of their performance, like at Wilson Asset Management I am heavily involved in WAM Strategic Value on the investment side, but I am virtually not involved in any of the other entities on the investment side. We have 14 investment professionals that manage the other pools of capital. Thanks.

Camilla Cox: Thanks Geoff. Jesse we will go to you now. This question is from Barry. He said he would like to see more investment information in the monthly report, more specifically cash position and see through NTA position. Can you comment on this?

Jesse Hamilton: Yeah definitely thanks Barry. What you would have seen in this presentation, we have provided obviously the cash weighting and the look through exposure of the investment portfolio itself. We appreciate that feedback and we can take that on board and discuss including that in future updates for you.

Geoff Wilson: And that is an interesting thought too Barry. If we could run the real NTA of the portfolio, so obviously the 35% cash is cash, and that would have a negative impact on the discount of the rest. We might put that in next month's NTA. We might not do it regularly, for Barry we will put it in next month, just so you will see what the figure is.

Camilla Cox: Thanks Jesse. Thanks Geoff. Marty we will go to you know and this question is from Simon. He has asked: what is the overall exposure of WAM Strategic Value to global equities versus Australian equities?

Martyn McCathie: Thanks for the question Simon. The global equities exposure as at 31 December was 39% on the portfolio with the domestic equities a little under 25%, with 5% to 6% in alternates and fixed interest, whereas as Geoff and Jesse just pointed out 31% cash making up the residual portfolio.

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Camilla Cox: Thanks Marty. Back to you Geoff. I have a question from Garry who is wondering what your plans are for the shares WAM Strategic Value holds in WAM Global?

Geoff Wilson: In retrospect we should have accepted the cash bid. The hard part there was there was about a 6% differential. We didn't foresee what has happened to global equity markets. WAM Global is still trading at a discount. Our plan would be to sell them over time. We are pretty convinced WAM Global will trade at NTA if not a premium. It is just going to take a bit of time. It has to work through. It merged recently with Templeton Global, it is the third largest global LIC and there are some economies of scale as I mentioned before or some benefits of being large in the space. It is really going to take us a little bit of time to work through that, but the plan will be to roll out. Probably another question is, we will end up with some shares in WAM Strategic Value and in WAM Capital. There is a lot of liquidity in WAM Capital, so with that one the plan will be just to accept the bid and then sell them over time.

Camilla Cox: Thanks Geoff. We have a question for you from Andre. He said in a previous presentation you recently answered his question on profits reserves. He is asking if you could explain how they might be protected in a falling market?

Geoff Wilson: Thanks Andre. Broadly how the profit reserve works is when, say WAM Strategic Value makes a profit in a month, then it transfers that profit to the profit reserve, so it is an accounting transfer. It is about 4 cents per share. In theory, say we have a dollar of NTA and 4 cents of it is in the profit reserve or say 10 cents of it is in the profit reserve, you might have that full dollar invested in the stock market, the 10 cents is just the accounting profit reserve. You don't have to put aside, you don't have to hold it in a special account, it is just part of the assets.

The 4.2 cents that is before the payment of this dividend that is in the profits reserve. The market could halve or the portfolio could halve. That profits reserve will still stay at 4.2 cents. We are paying a cent out of it, the dividend, so once we pay the dividend there will be 3.2 cents per share. The profits reserve resets at the start of each financial year. It works similar to Jesse was saying with the high watermark, so once we put something at a profit reserve we have to make more than that year to put more money into the profits reserve. At the start of the year, on 1 July, any money we start making then goes into the profits reserve again and it keeps getting topped up.

Camilla Cox: Thanks Geoff. Jesse this next question is for you and it is from John. He wants to know: is the WAM Strategic Value NTA based on the share price of the individual listed LICs you hold or on the underlying NTA of each holding?

Jesse Hamilton: Thanks John. It is based on the share price. The portfolio is valued based on the last sale price of the actual assets listed on the Australian Securities Exchange (ASX), so not the underlying NTA. Where we have purchased those assets obviously the share price is at a discount to the NTA, we hold it at the share price, so as that discount closes, we are realising that the increase in the share price. That sort of ties back to Barry's question, if we were to value it at the NTA what is that look through NTA if it was at full value? That would be the look through NTA if we were to hold the assets at their underlying asset backing, but for accounting purposes we have to hold them at their last sale price which is the share price on the ASX.

Geoff Wilson: And there is a little benefit too, everyone who came on the call, in next month's NTA, we will put the look through NTA for the end of last month.

Camilla Cox: Great thanks Geoff. Thanks Jesse. Geoff staying with you, this one is from George. He says can you talk about Global Data Centre Investment Fund (ASX: GDC), which appears different to the other LICs you invest in and it seems to invest in Data Centres rather than publicly listed companies.

Geoff Wilson: Yes and well thanks George. This is probably something for everyone to understand is when we set up WAM Strategic Value, the idea was to buy undervalued assets. As Marty mentioned, we are buying undervalued assets that we believe we can see a catalyst to change the valuation at some point in time. There is no use buying a dollar of assets for 80 cents if you do not think they will ever trade at a dollar again or they are going to trade at 60 cents in the dollar at some point in time.

GDC, we think the NTA is around $2.50. Itis trading well below that $2 mark. Again, we have always said we are buying undervalued assets. We say in the prospectus our focus is listed investment companies and listed investment trusts, that is our focus, but it doesn't mean we won't buy a dollar of assets for 80 cents in other type of structures. GDC makes up about 1.9% of the portfolio, so it is not a big holding, but we know the management well. The guys at WAM Capital have been shareholders in that for a period of time and we liked the story, we could see the catalyst, we thought that over time that we can get a nice 20% plus return on that.

Camilla Cox: Thanks Geoff. This next one is for Jesse and it is from Robert. He wants to know if he is paying double fees from underlying investments and the WAM Strategic Value fees?

Jesse Hamilton: Okay. Thanks Robert. This is an interesting one. WAM Strategic Value has its management and performance fee in its corporate structure, and yes we invest in other listed investment companies and trusts that also have underlying management and performance fees. But we are investing in those assets that are trading at a discount and we are looking to get exposure to their portfolio performance that close that discount. There is sort of an underlying fee associated with them. You are not paying it directly, you are paying us a management fee for the management of this product. We are obviously looking at trying to close that discount to NTA to generate performance for WAM Strategic Value shareholders.

Another way to look at is if you invest in any listed company on the market, there is a management fee. So if you invested in BHP (ASX: BHP) and Telstra (ASX: TLS), there are executives, there are boards and there are employment expenses in terms of what those management fees are to run those businesses. It is similar to that, there is always going to be a fee for the necessity to run it, but we are looking at closing that share price discount and generating the performance for our shareholders that way.

Camilla Cox: Thanks Jesse. Marty we have a question for you from David. He has asked, did WAM Strategic Value buy PAF or did WAM Capital buy it?

Jesse Hamilton: Thanks Camilla and thanks for the question David. The PAF situation with PM Capital Global Opportunities Funded (ASX: PGF) and the PM Capital Asian Opportunities Fund was a very dynamic one. WAM Strategic Value did not have a position in PAF ahead of WAM Capital making the takeover offer. In an ideal world, WAM Strategic Value may have had a position and may have held PAF and was able to realise upside potential as WAM Capital under that takeover and that is now a very successful takeover, but it was as I said very dynamic and it was very opportunistic on the behalf of WAM Capital and the WAM Capital Board. So to answer your question WAM Strategic Value wasn't actually a holder ahead of that.

Camilla Cox: Thanks Marty. We have another question for you. This one is from Derrick. He has asked: what are the processes in place if WAM Strategic Value were to consider investment in another Wilson Asset Management LIC or Future Generation LIC?

Martyn McCathie: Perfect thanks Camilla and thanks for the question as well Derrick. The strategy is that WAM Strategic Value will not invest in other Wilson Asset Management or Future Generation LICs and that is not the intention for the company. We are looking into to investment opportunities external to Wilson Asset Management or Future Generation. Obviously we do have an investment as we have already spoken to in WAM Global at the moment and on the completion, should shareholders approve it at the completion of the Westoz and Ozgrowth's scheme of arrangements, we will end up with shares in WAM Capital. The plan for those investments will be once they reach NTA parity or a premium to NTA, we will look to exit those investments over time so that we don't have exposure to internal companies.

Jesse Hamilton: And I think it is important to note there as well, there was no intention to acquire those assets, they came about by a scheme of arrangement and under a scheme you don't actually have a choice. If the scheme gets approved it is 100%, so 100% of the shareholders have to participate in the scheme once the vote takes place. WAM Strategic Value by default of those schemes being approved by the shareholders that those entities receive those shares as a result in WAM Global will potentially will receive it in WAM Capital as well.

Camilla Cox: Thanks Marty. Thanks Jesse. Geoff, an interesting question for you from Ray, he said other LIC's like Plato Income Maximiser (ASX: PL8) pay a dividend each month. Is WAM Strategic Value about to do this?

Geoff Wilson: WAM Strategic Value is, but as we have not much in the profit reserve, we wouldn't be paying much out on a monthly basis. What we have tended to do is pay dividends half yearly. I know some people pay dividends monthly, some people pay dividends quarterly, what we have done, we have tended to pay dividends on a half year basis and we see no real driver, there might be a product that we create at some point that makes sense to pay dividends on a monthly basis for a cash flow reasons for the people that invest in them, but that isn't the plan at the moment for WAM Strategic Value.

Camilla Cox: Thanks Geoff and those are all our questions today, so I will pass back to you for any closing words.

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Geoff Wilson: Thank you very much Camilla. Thanks all shareholders for your interest. Any ideas, comments, suggestions, please feed them through to us. Again thanks Marty and Jesse for a lot of the hard work. Myself, Marty and Jesse tend to work mainly on the corporate transactions and there has been a lot of weekends and a lot of out of hours' time after the last period, it has been quite busy. In terms of providing returns, that is what our focus is and that is what we love doing. As a large shareholder and I am sure everyone else as a shareholder, I am looking forward to the shares getting back to NTA. That will happen and then we will get back to a premium to NTA, it is just a matter of time. We have quite a detailed strategy, shareholder engagement, communications and marketing strategy that will continue to roll out over the next six to 12 months. We are looking forward to finding some good investment opportunities and providing good returns for all shareholders. So thank you very much.