

Wilson Asset Management
WAM Strategic Value Q&A Webinar

Geoff Wilson: Thank you for joining us today for the WAM Strategic Value Q&A Webinar. As you know this is your company and we are pleased to provide you with this opportunity to ask us any questions you want to. Thank you very much everyone for the questions that have been sent in, a number of really good questions. Today I am joined by Investment Specialist Martyn McCathie who works on this portfolio with myself.

During the webinar today we want to talk about the various positions in the portfolio in terms of what the company's plans are, dividends, franking, profit reserves, the ability to pay dividends and when it will be trading at a premium to net tangible assets (NTA). Now, in terms of a lot of those questions, luckily we have our Corporate Affairs Advisor Zoe Landry and she will be directing the questions to Martyn or myself, so if you have questions please send them in.

In terms of an update of the performance of the portfolio to the period to March, the investment portfolio was up a couple of percent. You would be aware that the Board of Directors announced an inaugural fully franked interim dividend of 1 cents per share. With listed investment companies (LIC) it takes a bit of time to build up the profit reserve, build up the franking and also build the dividend. Obviously the Directors and I, and I am sure shareholders, would like the dividend to be a lot larger and I believe that will happen over time, it just takes a little bit of time to build up those various parts.

In terms of where WAM Strategic Value is trading at the moment, after it listed, it traded at a premium for a period of time. It is now gone to a bit of a discount. I think on the official numbers it is at about a 6 to 8% discount which is slightly disappointing from our perspective. We would like it to be trading at NTA, if not a premium, and I am confident that it will get there over time. In terms of the what the WAM Strategic Value's strategy is, it is to buy a dollar of asset for 80 cents as many times as we can and then benefit from the performance of those underlying assets, but also the performance of that discount so that the discount is being reduced. Now what I would like to do is pass you over to Martyn, who will give you a flavour of the couple of things we are looking at the moment. Thanks Martyn.

Martyn McCathie: Thanks Geoff and thanks everybody for joining us this afternoon. I want to give a quick update on the portfolio from the last webinar so focusing on the quarter ending 31 March. Obviously during that period we experienced tightened volatility in equity markets globally on the back of the economic fallout of the Russian invasion of Ukraine and expectations of interest rate hikes by central banks globally. The point of volatility was extreme and heightened throughout the LIC and listed investment trust (LIT) sector as shareholders looked to reduce their exposure which provided opportunities to accumulate key holdings trading at discounts to net tangible assets for WAM Strategic Value. The share price discount to NTA expansion was most prevalent in LICs and LITs with a market capitalisation of less two hundred million, so that third quarter of LIC's and LIT's

as investors sought LICs and LITs with larger capital bases and higher liquidities as perceived safe havens for short-term investments. This was reflected by the growth in share price premium to NTA for AFIC (ASX: AFI), ARGO Investments (ASX: ARG) and also WAM Capital (ASX: WAM) which is trading at a circa 30% premium at the moment.

Key contributors for the quarter for the WAM Strategic Value investment portfolio included Westoz Investment Company and Ozgrowth, along with L1 Long Short Fund (ASX: LSF). Looking at the week in Ozgrowth transaction, we touched on it in the last webinar, but I just wanted to give WAM Strategic Value Shareholders an update of how that transaction is progressing. WAM Capital announced the Scheme Implementation Agreement to merge with Westoz and Ozgrowth under a separate transaction. What the Scheme provides for WAM Strategic Value is that it has the ability to exit its position in Westoz and Ozgrowth at a 7.5% premium to net assets and we acquired these positions at a 10.8% and 19.5% share price discount to NTA respectively. Since the announcements Westoz and Ozgrowth shareholders have voted overwhelmingly in favour of the Scheme and that has subsequently been approved by the Supreme Court of Western Australia and that will be implemented on 21 April 2022. We will now turn our attention to LSF. The L1 Long Short Fund provided shareholders with a strong absolute returns on the investment portfolio during the March quarter, while also narrowing the discount to its pre-tax NTA. The L1 Long Short Fund share price is currently benefiting from strong investment portfolio performance. An increase in its fully franked dividend and strong alignment with Founders Mark Landau and Raphael Lamb continuing to reinvest in the share price discount. WAM Strategic Value acquired its position in LSF at \$2.55 and the company is currently trading a little below \$3.00. When adjusted for the 7 cents dividends received, the investment has returned 19.2% since inception for WAM Strategic Value shareholders. Geoff I will pass back over to you.

Geoff Wilson: Thank you Martyn. That is great. Now look why don't we open it up to questions? We said today was mainly Q&A and really just to talk to shareholders and talk about any concerns they have. Why don't we go to Zoe who is running the Q&A and she can direct them to Martyn yourself or myself. Thanks Zoe.

Zoe Landry: Thanks Geoff, thanks Martyn and thanks very much to everyone who sent in their questions. I will just begin reading them out and we will try to get through as many as we can in the session. Geoff, the first one is for you and it is from Brenda. She asks, is WAM Strategic Value NTA based on the share price of the individual LIC it holds or the undervalue NTA of each holding?

Geoff Wilson: That is an interesting question and when we did one of our webinar a little while ago, we had a similar question asked and we actually announced this in last month's NTA as we said we would do that. Let me get back to answering the question. The answer to the question is that the NTA that you see for WAM Strategic Value is the share price of all its investments and those share prices maybe 10, 12, 15, 20% discounts to their NTA. What we did in the last month's NTA, we actually showed you what the look through NTA was. Now it is worthwhile remembering that WAM Strategic Value has been building up its cash and at the moment as of last night it was a little over 34% cash, so we are very well positioned if any opportunities present themselves. There is a

reasonable amount of concern about the equity market at the moment with rising interest rates, the impact the inflation in interest rates on equity valuations, so we are trying to be as conservative as we can. So we are sitting on a reasonable amount of cash, so therefore the cash is the cash but the other part of the portfolio if you ran through at those company's NTA's I think it is about \$1.33 or something like that. We announced it last month in the NTA.

Zoe Landry: Thanks Geoff and we will stay with you and this one is from Robyn and she says how are the profits reserves protected in a falling market?

Geoff Wilson: Obviously a company's ability to pay a dividend depends on the combination of a reserve of profit that you pay the dividend from and if it needs to be fully franked you need franking and that is from dividends you receive or tax you pay. In terms of the profits reserve, because I think there are some other questions I saw about the profit reserve, so why don't we talk about that. It was 4.6 cents before we paid that 1 cents dividend, so the profit reserve was 3.6 cents and after the franking there is about 1.2 cents in franking that we have. So therefore another 1 cent dividend is well and truly there, obviously it depends on what the profits reserve does and how much franking we get in to see what we can do in terms of dividends and what the Directors like to do is they like to have a growing stream of fully franked dividends to shareholders. So as I said in my introduction, it will just take time to build up those profit reserves. Now with the profits reserve, that is an accounting entry, so it doesn't matter whether the markets goes. Well if the market goes down, the profits reserve still stays or if the portfolio goes down the profit reserve still stays. If the portfolio goes up, then depending on how much it goes up, some of that can be put into the profits reserve. So effectively the positive movement in the portfolio over a 12 month period tops up the profit reserve. So say the portfolio is up 10% after tax, then the Directors will have moved that 10% into the profits reserve.

Zoe Landry: Thanks Geoff. Martyn this next question is for you and it is from Will. He asks: what are the top holdings in WAM Strategic Value and why do you believe they are attractive?

Martyn McCathie: Thanks and thanks for the question Will. The top holdings for WAM Strategic Value have been released in alphabetical order in today's presentation, so that's available from the ASX website. A list of the top holdings is also provided within the monthly investment updates released to the ASX, so if you are signed up to receive communications from Wilson Asset Management you receive the investment updates including our top holdings direct to your inbox. As discussed, obviously our holdings in Westoz and Ozgrowth feature there, they will convert to WAM Capital shares under the scheme tomorrow and WAM Strategic Value will look to exit this investment in WAM Capital at a premium to NTA over the coming weeks and then months so there will be a bit of change to the top I think it's 15, 16 holdings over the next couple of weeks and that will be reflected in the next update that we provide to shareholders in early May as at the end of April.

Zoe Landry: Thanks Martyn and staying with you on a similar topic. This question is from Brenton. He asks, does WAM Strategic Value still hold Magellan?

Martyn McCathie: Thank you. WAM Strategic Value does not hold Magellan Financial Group (ASX: MFG). MFG is the investment manager for a number of listed products and unlike the LICs and LITs managed by Magellan, MFG's business has been subject to pretty extreme media coverage which has led to share price volatility. Unfortunately, or I guess fortunately for WAM Strategic Value, that share price volatility and negative sentiment has flowed through to LICs and LITs managed by Magellan, so on the back of that we have been able to acquire a holding in Magellan Global Fund (ASX: MGF) and MFF Capital Investments (ASX: MFF). WAM Strategic Value previously had an investment in the Magellan High Conviction Fund (ASX: MHH). So maybe starting with Magellan High Conviction Fund. Following the initial public offering (IPO), WAM Strategic Value began investing in Magellan High Conviction Fund at approximately 12% share price discount to its underlined NTA. In August, MHH moved from a close ended listed investment trust structure to an exchange traded fund. As a result we were able to exit our position during the period at NTA and that returned a weighted average annualised return on our investment in excess of 110%. Looking at MGF and MFF our current investments in the Magellan Group, we have provided an opportunity in WAM Strategic Value to acquire those assets upwards over 20% discount to pre-tax NTA. We have increased their holding in MGF during February and March. Actually we increased our holding in both companies during February and March, as the discount widened in excess of 20% for both companies at periods. So hopefully that gives you a bit of a flavour. But we are not invested in Magellan Financial Group, we have investments in the underlined entities managed by Magellan.

Zoe Landry: Thanks Martyn and the next one is again for you. It is from Nicola and she says, what is Wilson Asset Management doing to narrow WAM Strategic Value's share price discount to its NTA?

Martyn McCathie: Good question. Obviously it is not uncommon for a listed investment company to trade at a discount in the initial months after listing. Given the strong IPO and the subsequent scale back that the Board went through, my expectations would have been that it traded at least in line with its NTA and as Geoff said in his introduction at the start, we are disappointed at where the share price is in relation to its NTA. However, given the volatility and the uncertainty globally, it is not surprising that shareholders are willing to part with a relatively new investment for them as they look to reduce the equity market exposure. I guess one of the questions that we commonly get asked is, and I am sure there is a question in the chat already, will we do a buyback and does buyback help narrow that discount to NTA? The prospects for WAM Strategic Value doing a buyback or all capital management decisions are a decision for the Board. Geoff might want to jump in and add his views, but I am happy to share my thoughts on buybacks as I think I have previously. A large part of the investment process for WAM Strategic Value is investing in listed investment companies trading at a discount where we think we can identify a catalyst to capture alpha and have that discount close over time. Over seven years with Wilson Asset Management, I spent considerable time reviewing the LIC and LIT sectors and attempted to derive a correlation between buybacks and narrowing of the discounts to see if they are in fact catalysts to narrow share price discounts. From my analysis, although buybacks provide shareholders with a short-term liquidity and potentially short-term improvements, they have not been sustained.

Morningstar recently published an article in relation to buybacks and the LIC transformation. We have seen a lot of LICs convert to exchange traded funds (ETFs) and trust structures and pleasingly or pleasingly for me at least, they came to a very similar conclusion. Based on their analysis and of course some of their numbers, nearly 25% of the LIC or the LIT sector are currently conducting buybacks each with the same intention of reducing the discount to appease shareholders, but the impact has been muted with the medium discount changing within 1% and a number of cohorts discount widening during the period of buyback, so for me, I guess what will help with discounts is well-articulated and well-executed shareholder engagement policy because this not only stems the selling, it also assists in promoting buying and aids in equalising the share price NTA balance. Geoff, is there anything that you wanted to add to that question?

Geoff Wilson: No that is a fair point Martyn and I know it has been a couple of years since we have been on the road seeing shareholders.

I remember when we were on one of our roadshows and we were asked questions about buybacks. I think I asked the question to shareholders that were there and said look, who likes buybacks? There were 10 or 20% who put their hand up. I then asked, who does not like buybacks? That was about 80%. The interesting thing is, besides the logical thinking Martyn has outlined, there is a psychological part to it as well. I think people think, well okay, if you are using your money to buy your own shares back, then does it mean you really can't find good investment opportunities that are going to make you a better return than that? The Board does talk about buybacks consistently and all the WAM Company Boards do look at buybacks. Historically we have done them. Like WAM Strategic Value, we did a 10% buyback three times and then a half of 10%, so we bought back 35% of the company. Did that help reducing the discount? Not really. Like you said Martyn, to me there is no proof that they actually work and also people tend to like to be with a company that is growing and expanding and not shrinking and disappearing. As you said Martyn historically when you look at the facts and numbers the companies that have done the buybacks they really don't narrow the discounts, all they do is shrink the size of the company and it is nearly a false economy.

Zoe Landry: Thanks very much Geoff and Martyn that was a very comprehensive answer and we have had a few questions on the buybacks already come through, so that was great. Geoff, the next question is for you and it is from Jeremy. He says, could you discuss your outlook for Thorney Technologies (ASX: TEK) given the recent market rotation out of technology stocks?

Geoff Wilson: We bought into Thorney Technologies when they were doing a placement at a discount, so it was a nice opportunity for us. To me, the fascinating thing is, both Thorney entities, Thorney Opportunities Fund (ASX: TOP) and Thorney Technologies, that is Alex Waislitz from the Thorney Group who manage them, are trading at big discounts. You are at approximately 25 to 30% discount, so there is exceptional value there. Thorney Technologies tend to have concentrated bets and that is why they can get some extremely good performance in both companies. In terms of how it is sitting in the portfolio, Thorney Technologies is cheap, we may as well buy some more around this discount. We just need to be clear on what their goal is and what their plans are to get them to trade at NTA if not a premium at NTA. And that is effectively all LICs. I think all Boards feel the same

pressure, so to me it is really having a bit more confidence in that. In terms of the size, Thorney Technologies is only a very small holding in our portfolio, so again you are buying a \$1 for 70 cents there, but with the technology side you are buying a high risk dollar. Thorney Opportunities Fund is a lower risk investment, but still on the high beta side, on the high risk side because they do take very concentrated positions.

Zoe Landry: Thanks Geoff and staying with you. This next one is from Natalie. She says, what are some of the key factors that you think drive WAM Strategic Value's investment portfolio performance?

Geoff Wilson: Like all fund managers the key factors is buying the right stock at the right time at the right price. As I mentioned at the start of the presentation, we are trying to buy \$1 dollar of asset for 80 cents and we mainly focus on listed investment companies. We have a broad mandate. We can invest outside of listed investment trusts and companies and it is really buying those under-valued assets and buying them when we believe we can see that a catalyst is going to eventually move its share price to NTA if not a premium. As Martyn was saying, the L1 example is a classic where it was floated by a good fund manager, had a bad performance, a bad period where they performed exceptionally poorly. The LIC went to a big discount. Luckily when we started WAM Strategic Value they were still at quite a discount, so we could buy some. We started building our position at a 20% discount and we were happy to buy more but we just wanted to see them do a few things. Fortunately or unfortunately we did not buy more but they performed and they performed very well and now they are trading at 5 to 6% discount. We are letting a few go at the moment because it wouldn't surprise me if they came out and raised some money since they finally have some really good numbers. So that could create another opportunity for us.

Zoe Landry: Thanks Geoff and going back to Martyn now. This one is from Sam. He says, what is WAM Strategic Value's exposure to global equities versus Australian equities?

Martyn McCathie: Thanks Zoe and thanks for the question Sam. On the back of feedback that we received during the last webinar, we now include the sector exposure in our monthly investment update. This is the LIC or LIT classification for each of WAM Strategic Value's investments on a look through basis. To answer the question, WAM Strategic Values got a little over 40%, so 40.2% at 31 March, exposure to global equity LICs and LITs. As I mentioned earlier, we have seen the discounts in the global LIC and LIT sector expand on the back of international conflict and volatility which allowed us to invest in high quality LITs and LICs at a significant discount to NTA. So the global LIC sector is where we are seeing exceptional value at the moment. It has been like a happy hunting ground for us during February and March. Hopefully those discounts narrow as we get certainty on the global conflict and if not, with the cash balance that we have as Geoff mentioned earlier, we are primed to take further advantage of opportunities as they arise.

Zoe Landry: Thanks Martyn and another one for you. This one is from Jessica and she says, short selling is mentioned as a possible strategy in the prospective. How much has this actually been employed within WAM Strategic Value's investment strategy?

Martyn McCathie: Thanks for that. The simple answer to the question is, it hasn't since inception. We haven't used it yet. Under the prospectus WAM Strategic Value has the ability to short sell and what that does is it provides the investment manager with the ability to either reduce risk by hedging out a position or add value to shareholders because we think something is fundamentally over valued should the opportunity arise. Given the difficulty with WAM Strategic Value to secure borrow in the LIC and LIT sector in order to short sell, I think it will be used sparingly within the WAM Strategic Value portfolio. A couple of instances where it could have been used maybe was the Milton (ASX: MLT) acquisition by Soul Pattinson. If you held Milton I imagine you could have hedged out the rest, effectively locking in the profit from the takeover when that was announced. I talked about the Magellan High Conviction Fund earlier. Given that was a concentrated portfolio if you had a significant hold in it, you could have easily hedged out the risk there as you knew it was transitioning from a close ended LIT structure into that active ETS structure. So they are the kind of examples when we will use shorting, but as I said, to date it hasn't been used within the portfolio.

Zoe Landry: Thanks Martyn. Geoff, back to you. This one is from Sarah. She asks, how the merger between VGI Partners Global Investments (ASX: VG1) and Regal Funds Management affects WAM Strategic Value?

Geoff Wilson: First of all I would just like to make an observation. I really appreciate the women that have been asking the questions because I think there has been more women questions than male questions which is fantastic and one of the interesting things is, a lot of the research, and this is coming from a male, a lot of the research shows that women are actually better investors than males. So thank you for that question. And back to the question.

In terms of where WAM Strategic Value is positioned, it owned shares in VG1 and VGI Partners Asian Investments (ASX: VG8) and had been buying them at various discounts, 15%, 18%. We are of the view that they will get back to NTA. Now it will either be back to NTA because of performance. We did over the last six months own some shares in Regal Investment Fund (ASX: RF1). When they raised some capital we put some money in, made some money and we moved on. I spoke to Phil King I think the day they announced the merger and Phil said his goal is to get the share price to trade at NTA if not a premium, and the VGI LICs to trade at NTA if not a premium. He was successful with Regal and take my hat off to him. It is challenging particularly with your first LIC to work out how to do it, so we are pretty positive.

Zoe Landry: Thanks Geoff. Another question for you. This one's from Richard. He says, when do you estimate the WAM Strategic Value share price will get back to and exceed the issue price?

Geoff Wilson: Great question Richard. Maybe less male questions. No good question. I mean it is very hard to make a prediction on that, it is more what do I expect the market to do or the underlying assets to do. As I said earlier, we are at approximately 6 to 8% discount. When people buy into a company, particularly when it first floats sometimes they don't fully understand what the company is trying to do and their expectations might not align with what the company delivers and that is when you get selling. That is obviously the position we are in at the moment. We have had

feedback on the dividend saying look, why did you only pay a 1 cents dividend? I mentioned we had 4.6 cents in the profits reserves so that is what the Board was looking at. The Board wants to give you a growing stream of fully franked dividends, so the Board decided to start at 1. It could have started at 2 cents and it probably would have been fully franked. Then the next dividend of 2 cents might not be fully franked and there might not have been a dividend after that. So it is really about the longevity and consistency. It really takes time for the share register to tighten up and the people that understand what you are doing, like what you are doing to say, I think they do a good job and I am happy to stay invested with them. A classic example is WAM Research (ASX: WAX). It traded at a premium soon after it listed and then it went to a discount for seven years and I mentioned we did a 35% buyback which I don't think actually helped and that was in the first four years. We had another three years of discount after the buyback and now it trades at a 50% plus premium to NTA and that is because effectively everyone who is in there understands why they are in there, they are very happy with it and they don't want to sell. If someone wants to come and wrestle a share off them, they don't pay what the company is worth, they pay 50% above what the assets of the company is worth. It will be a nice situation to have with WAM Strategic Value and so I really don't know how long it will take. We are going through a period of tightening of the share register and that is why we decided to have this additional webinar. There will be more questions, more communication, people get a bit more comfortable with what we are doing, they understand what we are doing or they don't and they sell. So to me you really want people that are coming with you for the ride or they sell and move on and then the quicker they do that, the quicker it will move to NTA and then move to a premium.

Zoe Landry: Thanks Geoff. Staying with dividends. Malcolm asks, what do future dividends look like at WAM Strategic Value?

Geoff Wilson: I mentioned that our profits reserve after the 1 cents dividend is 3.6 cents. We probably won't put any more money in the profits reserve between now and June because we have to get above our previous high water mark in a 12 month period. So it really depends how we perform from July onwards. We sweep into the profits reserve on a monthly basis and you have to get above your high water mark to sweep into the profit reserve each month over a 12 month period and it resets at the end of June or 1 July each year. It really depends on how we perform in the June to December half, what we can put in that profits reserve. At the moment, there is 3.6 cents, 1.2 cents fully franked, so you would be pretty confident on another 1 cents dividend. It doesn't look as though there is a great deal more than that there. It really depends how we perform in the early months of the next financial year. The plan will be to keep growing the dividends and we would like to have a situation where we can pay you 6 or 7% fully franked. In the early days of WAM Research it was a lot tougher than WAM Strategic Value is in terms of trying to find enough franking or trying to find enough profits reserve to pay dividends. It just took us a little bit of time and now I think there's four or six years profit reserve up our sleeve in WAM Research and paying out a pretty decent yield. So we would like to do that. The yield is a combination of the dividends we get from the companies we invest in, and the profit we make.

Zoe Landry: Thanks Geoff. Martyn this one is for you. It is from Derrick. It is a two part question. He says, can you please provide an update on WAM Strategic Value's cash holdings and does the level of cash represent a view that the overall market is overvalued or is it just a lack of opportunities to invest in discounted LICs and LITs?

Martyn McCathie: I will try and cover both of those points. The first one is the easy one. Again on back of the feedback from the initial webinar early last month, the cash holdings were included within the monthly investment update. The current cash holding or the cash holding as at 31 March was 36.8% within large digit value. Whether that represents our views, I don't necessarily think that that represents our views on markets. We are active in a number of names at the moment especially in the global sector as we are seeing opportunities arise, but what it does provide us with is dry powder, so that when there is opportunities and further dislocation or further rotation, we have dry powder cash on hand to make investment opportunities. Geoff and the team are therefore staying very firm in their investment process. We are not going down the discounts to equitize that cash, we are being very disciplined in that investment process and we have dry powder as I said to take opportunities when they do arise.

Zoe Landry: Thanks Martyn and we will stay with you now. This one is from Xi Quang. He says, is WAM Strategic Value or WAM Capital actively looking for takeover targets following PM Capital Asian Opportunities Fund (ASX: PAF), Westoz and Ozgrowth?

Martyn McCathie: Good question. Starting with WAM Strategic Value. The ability for a listed investment company to do a takeover is largely driven by its premium to NTA. Using WAM Capital for an example as it has gone through the work in Ozgrowth transactions. At the time of the scheme calculation, WAM Capital was trading in excess of a 25% premium, so really what we could do because of that premium is structure a transaction that was mutually beneficial for Westoz and Ozgrowth shareholders and also WAM Capital shareholders. So we were able to give them the ability to exit their investment at a 7.5% premium to NTA, where WAM Capital shareholders were acquiring the assets within Westoz and Ozgrowth at a discount to their carrying value as a result of issuing capital at a significant premium. At the moment WAM Strategic Value doesn't have the benefit of a premium, so it is really limited in its ability to conduct takeovers at this point in time. That said, as I mentioned, WAM Capital is trading at about a 30% premium, I think Geoff mentioned WAM Research is trading at a close to 60% premium so we do have two vehicles that are commanding a significant premium and we can use those premiums to takeover other listed investment companies should opportunities arise so definitely something we are always looking for. With PM Capital Asian Opportunities Fund it was very dynamic and we moved quickly with it. An opportunity arose and I think we put a bid in within a couple of days, so we will continue to be very dynamic in that space, but with the premiums that we have, we definitely have the ability to conduct more NTA creed of transactions within especially WAM Capital and WAM Research.

Zoe Landry: Thanks Martyn. Moving to Geoff now. This is a question from Peter. He asks, are you currently selling WAM Capital shares considering its premium to NTA?

Geoff Wilson: Good question Peter. I had \$5 or \$6 million dollars in WAM Capital and I sold most of them years ago at a 15% premium to NTA when the government was changing the Super rules. I thought I was pretty smart selling at a 15% premium and obviously it went higher. I have only had small holdings over the last period and actually probably the best thing is, if you look last month's NTA, the introductory page which I write in the last paragraph I tried to clearly articulate what may happen to WAM Capital. We announced it before Easter, to provide everyone a chance to digest it. I have a couple of hundred thousand shares left and I will sell them and it is really not necessarily the premium, it is the fact that what we have noticed, as I mentioned in the NTA, that there has been a lot of arbitrageurs building positions in Westoz and Ozgrowth and I think we might be going into a similar situation with amaysim where just for a little period of time, there was a bit of volatility in the WAM Capital price. So I thought to take a little bit of WAM Capital shares off the table and then position to buy them back if the share price falls. In the NTA I said look, there will be selling and buying opportunities and obviously what you will see is, you are never quite sure when we do these deals how many arbitrageurs are going to turn up. I am just aware of a couple of overseas guys that have built positions in Westoz and they have built positions in Westoz because they want to be shareholders in WAM Capital, they have built a position in Westoz because they want to get the WAM Capital shares and sell them when they get them for profit. The new shares get issued tomorrow, and that is why I wanted to get the Director's Notice out today so everyone can see it and then when the new shares are issued tomorrow it will be interesting to see what pressure they come under and then how quickly they bounce back.

When the amaysim takeover occurred, I actually thought the share price would go a bit lower. I started buying them on the way down and then I actually thought it might have gone 10 or 15 cents lower so I was positioned to buy a lot more a lot cheaper, but it never occurred. So it is always tricky, but it wouldn't surprise me over the next little period if there is a bit of softness in WAM Capital because of those arbitrageurs selling out and for the people that want a dividend this could provide an opportunity. If you have a look at the last paragraph of the NTA we announced just before Easter, that really sums it up what happened to amaysim. How many cents it fell. How many cents it bounced back and how long it took.

Zoe Landry: Thanks Geoff. Martyn this is a question from Martin. He says, are you currently finding opportunities to add to the portfolio?

Martyn McCathie: Perfect, thanks Zoe and that question from Martin. It is not me asking myself questions. I think we have covered already that we are seeing opportunities. We have talked about the two Thorney vehicles; we have talked about the Magellan vehicles and obviously both VGI vehicles. There are opportunities there in the sector and in particular from the global sector so we have been deploying capital. On the other side though there are LICs that have done a great job in narrowing the discount and I know we have talked about LFS already, so with that cash balance and that dry powder that we've talked about, there is a change in position on a daily basis as we are nibbling away at the opportunities that are sitting there. We are also taking capital off the table for some of those investments that have reduced that discount or are now trading at a premium, so

definitely opportunities out there but we are well positioned to take advantage of anything else as it does arise.

Zoe Landry: Thanks Martyn. Question for Geoff now, this is from Graham. He asks, has WAM Strategic Value fulfilled its stated objectives outlined in the original prospectus? If not, when will the fund aim to fulfil those objectives?

Geoff Wilson: My view is yeah they have fulfilled the objectives in the prospectus and that would be for Wilson Asset Management to manage the money in a certain way and that is exactly how we are managing the money. Anyway, so I think in theory in the prospectus we talk about how we plan on investing the money and that is exactly what we are doing. We are investing it as we said we would.

Zoe Landry: Perfect, thanks Geoff and we will stay with you. This one is from Brian. He asks, what is your view on Pengana International Equities (ASX: PIA)?

Geoff Wilson: We have been selling Pengana International Equities because they have been trading pretty close to NTA. It was actually trading about after tax NTA and probably a 3 or 4% discount to pre-tax NTA and the interesting thing is, more recently, there has just been a bit of rotation out of some of those companies. I think the NTA is \$1.26 or something like that and it is trading around \$1.08 when I looked yesterday. So it is trading at about 12% discount, so it is nearly back in our buying range. We think it is well managed and the good thing about if you spend all your time looking at the sector, it does provide opportunities. would like to be buying Pengana International Equities at a 15% plus discount and when we look at it obviously we weigh up, are we better off buying Pengana at 12% or are we better off buying it at a bigger discount.

Zoe Landry: Thanks Geoff and we will move to Martyn now. This question is from Graham. He says, what proportion of WAM Global (ASX: WGB) does WAM Strategic Value hold and why?

Martyn McCathie: Thanks Graham. The position that WAM Strategic Value holds in WAM Global was a result of the scheme implementation with Templeton Global Growth Fund (TGG). WAM Strategic Value had a position in TGG and under the scheme implementation between TGG and WAM Global we received WAM Global shares and options. The desire for WAM Strategic Value is not to hold other Wilson Asset Management entities long-term and that goes for Future Generation companies as well. We look to hold those positions long-term but at the moment WAM Global is just trading at a slight discount to its NTA and slightly undervalued in terms of its NTA but undervalued to where it should be trading.

WAM Global was trading at a premium to its NTA in advance of the transaction and what we have seen with that transaction with TGG and WAM Global merging was, as Geoff said, arbitrageurs or long-term TGG shareholders who don't have an affiliation with Wilson Asset Management or don't want to be a WAM Global shareholder are taking the opportunity to exit the investment at what would be a premium to the TGG share price. So we have seen increased turnover in that portfolio. The last time I calculated it was about 8.4% of TGG shareholders had since sold their WAM Global shares following the transaction and that resulted in a large increase in the volume over the last six

months for WAM Global. Pleasingly, 92, 93% of shareholders still hold those WAM Global shares and given the TGG register was relatively sleepy, we hope that they will be long-term WAM Global shareholders. So definitely we think this is a short-term supply, demand and balance within the WAM Global trading and once that selling has washed through, I see no reason why WAM Global won't return to trading at least at NTA if not a premium to NTA. At that point, I would imagine WAM Strategic Value would start to exit its investment in an orderly fashion and as Geoff is a Director of both companies, we will be issuing three whys as we are selling, so it would be very clear to the market when we are transacting in that name within the WAM Strategic Value portfolio.

Zoe Landry: Thanks Martyn and back to you Geoff. This is a question from Bruce. He asks, are you likely to offer a share purchase plan in the future?

Geoff Wilson: Bruce, we possibly could but we would not do it until the share price is trading at a premium to NTA. So at NTA at least, if not a premium and it would be if the Board decided that was the smart thing to do.

Zoe Landry: Perfect, thanks Geoff and staying with you. This is from Harvey. He says, because WAM Strategic Value is trading at a discount to NTA is it in danger of receiving a takeover bid?

Geoff Wilson: Oh it would be nice if it did wouldn't it. I mean it would be nice if it received a real takeover bid. We had a situation with WAM Active (ASX: WAA) that we received a pretend takeover bid which wasn't a real one. It is always a risk.

Zoe Landry: Thanks Geoff and we will stay with you again. This one is from Stirling. As a minority shareholder in many of our LICs how can WAM Strategic Value influence the Boards of the target companies?

Geoff Wilson: We try to use more of a carrot approach, as in a positive approach. We are very open with everyone in the LIC sector. Everyone in terms of what we think you need to do for a share price to trade at NTA if not a premium. Now it is a lot of hard work. You have met Zoe today and Zoe is one of I think close to 10 people that work in our shareholder engagement, communications, marketing area. So that is a big financial commitment from Wilson Asset Management to engage with our shareholders. We are very open with what we believe LICs need to do to achieve its share price to trade at NTA if not premiums. That is the carrot part. It doesn't really matter if the company does not do that because then it probably goes to a bigger discount, so then we can buy a bigger position and ideally for us we want them to go to the biggest discount possible because we have cash to keep buying a bigger and bigger position. The bigger we are as a shareholder in the company then the company has to deal with you eventually. We are very patient and we really wait for the company to do something that is not in the shareholder's interests, and then we will use the stick. And we are very happy to use the stick. Now we prefer not to. We prefer to work with the company and help them get it to NTA. We would like there to be more LICs than less LICs. You may say, oh it's funny you say that Geoff, because over the last year and a half your group has taken over 8 or 9 of them. Now that happened because those 8 or 9 really had lost their way and didn't know

what to do or had given up. So we helped facilitate them solving their problem and that is what happened with Westoz and Ozgrowth as well.

Zoe Landry: Thanks Geoff and we will stay with you again. This one is from Hamish. He asks, how are the profit reserves stored? Are they kept in cash?

Geoff Wilson: No they are not Hamish. The profit reserve is an accounting concept in the balance sheet. Say the portfolio is \$100 million and say there's a \$10 million profits reserve. That \$100 million dollar portfolio can be invested in the market. The \$10 million doesn't have to be put aside for the profits reserve. Your \$100 million is your investment portfolio, so a profits reserve of \$10 million allows you to pay from the tax office. Under the Corps Act, A) you have to have a profit to pay a dividend and B) that profit has to be booked, I think that is the word the tax office used in one of their rulings. So Board decides to put that profit into the profits reserve and then to be paid out as a dividend.

Zoe Landry: Thanks Geoff and another one for you. Given it has been only 12 months since WAM Strategic Value's listing, do you consider the profits reserve and the overall portfolio to be in line with internal forecasts? Has the market volatility provided more or less opportunities than you originally thought?

Geoff Wilson: I would have like the profits reserve to be a lot bigger. The market's performance has been as you quite rightly pointed out, very volatile. The volatility has provided opportunities. Unfortunately how we make money is the closing of the discount. You have to remember that at the moment we are approximately 75% invested and that is invested in equities. So if the discount stays the same and the equity market falls, then our portfolio falls. We have significant exposure to the market and that is why we are happy to keep a little bit of dry powder for opportunities, but also with a market that is volatile there could be some reasonable headwinds with higher interest rates etcetera.

Zoe Landry: Thanks Geoff.

Geoff Wilson: So I know I didn't really answer it. It would have been nice for the discounts to be narrowed to zero. In theory if the discounts narrowed to zero now, the NTA will be \$1.33 and it would be nice if the market was up another 15%, so then you are talking about \$1.50 plus, that is what the assets would be worth and then our profits reserve would be 25 cents. We wouldn't be talking about 1 cent dividends, we would be talking about paying 2 or 3 cents for an interim dividend or our final dividend. We would have preferred that scenario but sometimes these things take a little bit of time.

Zoe Landry: Thanks Geoff and this next one is from Martin. He says, what do you think is the impact of change in the Federal Government on the equity market?

Geoff Wilson: It's interesting you ask that question because I just got a call yesterday from an Australian Financial Review journalist who took me through The Green's proposal on bringing in the Super tax to Corporate Australia for companies that make more than \$100 million dollars. I just sent

them back a quote earlier that I think would take Australia into the backwater of the corporate world if that happened, but now obviously The Greens are not going to win.

I am lucky enough to have had a meeting with Jane Hume about superannuation. We have 120,000 shareholders amongst all our listed investment companies and we think about 60 to 65% of those are superannuation investors, so superannuation is important. I am trying to organise a meeting at the moment with the Labor superannuation Shadow Minister because I just want to understand what they are talking about and whether there is going to be any changes. So far the Liberals have said there are no changes and I just haven't had the opportunity to ask that question to Labor. What I don't want is a sort of retirement tax by stealth. They have knocked out the franking credits reform which was a major concern for us at the last election. If Labor gets in, there could be some things on the super side. There has been talk about what they are going to do.

With Superannuation you can not pay for a period of time and then you can make catchup payments I think over a 5 year period and the sector that really benefits from that is women. If they are working, they leave work for a couple of years or a few years to have children, then when they want to come back to work, then of course they are down in superannuation, so the situation would depend on what Labor says. There has talk that Labor will do something there, so that will be disadvantageous to women.

Now I am disappointed that the Liberal Government didn't pay superannuation on maternity leave. We do that. We have always done that. To me it is just a logical thing to do. A few people thought with the last election we weren't neutral. Our focus is to make a difference, make a difference for our shareholders and the people that support us and we are happy to hold the Liberals to account or Labor to account, it doesn't really matter to us. In terms of the election, I think whether Labor wins or Liberal wins I don't think there will be a great change. If Labor wins the risk I would assume will be more taxes. I know Albanese is claiming to be sort of the combination of Howard and Hawke, I can't see with his background and how he is on the left of politics how there won't be some sort of significant taxes which, who knows what impact that will have.

Zoe Landry: Thanks Geoff and we will move to Martyn now. This is a question from Graham. Does the investor pay double fees firstly from the funds it invests in and secondly from WAM Strategic Value?

Martyn McCathie: Thanks Zoe and thanks for the question. I guess in short, to answer the question, it does with the exception of the investment that we have in WAM Global and the investment we are sure to have in WAM Capital. Where we have an investment in another Wilson Asset Management entity, WAM Strategic Value will not charge investors a management fee on that investment. The WAM Strategic Value management fee is reduced by that exposure to other Wilson Asset Management group entities. On the other investments, there is a layer of fee on fees, but I guess from an NTA of WAM Strategic Value or performance we are valuing, as we have said through the webinar, investments on share price, that share price is somewhat correlated to the NTA of each of the other underline investment companies. That NTA includes a management fee and if applicable

a performance fee accrue for each of those entities, so I guess we are judged on our performance based on the LICs that we are invested in and their ability to perform and close that discount and that is all nil fees so yes but no I guess is the answer.

Zoe Landry: Thanks Martyn and back to you Geoff. This one is from Dennis. She asks, do you expect inflation to have a negative effect on WAM Strategic Value's investment?

Geoff Wilson: If inflation continues to rise and that pushes interest rates up, then it will have a negative impact on global equity, on equity markets everywhere. Now the biggest risk for equity markets is the price-to-earnings (P/E) contracting from higher interest rates, that is what I see. So yes it would. The argument is, how much is already factored in by the market? There is talk in Australia that over the next year and a half there is going to be seven interest rate rises, so if that is what everyone is talking about that is what the market is already expecting, so effectively inflation or interest rate rises have to be greater than that and then the market will react negatively. That is always the tricky part about equity markets because we never quite know what is factored in and what isn't factored in, that is the hard part.

Zoe Landry: Thanks Geoff and this one is from Matthew. He asks what do you see are the greatest risks to WAM Strategic Value shareholders in the next year or so?

Geoff Wilson: I think the greatest risk is the overall market and that is why we are sitting on a reasonable amount of dry powder in WAM Strategic Value. Now we have almost 34% in cash, so the equity side might come under a bit of pressure, but we are well positioned and really what it is all about is we know the equity market goes up and down and we have all seen that over time. The fact that we all know it is going to go down at some point, it is how quickly you make the money back and to me that is really the focus and that is really the skill of the manager to do that.

Zoe Landry: Thanks Geoff and this one is from John. He asks what are your thoughts on Hearts and Minds Investments (ASX: HM1) and do you see any opportunities in HM1?

Geoff Wilson: Geez I mean how cheap is HM1. I was looking at it yesterday. The tough thing is I am on the Board there and I know earlier we were talking about me selling some WAM Capital shares. I also bought some Future Generation Australia (ASX: FGX) shares today via the Wilson Foundation. I will probably be buying that for a little while and HM1 I think is trading at about a 14% discount. It is close to the biggest discount it has traded at since it floated, so there is definitely value there. In terms of whether we would buy it, it is a bit tricky you know as I am on the Board there. We normally buy with the expectation that the worst case is we can give the Board a bit of curry and I think it is probably out of bounds, sort of like the two Future Generation entities. They are probably out of bounds for WAM Strategic Value as well. But yeah HM1 looks cheap. They have had a tough period. In terms of performance it has a concentrated portfolio and of course it has a high beta concentrated portfolio and it has performed poorly over the last 12 months. It performed exceptionally well before that. You want to buy these at discounts when they have been performing poorly. So a good pick up.

Zoe Landry: Thanks Geoff and next one is for you again. It is from Stephen. He asks, with the upcoming anticipated WAM Capital share price weakness will WAM Strategic Value be looking to buy in?

Geoff Wilson: No, WAM Strategic Value won't. I will just buy back the shares I sold. I might buy a few more. It depends how low it goes, who knows.

Zoe Landry: Thanks Geoff and we are actually over time so there is just one last question which have come through and it is for Martyn. This question is from Jenny and she asks, Parson Investments appears to be an outlier in terms of discount versus size of the LIC. Is this due to large shareholding in event or the board shareholder structure?

Martyn McCathie: It is a good question and I think the answer is multifactorial. I think it is all of those that you have mentioned. It does have a concentrated position in event. I think in its last report it was holding 21, 22% in event. Speaking with our domestic small-to-mid cap investment team we are very positive on the medium-term outlook for events, so it is not a company that we have an issue with, we are very positive on the outlook there at the recruit level, but the shareholder composition of Carlton is structured in a way that there just isn't that demand or that liquidity. I is also a larger LIC, but it does have lower liquidity. It is one that we are invested in. It is one where you could short out the exposure to event and almost get a free kick from the rest of the portfolio if there was a catalyst to get it to trade at NTA, so it is an interesting one. It is one that we have done a bit of work on, but there are a few moving parts there and I think you would want to see a bit of clarity on the outlook for it before you went in a big way at it I think.

Zoe Landry: Thanks Martyn and thanks for all the questions. I will pass back to Geoff for some closing remarks.

Geoff Wilson: Thank you everyone and we are very happy going over time because as we have said it is your company. We had some great questions, thank you very much. Zoe, thanks for delivering them perfectly to us and Martyn thanks for all the effort you have been doing in terms of the analysis work etcetera and here on the webinar. Thank you to our shareholders for your support. Anyone who has any additional questions who didn't end up sending them in, please email through on any of our communication and we will get back to you. We look forward to performing on your behalf. I am a sizeable shareholder. Let's hope that we can get some good performance and some good dividends and are trading at a nice premium to NTA over time. Thank you.