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Wilson Asset Management

WAM Strategic Value FY2022 Results Q&A Webinar

Geoff Wilson: Welcome to the WAM Strategic Value (ASX: WAR) webinar. You have got myself who is the Portfolio Manager, plus we have Jesse Hamilton our Chief Financial Officer and one of our investment specialists Martyn McCathie. We are on today and we are here to answer any of your questions and please the more difficult the questions the better because this is your company and we can only do what we love doing because of you. We are very passionate about what we do because you let us do it, so thank you very much. Also in terms of running the Q & A and organising everything, I would just like to thank the Wilson Asset Management Corporate Affairs team, they do an exceptional job and we have one of our Advisors Zoe Landry who will be doing the Q & A today, so thank you again Corporate Affairs and look for WAM Strategic Value to some difficult questions for you to hit us.

Now in terms of just looking at the last 12 months for WAM Strategic Value, it was a challenging year. You look at the portfolio performance and the share price performance challenging in both sense. Now the portfolio since the company was set up is down about a little over 9%. 6 months ago we could start paying a dividend to shareholders, that was 1 cent and the positive thing is we had a very strong July so the profits reserve grew strongly in July. So when it was looking at the full year result and the second half performance the Board could increase the dividend and we talked about increasing the dividend 100% from that 1 cent to 2 cents and the plan would be to continue to grow that dividend over time. Obviously the ability to pay that dividend is reliant on the profit. Looking at the profits reserve, for it to be franked we need to either pay tax or receive fully franked dividends from our investments. In terms of the profits reserve side, this is after the payment of the 1 cent interim dividend but before the payment of 2 cent final dividend. There was about 8.7 cents in that profits reserve.

In terms of where WAM Strategic Value is trading at the moment, after the float it went to a nice premium for a period of time. Unfortunately it has gone to a discount and I think that has been more of a function of what has been happening in the market with volatility. What you tend to find is some shareholders that have bought in think, 'oh well I would like to turn it into cash now', so you tend to get a little bit of additional selling pressure and it really just takes time for that selling pressure to be absorbed by the market. I have seen it happen before and I am sure it will happen again. It will be a matter of time before we get WAM Strategic Value to trade at net tangible assets (NTA) if not at premium where it belongs.

Now in terms of what does WAM Strategic Value do. We are trying to find a dollar of assets and buy them at 80 cents, preferably we would be buying that dollar of assets for 50 cents if possible. Even though at the moment we are sitting on a reasonable amount of cash and the portfolio has got about 35% cash, that is more because a few things happened. Some of our investments were cashed up over the period and we are sitting on that cash. One of the sayings I love is from one of the Rothchild's. You want to be buying when the blood is running in the street and at the moment I don't think there is enough blood running in the street, but there will be some great opportunities there.

In terms of the rest of portfolio, the shares we have invested in. If you look at what their NTAs are and that is sort of broadly a see through NTA. A number of shareholders asked us over the last 6 to 9 months if we can give them an idea and that is about $1.26 at the moment. So we think the live NTA is about $1.17. The share price $1.02, so it is trading at a 12 odd discount and if you look at the cash obviously there is cash but those other investments are trading at discounts and the look through NTA there would be about $1.26. So in terms of where we see opportunities, we will probably cover that a little later in Q & A, but again it is really anywhere where we think we can buy a dollar for 80 cents or less. More recently, if you have followed our portfolio closely, we have been seeing some opportunities in operating businesses that have come under pressure recently but creating what we believe is some exceptional value. Now I would like to hand over to Jesse and he will talk a little bit about the listed investment company (LIC) sector. We invest in undervalued companies, anywhere where we can buy a dollar of assets cheaply. The area we focused on is the listed investment company and the listed investment trust sector, but it can be in operating business as well. But why don't I pass over to Jesse who will take you through a little bit of what happened in the landscape over the last period. Thanks Jesse.

Jesse Hamilton: Thanks Geoff. Now what I will talk to shareholders about is just obviously what has happened in the past 12 months. One of these items that we have already spoken to you about before obviously earlier on when after the IPO, listed investment trusts which moved an open ended exchange traded fund, so what that enabled us to do at the time was redeem our position at the NTA of the funds after buying it early at a discount to NTA in the closed end structure and in that short period of time, the annualised return weighted to 117.6%. So that is just one example of what happened during the year. Now two other transactions that happened simultaneously were our investments in Westoz and Ozgrowth. Both of those vehicles were acquired during the period by WAM Capital (ASX: WAM) interestingly enough. They were trading at big discounts to NTA ahead of the announcement that WAM Capital were to acquire those vehicles under two separate schemes of arrangement. From the announcement date I think in December last year to the Scheme Implementation in April this year, those discounts to NTA narrowed significantly and in the end WAM Capital was acquiring those vehicles at a 7.5% premium for the underlying NTA of the vehicles as at that point in time, so when we receive the new WAM Capital shares and dispose of them we will be able to close that discount and generate a good realised return on those investments by virtue of the structural changes that happen.

Another one that is probably just more in terms of something that are naturally closed discount wise during the period. The L1 long short funds, so if you turn the clock back I think around March 2020 it was high, it was trading at around a 29% so discount to NTA at that point in time and from there through to 30 June this year that discount narrowed to 5% and during that time they obviously had a big, big performance on the underlying positions exposed to resources and their short positions of those higher priced to earnings companies. So they benefited from the strong performance of the investment portfolio. They paid an increasing fully franked dividend to shareholders during the period. You had two individuals obviously L1 investing significantly in the business and communicating during that time which was a great example of what we want to see out of those asset managers when their LICs are trading at a discount. More recently, WAM Leaders (ASX: WLE) one of our other listed investment companies announced that it was entering to a Scheme of Arrangement with Absolute Equity Performers Fund, AEG. This morning AEG shareholders approved that transaction at the EGM and will be implemented at the end of October. For WAM Strategic Value we acquired our AEG holding at around a 12.6% discount to NTA and that transaction will enable us to exit our position at or around NTA if not at a bit of premium so another benefit coming which we will keep you updated on going for WAM Strategic Value.

Before I pass over to Martyn, I just wanted to touch on obviously how we have announced our 2 cents fully franked final dividends and wanted to touch on the dividend reinvestment plan (DRP) for shareholders for those who are participating and those who might want to consider participating. Now with our inaugural interim dividend of 1 cent, that worked traditionally like a normal dividend reinvestment plan where we issued additional shares to those people participating in the DRP and at the time obviously trading at a discount. Another option that we do have in our DRP policy is actually taking the proceeds that would ordinarily be used to issue more shares and buying those

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shares on market when we are trading at a discount fee. We will be facilitating the DRP to those participating shareholders through buying those shares on market to then transfer them through to you and that is something that we are trialling for the first time across the Wilson Asset Management stable of LICs and something that hopefully we can look to implement more broadly in the future. I will now pass over to Martyn just to talk about the LIC sector and obviously what is happening currently with premiums and discount to NTA.

Martyn McCathie: Thanks Jesse and good afternoon everybody. As we have touched on previously in these forums, the listed investment company sector in Australia has seen phenomenal growth over the last decade. When you go back to 2012, we were sitting around 40 entrants, that has grown to almost 100 today and then in the last 8 years alone the LIC sector has grown from 23 billion to 56 billion. In the last we have seen a period of consolidation in the number of LIC's exit the sector as the result of scheme arrangements and takeovers or being conversions to other structures. As Jesse said we have been able to take advantage of a number of the consolidation in the sector and that has provided other shareholders the opportunity to exit their investment at NTA or close to NTA and we believe that this consolidation will continue through the rest of 2022 and into 2023. We still hold a very favourable view on the LIC sector domestically and we often turn to the UK market as a lead indicator for the LIC sector in Australia as a more mature and larger sector. If you look at the LIC sector in Australia, the investment trust or investment company sector over there in the UK in 2021 they had a record year of capital raisings. Not only from existing entrants in the market, but also a number of new entrants and through the period the listed sector in the UK outgrew the unlisted sector as shareholders over there really got behind the benefits of close ended capital, especially in the small-cap alternative asset and special situations listed investment companies. That said, the UK is providing pockets of value that is similar to the Australian market.

Turning back to Australia, obviously 2022 has been an exceptionally volatile period in equity markets and that volatility has been magnified through the listed investment company sector as retail shareholders look to liquidate and also divest and move up the market capitalisation scale into the perceived safe haven of blue chip companies and blue chip listed investment companies. That has provided phenomenal value in the small-mid cap sector and also global LICs, with global LICs being the hardest hit. When you look at the global LIC sector in Australia the discount has grown to or the average discount has grown to 17.5% at 30 June and that is up from 12.9% just 12 months earlier. So this volatility and the pressure pricing and discount expansion has provided opportunity for WAM Strategic Value to deploy capital and at the moment we are around about 45% invested in global listed investment companies. As Geoff said at the outset, direct asset players have also become interested and we have seen a number of direct assets trading at a discount to the net tangible asset and generally through AMP (ASX: AMP) and Global LICs such as Global Data Centre Investment Fund (ASX: GDC) and they make up about 7% of the portfolio at the moment. Geoff maybe back to you and you can touch on your views on the market at the moment and when the catalyst you are looking for to deploy some of that capital.

Geoff Wilson: A solid question Martyn and obviously if all our crystal balls were clear you know we will know exactly what to do, sell the top and buy off the bottom. But as we know it is a best guess and try to look at what has happened historically, I think from my perspective the market has been very volatile over the last 6 months. A lot of heat has been taken out of the market with interest rates going up due to inflation being a lot higher than people expected and potentially holding higher than people have expected. To me that is flushing out a little bit of the hot money out of our market. Now one thing that does concern me is you look at Australia, we are still not in a bear market, so that means the market still hasn't fallen more than 20% and that is one thing we do know about bull markets – bull markets are always followed by bear markets and one thing we know about bear markets is that they are always followed by bull markets and bear markets tend to be a little more swift and a little bit more brutal in terms of the share prices falling quickly and bear markets tend to be less than the half the length of a bull market. From my perspective and one of the reasons why we are holding our cash, even though there are some very good opportunities out there, if we could see a catalyst that we believe would turn those discounts move them from discounts to NTA or even significantly reduce the discounts, then we would be using that cash. We just can't see the catalyst and obviously one of the catalysts is the market's performance. Now you might have a listed investment company and some of the ones we own are trading at 20 and 25% discounts. If we are still a little uncertain about the outlook for equities, then you could have a situation where the equity market falls and the actual discount stays the same or if not gets bigger and the ideal scenario for us is we want to buy these discounts. We want to be buying the discounts when we are fairly confident that those discounts are going to evaporate, so then you will get that catalyst which obviously all shareholders, including all ourselves, will benefit from.

So my concern is interest rates are still going up. There is an indirect relationship between interest rates and values of companies. The higher the interest rates the smaller value of company. The lower the interest rates the larger valuation measure or P/E. So to me, the next little period we have really got to wait for this inflation cycle and interest rate cycle to play out before we really have any confidence. Now what are the signposts? Either the market falling significantly or it becoming clear that the market has fully digested higher interest rates. I just don't think the market has digested that just yet. So look thank you Jesse and Martyn. Now what I would like to do is pass over to Zoe who will start running through some questions and thank you, already a number of people have sent in some questions and please send in anymore questions so we can answer them for you.

Zoe Landry: Thank you Geoff and thank you to everyone who has joined us. We will try to get through all the questions that have come through today and if we don't we will endeavour to call you after the call. Geoff the first question is for you and it is a two part question from Tony. He says it is pleasing to see the recent dividend increase of 100%. Is this a sign of things to come? Is it common for a dividend to start this low compared to other WAM LICs?

Geoff Wilson: I will start with the dividend compared to other WAM LICs. Effectively these are company structures and one of the great things about a listed investment company is the fact that money can be made in those listed investment companies and instead of the trust structure where it all pays you out in one year, that can be paid to investors or shareholders in a company over time. But it takes a little bit of time to build up the ability to pay those dividends and that is what I was talking about earlier about the profits reserve. You have got to build up your profits reserve and then there is a Board sitting on this and really what the Board is looking for is that they can be a balancing act between not paying too high a dividend and not paying too low a dividend and paying a dividend that is sustainable. So the dividend that was just paid I mentioned earlier there is 8.7 cents in the profits reserve, so the dividend paid of 2 cents so we will have 6.7 cents in the profits reserve. Now that is assuming no more profit for the next period of time, but what that does mean is in 6 months' time if there is no more profit the Directors looking the 6.7 cents in so that probably gives them confidence to raise the interim dividend from that 1 cent level to the 2 cent and then obviously if there is more profit then the ability to increase the dividend further over time. So that is broadly how dividends work with listed investment companies.

Zoe Landry: Thank you Geoff and we will stay with you. This next one is from Tom. He says can you please talk a bit about WAM Strategic Value's holding in WAM Global (AS:X: WGB)?

Geoff Wilson: WAM Strategic Value was a shareholder in Templeton Global and WAM Global bid for Templeton Global and shareholders had a choice. They could have either taken cash or they could have taken shares. The majority of shareholders took shares because one was pre-tax and one was after tax, the cash was after tax, so it was actually a 6% difference and probably in retrospect my

Scottish roots played against me here as the portfolio manager where we didn't want to take the lower alternative which was cash, but it was 6% lower and in retrospect we should have done that. So it is a position that is trading at a bit of a discount to NTA at the moment. We are pretty confident that it will trade at NTA if not a premium, but when it is getting back to close to NTA then you will see us reducing our position in WAM Global. In terms of that, we always know only a fool makes the same mistake twice. When WAM Capital bid for the Ozgrowth and Westoz then WAM Strategic Value was a shareholder in both of those and when WAM Strategic Value got those shares and they sold out the same strategy would be with AEG for WAM Strategic Value.

Zoe Landry: Thank you Geoff. This next question is from Trevor, perhaps this is to sort of for the whole team. He has asked why has WAM Strategic Value invested in overseas opportunities when there are many local funds trading for lower asset backing and will you Geoff look to take over Thorney opportunities?

Geoff Wilson: I will do it, we will all have the same answer. Trevor, we actually haven't invested in offshore companies to get exposure. We have invested in listed invested companies who are listed on the Australian market that are trading at quite, very healthy discounts, 20% off and they invest in global assets, so managers that are investing globally and that is why we have invested. That is where the real opportunities are. In terms of the Australian opportunities, the discounts aren't anywhere near as large as the global fund managers that are listed in Australia. So that is where we have been focussing and in terms of some of the Australian ones that are trading at discounts, probably the two biggest discounts are the two Thorney twins, close to 25% Thorney Opportunities (ASX: TOP) and Thorney Technology (ASX: TEK), 25% discounts and we have small positions in those and what we tend to find over time with these, when entities trade at those big discounts, then something eventually happens, either there is a catalyst or some corporate activity occurs or they end up trading closer or the discount gap gets narrowed and they trade close at NTA. So we have small positions in the two Thorneys. I know Alex well. I think he is a very good fund manager. He wouldn't be happy with this. If you were a shareholder in those entities then obviously you and like all shareholders have the right to say 'look, what are you guys doing with this and what are your plans to get it to trade at NTA if not at premium?'

Zoe Landry: Thank you Geoff. And Martyn we will go to you now. This question has come in from Liz. Liz noticed that short selling is part of the investment strategy in the prospective. Are you short selling at the moment given the equity market volatility?

Martyn McCathie: Yeah that is a much kinder question thank you. Look with the short selling as you said it was on the prospective that we could short sell. With all of Wilson Asset Management LICs or in the most part we have the ability to short sell and for us it is giving us maximum flexibility to either make money for shareholders or in the case of short selling occasionally to provide protection on the downside. It hasn't been used from WAM Strategic Value to date and I think the opportunities to use it going for WAM Strategic Valued will be limited and it is really opportunists that where we will get to use it. Given that the real problem with short selling in the LIC sector is getting to borrow within the Australian market you have to have borrow stock to be able to short sell, so they have to be fully covered and it is getting that liquidity and that borrow to be able to short sell on the other side is problematic. Where you might see us using it is from a risk mitigation perspective if we were invested in a concentrated LIC. Jesse talked to the Magellan High Conviction Trust (ASX: MHHT) at the start. Obviously something like Contango which is a very concentrated portfolio is there was a play on something like that in the future, you would potentially be able to show out some of the risk in those underlying assets, but I don't think it will be something that we will use significantly in the portfolio.

Zoe Landry: Thank you Martyn. Jesse this next question is for you it is from Mark and it is a two part question. Firstly, is there any ambition for WAM Strategic Value to take over other LICs? Secondly, is WAM Strategic Value competing with WAM Capital for takeover opportunities? How is this conflict managed?

Jesse Hamilton: Yeah great question thanks Mark. Getting back to WAM Strategic Value's investment process, obviously we are investing in LICs and LITs trading at a discount to NTA. There is a number of mechanisms and tools available to assist in closing that discount. I would probably say corporate activity is normally one of those last resort type endeavours in terms of trying to close that discount to NTA. WAM Strategic Value can definitely implement that, but the circumstances need to be right and what I mean by that is if you look at some other corporate activities let's say WAM Capital has participated in, where WAM Capital is obviously trading at a premium to NTA it can offer transactions to the other shareholders in those companies and benefit them. But obviously significant benefits to the WAM Capital shareholders also where we can acquire significant assets at a discount to the underlying NTA of those companies. When WAM Strategic Value is trading at a discount, offering script transactions and the likes probably doesn't put us in the best position and doesn't put the best foot for WAM Strategic Valued because obviously we wouldn't want to be issuing our own shares at a discount to NTA and we would be able to offer an attractive term to those shareholders in order to get them to accept. In terms of other circumstances, size is incredibly important. When you look at the others like listed investment companies they might be trading at discounts and then you look at the size of WAM Strategic Value if you were to acquire a company that is of similar size it could create significant disruption to the WAM Strategic Value's share price and the register versus when WAM Capital has recently taken over companies the proportionate size when WAM Capital is at different points in time been around $2 billion dollars market capitalisation versus these companies that are a lot smaller, and even more recently WAM Leaders around 1.5, 1.6 billion in market cap versus AEG which is a lot smaller, so the circumstances need to be right in order to sort of take advantage of those opportunities. In terms of conflict, each company has an independent Board of Directors. The Investment Manager are always conflicted in terms of these scenarios, so we refuse ourselves from these sort of decisions, it is the independent Board of Directors that will make decisions regarding capital management and takeover activity and that sort of conflict is managed quite closely as well.

Zoe Landry: Thanks Jesse. This next one is from Denis for you Geoff. He says will you please provide some insights into AMP? Why is it a holding in the WAM Strategic Value portfolio? Is it undervalued or a takeover premium opportunity?

Geoff Wilson: Yeah the reason we bought it is because it is undervalued. As I mentioned a little earlier it is an operating company and we think we can get a value of the parts of the business that is close to $1.80. Because they have sold 6 divisions so far since the new CEO has come in and she has really cleaned the business up, the actual state of NTA I think is around $1.30 plus and as cash comes in from these sales, it could easily increase. We think we can get a valuation close to $1.80. We started buying around that dollar 3, dollar 4 level you know it is just a little over 5% of the portfolio and you see it is like trading at $1.19, $1.20. I think it is smart what they are doing in terms of doing the buyback. We had meetings and I have been in the meetings with the Chair, the CEO and Senior Management. Because the shares are just fundamentally cheap, we think they should continue to use that capital to buy back shares. Another little thing on the side is when they start paying dividends they actually will be starting to pay tax again soon so the dividends will be fully franked and our view is we are happy shareholders, we still think it is cheap and if it got up closer to our valuation then we would sell it and move on.

Zoe Landry: Thanks Geoff. We will stay with you, this one is from Graham and he asks do you foresee Magellan recovering any time soon?

Geoff Wilson: Now there is a few parts to Magellan. There is Magellan the funds management business and where we are invested is in the Magellan listed investment trusts. That is where we are invested and it is cheap at the moment. It is trading at about a 19% discount. There are some options outstanding which complicates the structure. I think as Jesse mentioned earlier soon after WAM Strategic Value was floated WAM Strategic Value was the shareholder in one of the other Magellan funds which they decided to turn into a trust, so we were buying it then at a 12% discount and we got out at NTA. The current Magellan trust that we have a position is trading at about a 19% discount. The reason why it is not a very large position is because we will probably build our position up as we get closer to that expiry of the options and that is not March next year, the year after, so we have still got a decent runway there. We think they will get back to NTA one way or the other. Either they turn it into a trust and we all get out at NTA or they swing the tide of everyone running away from Magellan and that will happen. In terms of the Manager, that is a total different question. That is whether you believe that their funds will start growing again, in terms of inflows and what value do you put on the management company and we are not invested in there and we don't have a view, well we don't need to have a view on that.

Zoe Landry: Thanks Geoff. We will go to Jesse for this next question from Will. He has asked what is your view on the VGI and Regal merger and in particular Regal taking over management of VGI and still trading at a large discount to NTA?

Jesse Hamilton: Yeah this one might be one that Geoff wants to comment on as well. In terms of the takeover VGI reached a point where they were looking for optionality with their management business. Obviously they have their listed investment companies which have been trading at a discount for some time. I guess with the combined resources of Regal and VGI we hope that there is going to be some action and some implementation of strategies to close those discounts to NTA from the listed investment company perspective. More recently they have gone through a rights issue and the management vehicle of Regal part of the rational for the rights issue was further investing in that side of the business and we hope that will start showing some benefits in terms of how they are communicating across the two VGI listed investment companies. In terms of the merger itself with the asset managers, it is not something we invest in and probably have a particular view on, but Geoff do you have anything you wanted to add on that one?

Geoff Wilson: Yeah one of the interesting things is with VGI when it was going through the number of people leaving, Rob who was the main driver behind the business, his right hand man left and one of them was the manager of the VGI Partners Asian Investments (ASX: VG8) portfolio and it is trading at about a 19% discount to NTA at the moment. The interesting thing is since the merger with Regal, Phil King who is the Principal of Regal he is now managing that portfolio. You will see the portfolio, even though it is Asian, I think it is about 60% Australian stocks, so I am not sure how I know it is Australasia but to me it looks like it is becoming more of an Australian LIC and the early performance has been quite positive. To me, I would say the skills Phil has and Rob is responsible for VG1, I would say probably VG8 will get to NTA before VG1. I would assume because you look at Regal they have their listed investment trust and that is trading at a slight premium to NTA, so they know what you need to do to get something to NTA and you have to perform for your shareholders, you have to communicate with them, you have to have a marketing plan and engagement, shareholder engagement strategy and a dividend strategy. They are reasonably large positions in our portfolio and they are still very cheap, they are both trading around that 17 to 19% discount at the moment.

Zoe Landry: Thank you Geoff. Jesse this one is for you and as Geoff mentioned previously the profits reserve is sitting at 8.7% as at 31 August. Steve wants to know how you top this up and if it is likely to grow in the years to come?

Jesse Hamilton: Great question. The profits reserve as at the end of the month was 8.7 cents per share. Important to note obviously at the end of June it was 3.6 cents per share. So the way the profits reserve works, the investment portfolio performance drives profit in terms of the company structure. So the profit after tax that is generated through the investment portfolio performance, that is what contributes to the profits reserve.

At the end of June we had 3.6 cents per share. We had a very positive month in July and that was a combination of positive performance in the market, lot of global LICs had incredibly strong performance outperforming the market and we did see a bit of a reversion in the discount to NTA of those global LICs in the month which helped contribute additional profit to the profits reserve through the generation of portfolio performance.

Now, how does that work for WAM Strategic Value? Each month if we continue to perform, we will continue to generate profit and profit after tax which will contribute to the profits reserve. In the

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month of August we were slightly down, so we need to recoup that sort of slight underperformance in August in the month of September and between we can transfer to the profits reserve again, but it is sort of a factor of positive portfolio performance over the financial year. As we keep performing we can keep adding to the profits reserve. Something probably just for shareholders to note if you look at the NTA after tax throughout each month, as that NTA after tax is growing, you should reasonably be able to see the profits reserve growing as well, but on the second page of our investment update we have the profits reserve for all the listed investment companies so you can see that changing each month as we top up the profits reserve.

Zoe Landry: Thanks Jesse. Geoff this question is for you, it is from Barry. He has asked can you explain the difference between WAM Strategic Value and WAM Active (ASX: WAA)?

Geoff Wilson: Thanks Barry. WAM Strategic Value buys undervalued asset plays and what WAM Active does is look for mispricing trading opportunities. It is a very good question because WAM Strategic Value historically made up about 10% of the WAM Active portfolio, so they are similar. The differences are is WAM Active is very active in terms of the investment process. So WAM Active starts off with an amount of cash and looks for any trading opportunity it can find.

Let's use AMP for example. WAM Active might buy into AMP at $1.03 because it thinks it is cheap and then also can see a catalyst because it is trading at a discount to NTA and there may be some capital management. The capital management occurs which is happening at the moment and WAM Active would sell out. With WAM Strategic Value, we will stay there until we get closer to the full value being realised. That doesn't mean we won't sell if we buy something at a 20% discount and we make really good money quickly that we won't then use that trading opportunity to sell, but broadly the asset plays, the discount asset plays for the Wilson Asset Management Group are housed in WAM Strategic Value. Now the other entities may put 1 or 2% of their funds into those plays. WAM Capital has got a position in AMP, but they won't put a significant amount of their capital and that is what WAM Strategic Value is.

Back on WAM Active, because we are looking for trading opportunities, the WAM Active portfolio turns over about 3 to 4 times a year, so it is just trying to make little bits of money, sometimes that can be risky and some people say when you are trying to pick up little bits of money it is like picking up dollar coins on the train track, you have just got to make sure the train doesn't get you and that is WAM Active the trading part, where WAM Strategic Value is more if something is cheap, we are taking a medium-term view. We are getting exposure to the market cheaply, we are going to get the market exposure plus that discount, say that 20% discount. We are going to make that up as well so we should over time get the market exposure or the market performance plus the discount, you know the 20% discount.

Zoe Landry: Thanks Geoff. Martyn we will go to you. This question is from Bob. He says in the prospectus WAM Strategic Value targets undervalued LICs, but has only been a passive investor so far. Is WAM Strategic Value likely to become an active bidder in the future?

Martyn McCathie: Yeah thanks. Look I think that is one of the catalysts written in the prospectus and for us when we are making investments in these other listed investment companies we are investing on the back of what we believe are catalysts and Geoff talked to improve the market performance, improving around the manager, restructure like we are seeing with VGI and new personnel coming in. If those catalysts don't play out over a period of time, we can become the catalyst and we can, as Wilson Asset Management group, engage with the Board and Management and we have and we will continue to do that. The engagement with the Manager we will go through will usually be behind closed doors. We will offer assistance where we think we can and guidance where we think we have expertise or insights and then I guess the last opportunity or the last avenue for us is to become more of an activist investor. I think Geoff sort of previously described it as the carrot and the stick approach, we much prefer the carrot, but we have a big stick and we can pull it out if we want to.

Geoff Wilson: That is well put Martyn. People should remember that most of our discussions are behind closed doors. We don't want to bring the stick out and sometimes we have to use the stick in public just to get a result. I mentioned we have already had meetings with Senior Management at AMP and separately the Chair at AMP. Assuming everything goes in the right direction then we actually prefer to work with these companies and get the best result and like AMP would like the share price to be trading at $1.80 and we would like the share price to be trading at $1.80. So we are all pushing in the right direction. We have actually been very active even though we might not have been getting headlines in the paper all the time.

Zoe Landry: Geoff, Trevor has noticed that you are the largest shareholder in WAM Strategic Value. He is wondering what your future plans are? Are you going to add to this holding or sell down?

Geoff Wilson: That is an exceptional question Trevor. I am definitely not going to sell down. I am a buyer of a dollar of asset for 80 cents. In WAM Strategic Value's case, the see through NTA we said is $1.26, and the share price $1.02, so you broadly are buying the see through assets. You have got

35% cash, so a bit of asset protection and the rest of you are buying very cheaply. I was thinking 'oh the call is coming. Shall I buy some before the call? Oh no I will probably shouldn't because then they will all say oh he's buying them before the call.' Then I am thinking 'oh shall I buy them after the call?' So the good thing is you will see Trevor because as soon as buy some I have to lodge with the ASX within a couple of days, so to me they are cheap. And I will be more a buyer, well I am not a seller, I am either a holder or a buyer.

Zoe Landry: Thanks Geoff. Jesse you touched on this earlier but John has asked which companies have you invested in that have done well and what are the ones that have done badly and can you explain why?

Jesse Hamilton: Yeah definitely. We touched on the things that worked well. We had a few corporate activities items, we had Magellan High Conviction Trust, we have had Westoz and Ozgrowth. L1 was I guess a great example of what sort of worked well during the period. We have had some benefit from AEG already into the last financial year and this financial year. Rather than specifics on what didn't work well, what was probably quite interesting in terms of the 12 months to 30 June was when you look at the underlying look through NTA that Geoff was talking about so that $1.26. I think it was around 3 to 4% of the overall for the 12 months we were down 9.2%. 3 to 4% of that came from the underlying asset managers in terms of their portfolio performance. When we look at the performance of the look through NTA versus the around 5 to 6% was actually just the widening of share price discounts to NTA during the period. That was something that significantly impacted the portfolio especially from our global equities exposure. So through the first 12 months or through the 12 months to 30 June, global LIC's discounts widened significantly which did impact the portfolio. What we noticed and I think it was the global LICs that experienced the pain first likewise with global equity markets generally. Late last year there was a bit of a sell-off in equities and then obviously with geopolitical tensions happening early in the year, global equities suffered before the Australian market and we did see a lot of fleeting away from global listed investment companies. So broad indiscriminative sell off of global exposures which mean that the discounts widened significantly during that period which Martyn touched on earlier and that was something that significantly impacted the portfolio especially over that March and June quarter this year. We did some positivity with that sort of reversing in July as I mentioned, global managers significantly outperformed during that time through a combination of portfolio performance but there was a closing of that share price discount to NTA in that July and August period which has been positive,

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but that was the theme in terms of what didn't work well during that period which was more of the overall market perspective than individual companies.

Zoe Landry: Thanks Jesse. Geoff WAM Strategic Value has a relatively high cash rating at the moment. Beth has asked what opportunities are you seeing if any and do you have plans to deploy this cash?

Geoff Wilson: There are opportunities now. We are 65% invested. What we are focusing on is just timing to invest the 35% cash. As I mentioned before VG8 is at a 19% discount, new Manager, new stable. It is in the Regal stable and have already got a listed investment trust trading at a slight premium to NTA and their main principal is the manager of the portfolio now. So to me that has got a lot of good catalysts, same with AMP. What I am still nervous about is the play out of the increase in interest rates. We have all witnessed over a 20 or 30 year period the interest rates falling and as interest rates fall then values of companies or our price earnings multiples increase. If interest rates half then price earnings multiples double. Now in theory the reverse happens as well. If interest rates double then the price earnings ratios for companies halves, so that means assuming earnings are flat, the share price falls by 50% and things can be brutal. So to me we are really in that early period of interest rates going up, driven by inflation. It is about seeing to what extent the equity market is going to adjust because we are at risk with 65% of the portfolio even though we bought it cheaply and the other 35% of the portfolio which we have in cash we are trying to be a little bit more choosey and trying to just finesse our marketing timing a little bit.

In June we were 40% cash, so we have actually invested 5% or nearly 12.5% of the cash that we were holding. We are nibbling away at opportunities. We will probably continue to do that. But we will have a cash buffer because as an investor you really get excited when everyone else is incredibly stressed. To quote Rothschild, the Battle of Waterloo, when they send the message back that you know to buy when the blood runs in the street. Now you could say the market rally that we have had is a bull market track. That means everyone thinks the market is going to keep going up and it doesn't. Unfortunately with that I don't know exactly what the answer is, only time will tell. Myself and Martyn and Jesse we are stewards of your money. We want to take the least amount of risk we can and get the greatest return we can, so if we believe that there still could be some sizeable risk, then let's have a bit of cash so we are beautifully positioned to take advantage of other opportunities when they present themselves.

Zoe Landry: Thanks Geoff. We will stay with you. This question is from Anna and she is asking how does the WAM Strategic Value fee structure work?

Geoff Wilson: It is a 1% management fee and a 20% performance fee over a high water mark. The performance fee gets paid out each year and that high water mark has to be exceeded for any performance fee to be paid.

Martyn McCathie: It is probably worth noting, we touched on the WAM Global holding in the portfolio earlier. Just to note we don't take a management fee on that WAM Global holding given that is one of our related entities. We don't take any management fee of that 1% of the portion that we hold in WAM Global.

Zoe Landry: Thanks Martyn. Question from John he says I bought into WAM Strategic Value at the IPO and have since seen its listing share price go down. Geoff what are you doing to address this?

Geoff Wilson: John I bought WAM Strategic Value at the IPO too. A lot of the people on the call have bought into WAM Strategic Value at the IPO. We are focusing on managing the portfolio and maximising the returns by taking the least amount of risk as possible. We also talked about how WAM Strategic Value is trading at a bit of a discount to what the assets are. We are maintaining and increasing shareholder engagement and communication and that is one of the reasons why we have this webinar and also from a Board's perspective increasing the dividends. If we can get a bit more in the profits reserve, then all of a sudden we are going from 1 cent interim to 2 cent full year dividend. I would say worst case scenario next year it is 4 cents, assuming that is fully franked. Then you are getting close to a 4% yield on the share price, not on the NTA, a little bit less than that, 10% less and if we can get some more in the profits reserve then it is up to the Board to potentially pay a higher dividend and what we are trying to do is provide shareholders with a growing stream of fully franked dividends, so we are incredibly aware of where things are. Assuming we could get WAM Strategic Value to a premium like say WAM Capital or WAM Research (ASX: WAX) even WAM Active or WAM Leaders, we are pretty confident we will get it to NTA if not a premium. When we are at a premium then it gives us a lot more flexibility in terms of using WAM Strategic Value to make takeover bids for other listed investment companies that are smaller ones. That is sort of the broad plan.

Zoe Landry: Thanks Geoff. That actually concludes our questions for today, so I will pass back to you for closing remarks.

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Geoff Wilson: Thank you Zoe and thank you Jesse and thank you Martyn. Thank you all shareholders of WAM Strategic Value because there were some really good questions. This is your company. If you have any thoughts or suggestions or additional questions please email in and we will get back to you and communicate. If not, we are all looking forward to WAM Strategic Value to perform better than it has in the last period, to trade at NTA if not a premium and I am pretty confident we will get there. Thank you.