

W | A | M *Leaders*

Actively investing in the highest quality Australian companies

FY2023 Interim Results Webinar

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FY2023 interim results

for the half year to 31 December 2022

Investment portfolio performance*

+8.8%

FY2023 fully franked interim dividend increase

+12.5%

Investment portfolio outperformance*

+9.9%

Average cash holding

3.6%

In the 2022 calendar year, against the S&P/ASX 200 Accumulation Index

FY2023 fully franked interim dividend

4.5 cps

Annualised FY2023 fully franked interim dividend yield[^]

5.8%

Profits reserve

41.1 cps

Annualised FY2023 fully franked grossed-up dividend yield^{^^}

8.3%

*Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

^Based on the 27 February 2023 share price of \$1.55.

^^Grossed-up dividend yield includes the benefits of franking credits and is based on a tax rate of 30.0%.

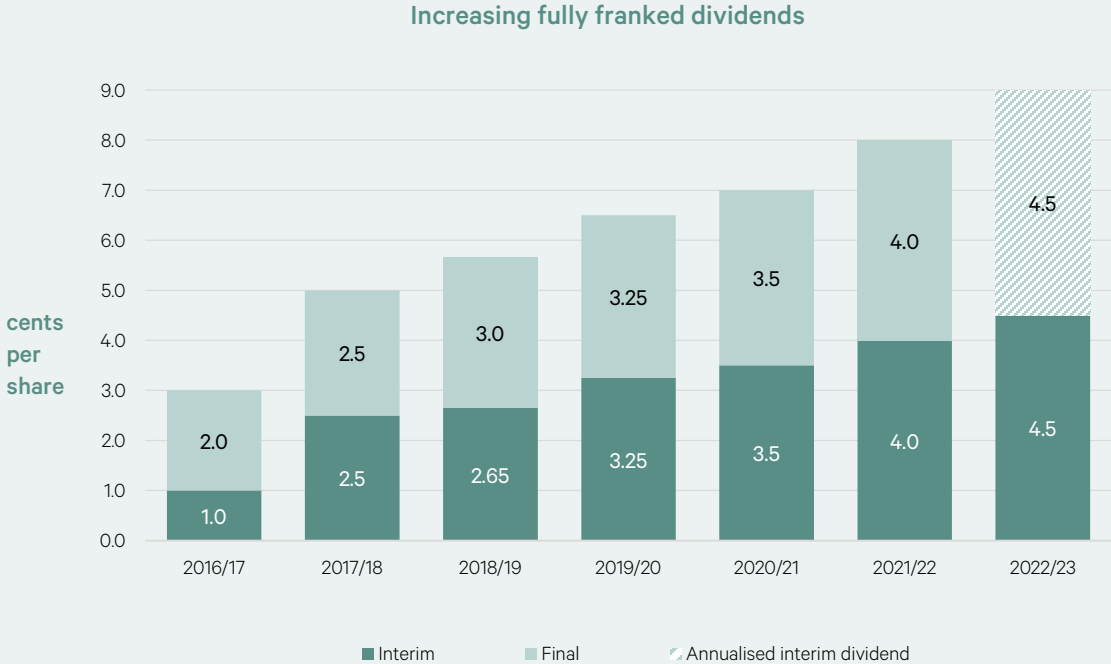
Strong investment portfolio outperformance since inception

Performance at 31 December 2022	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since inception %pa (May-16)
WAM Leaders Investment Portfolio*	8.8%	8.8%	16.3%	14.4%	14.4%
S&P/ASX 200 Accumulation Index	9.8%	-1.1%	5.5%	7.1%	8.4%
Outperformance	-1.0%	+9.9%	+10.8%	+7.3%	+6.0%

*Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

Increased fully franked dividends

12.5% FY2023 fully franked interim dividend increase



Matthew Haupt

Lead Portfolio Manager

Market Update





Successful investing is about managing
risk, not avoiding it.

Benjamin Graham



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Market Valuations

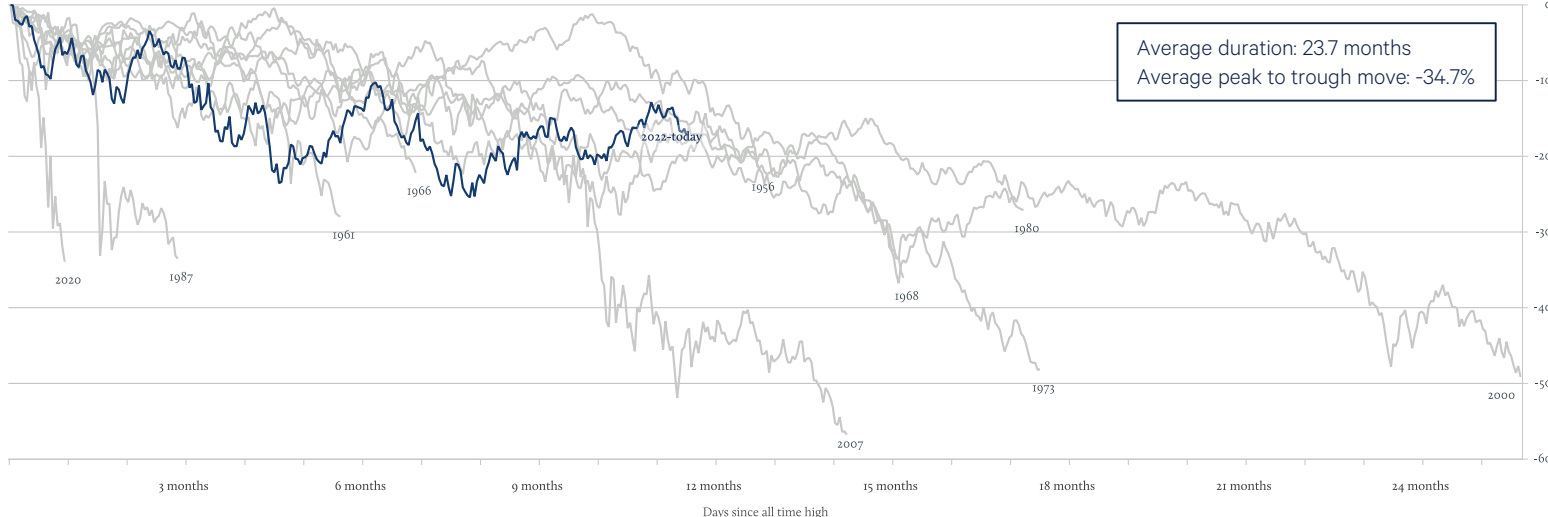
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Equity markets are performing in line with previous bear markets...

S&P 500 performance during bear markets

Performance from peak pre-bear market to bottom

— 3/01/2022 - 19/02/2020 - 23/03/2020 — 9/10/2007 - 9/03/2009 — 24/03/2000 - 9/10/2002 — 25/08/1987 - 4/12/1987 — 28/11/1980 - 12/08/1982 — 11/01/1973 - 4/10/1974 — 29/11/1968 - 26/05/1970 — 9/02/1966 - 7/10/1966 — 12/12/1961 - 26/06/1962 — 2/08/1956 - 22/10/1957



...As financial conditions for risk assets have tightened



This has been driven by a global co-ordinated approach in hiking rates...

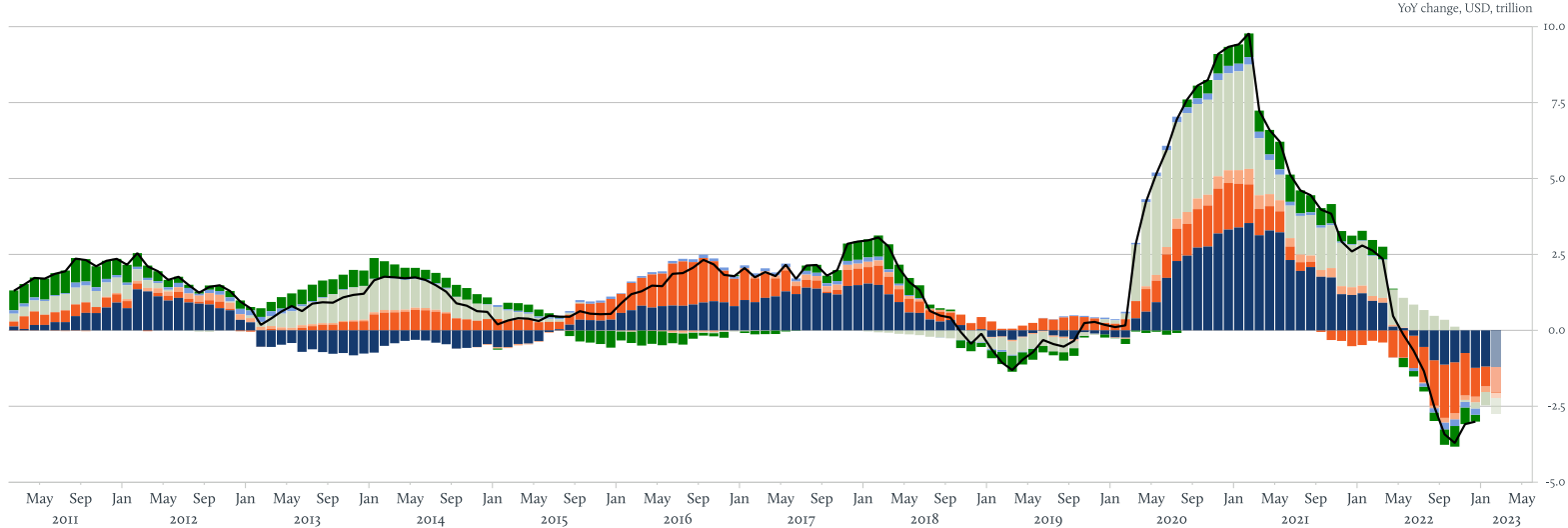
	1/2023	12/2022	11/2022	10/2022	9/2022	8/2022	7/2022	6/2022	5/2022	4/2022	3/2022	2/2022
	4.38	4.38	3.88	3.13	3.13	2.38	2.38	1.63	0.88	0.38	0.38	0.13
	2.50	2.50	2.00	1.25	1.25	0.50	0.50	0.00	0.00	0.00	0.00	0.00
	3.50	3.50	3.00	2.25	2.25	1.75	1.25	1.25	1.00	0.75	0.75	0.50
	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	75.00	75.00	75.00	75.00	75.00	69.50	60.00	52.00	49.00	47.00	44.50	42.50
	3.10	3.10	2.85	2.60	2.35	1.85	1.35	0.85	0.35	0.10	0.10	0.10
	13.75	13.75	13.75	13.75	13.75	13.75	13.25	13.25	12.75	11.75	11.75	10.75
	4.50	4.25	3.75	3.75	3.25	2.50	2.50	1.50	1.00	1.00	0.50	0.25
	1.00	1.00	0.50	0.50	0.50	-0.25	-0.25	-0.25	-0.75	-0.75	-0.75	-0.75
	11.25	11.25	11.25	11.25	10.75	9.75	9.75	9.00	8.25	7.00	7.00	5.50
	3.65	3.65	3.65	3.65	3.65	3.65	3.70	3.70	3.70	3.70	3.70	3.70
	12.75	12.00	11.00	11.00	10.00	9.00	7.50	6.00	6.00	5.00	4.00	4.00
	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	5.75	5.00	4.50	4.50
	1.75	1.75	1.25	1.25	0.65	-0.10	-0.10	-0.60	-0.60	-0.60	-0.60	-0.60
	4.75	4.75	4.25	3.50	3.50	2.75	2.75	2.00	1.25	0.75	0.75	0.50
	13.00	13.00	13.00	13.00	13.00	11.75	10.75	7.75	5.40	5.40	4.40	3.40
	5.75	5.50	5.25	4.75	4.25	3.75	3.50	3.50	3.50	3.50	3.50	3.50
	3.75	3.25	3.25	2.75	2.00	2.00	1.25	0.75	0.75	0.35	0.10	0.10
	6.25	6.25	5.90	5.90	5.90	5.40	4.90	4.90	4.40	4.00	4.00	4.00
	6.00	6.00	6.00	5.75	5.50	5.50	4.75	4.75	3.75	2.75	2.75	2.75
	3.50	3.25	3.25	3.00	2.50	2.50	2.25	1.75	1.75	1.50	1.25	1.25
	4.75	4.75	4.25	3.50	3.00	2.50	2.50	2.00	1.75	1.50	1.25	1.25
	10.50	10.50	10.00	9.25	9.25	8.50	7.75	7.75	7.00	6.50	6.50	6.00
	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.00	2.00	1.75	1.75	1.75
	2.75	2.75	2.50	2.25	2.25	1.75	1.25	1.25	0.75	0.75	0.75	0.50
	4.25	4.25	4.25	3.50	3.00	3.00	2.50	2.00	2.00	1.50	1.00	1.00
	7.75	7.50	7.25	7.00	6.75	6.50	6.00	5.50	5.00	4.50	4.00	3.50
	5.50	5.50	5.00	4.25	4.25	3.75	3.25	2.50	2.25	2.00	2.00	2.00
	6.75	6.75	6.75	6.75	6.75	6.50	6.50	6.00	5.25	4.50	3.50	2.75
	7.00	6.75	6.75	6.25	5.50	5.50	4.75	3.75	3.75	3.00	2.50	2.50
	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.50	2.00	1.50	1.00	1.00
	7.50	7.50	7.50	7.50	7.50	8.00	8.00	9.50	11.00	17.00	20.00	20.00
	5.00	5.00	4.50	3.75	3.75	3.00	3.00	2.25	1.75	1.25	1.25	1.00
	2.50	2.50	2.50	1.75	1.75	0.75	0.75	0.25	0.25	0.00	0.00	0.00
	1.50	1.25	1.25	1.00	1.00	0.75	0.50	0.50	0.50	0.50	0.50	0.50
	9.00	9.00	9.00	10.50	12.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00
	7.25	7.00	7.00	6.25	6.25	5.50	5.50	4.75	4.75	4.25	4.25	4.00

...While Central Banks' balance sheets are also contracting

Central banks' combined balance sheets

Source: national central banks

— Sum ■ China ■ Switzerland ■ United States ■ United Kingdom ■ Japan ■ Euro Area



Overall, the gap between share market and bond returns has narrowed

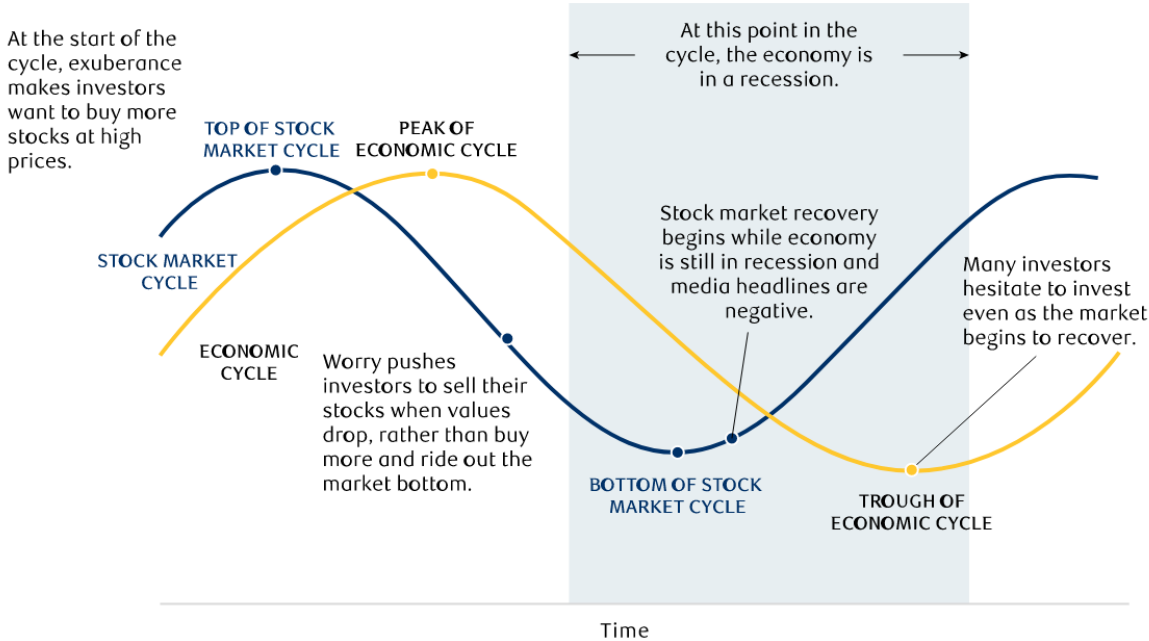
S&P 500 Earnings Yield (12m forward) vs. US 10 Year Government Bond



The Australian Economy

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Markets are forward looking and therefore lead the real economy...



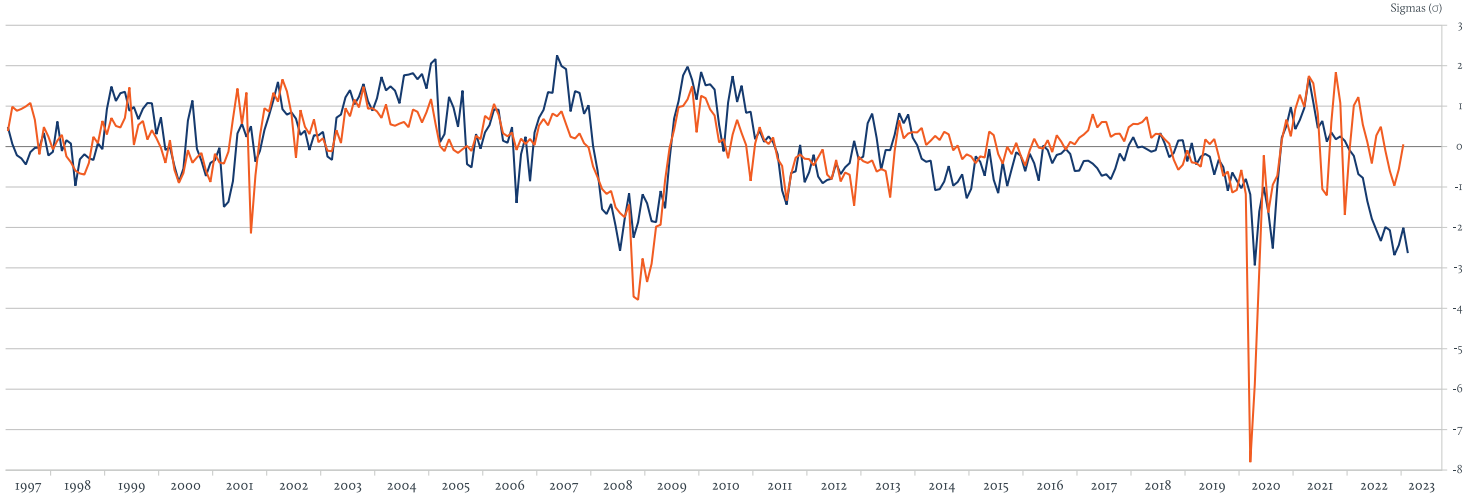
Source: RBC GAM. For illustrative purposes only.

Consumer confidence at COVID lows, businesses more buoyant...

Business & Consumer Confidence

Standardized data

— Business Confidence (NAB) — Consumer Sentiment (Melbourne Inst.)

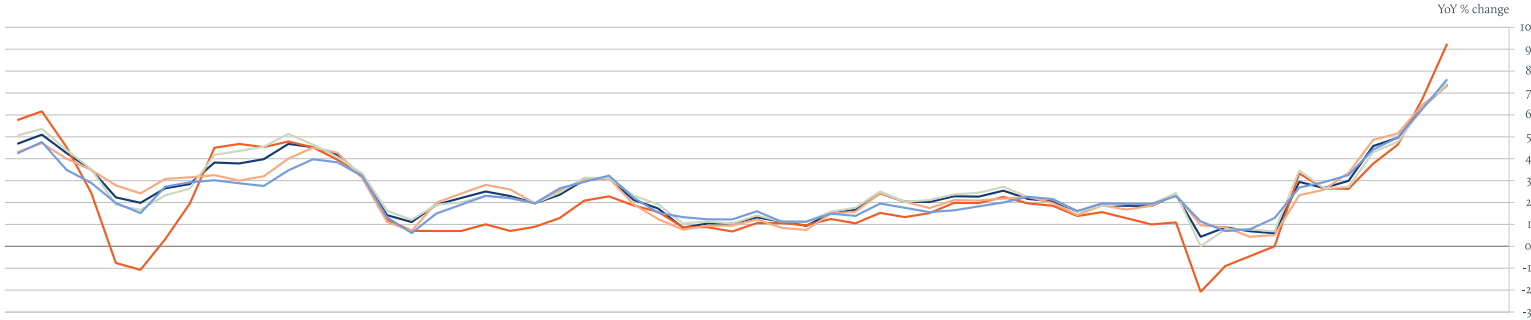


...Which can be attributed to the soaring cost of living

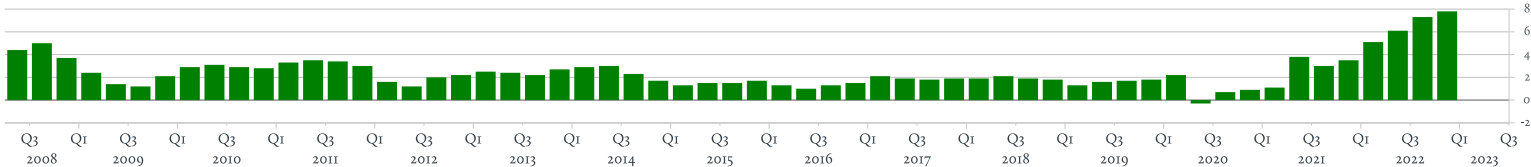
Australia: living costs indices

Source: Australian Bureau of Statistics

— Self-Funded Retiree Households — Other Government Transfer Recipient Households — Age Pensioner Households — Employee Households — Pensioner & Beneficiary Households



Inflation rate YoY % change



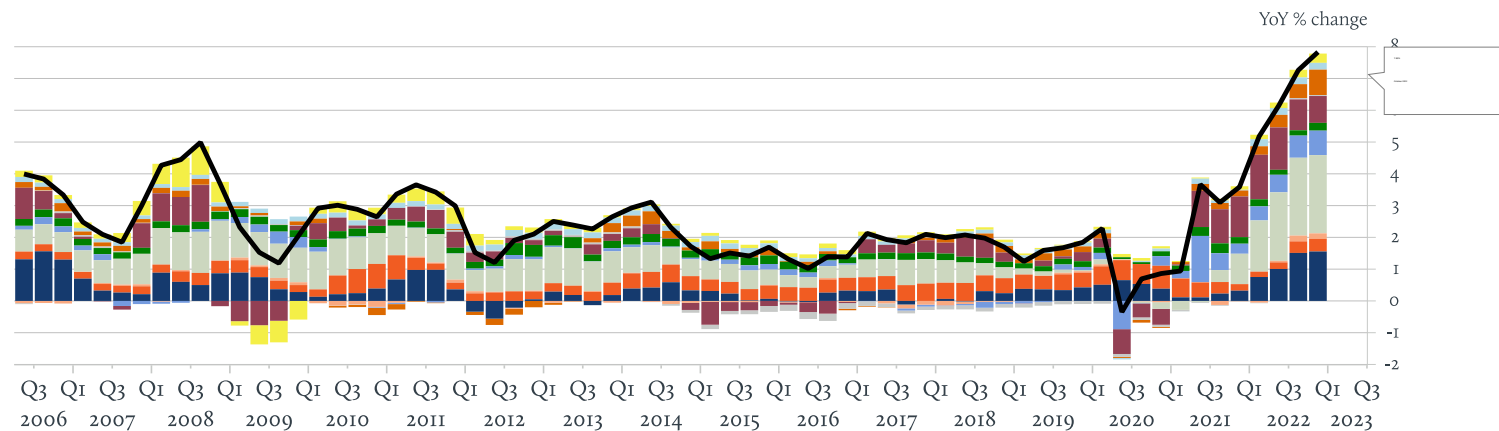
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...Primarily driven by inflation in housing, food and transport

Australia: Contributions to inflation

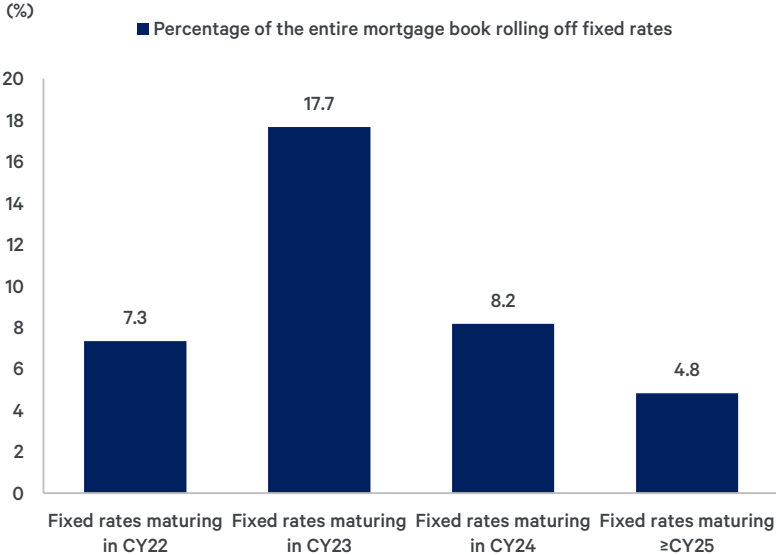
Seasonally Adjusted, Source: ABS

— Total All Items ■ Finance & Insurance ■ Education ■ Recreation ■ Communication ■ Transport ■ Health ■ Furnishings & Household Equipment ■ Housing
 ■ Clothing & Footwear ■ Alcoholic Beverages & Tobacco ■ Food & Non-Alcoholic Beverages



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...Which will only become more challenged near term with the approaching fixed rate mortgage cliff



Average 3-Year Fixed, Owner-Occupier home loan rate

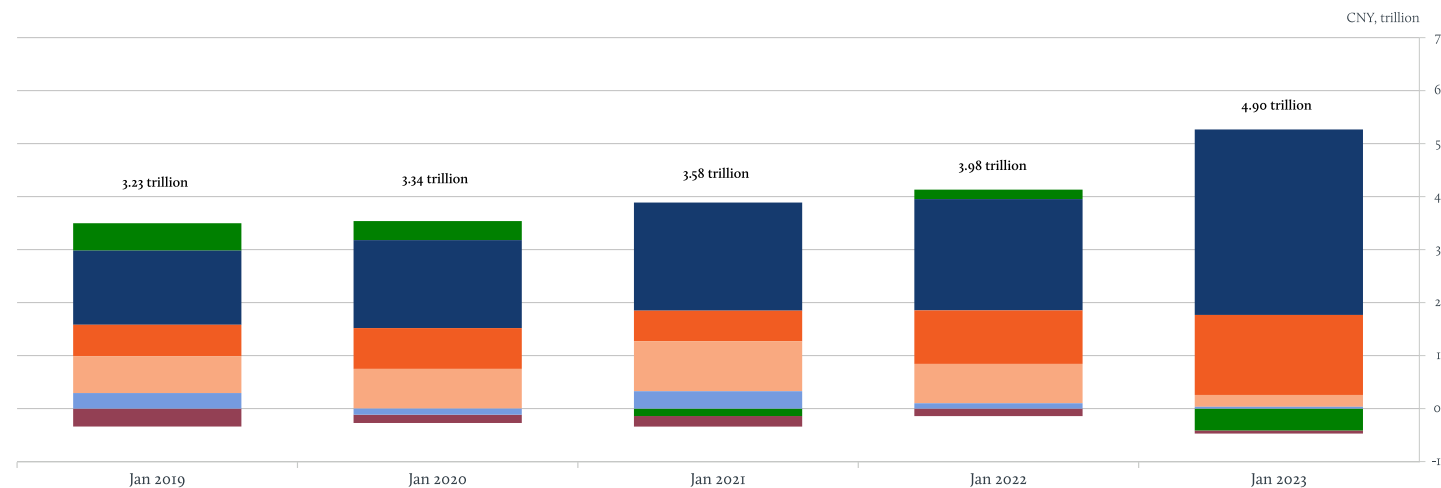


However China's economic rebound will cushion Australia's slowdown

China: Social Finance recorded largest increase in January

People's Bank of China (PBoC)

■ Non-Banking Financial Institutions (FIs) ■ Non-Financial Enterprises, Bill Financing ■ Non-Financial Enterprises, Medium & Long-Term Loans ■ Non-Financial Enterprises, Short-Term Loans ■ Households, Medium & Long-Term Loans ■ Households, Short-Term Loans



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Macro Summary

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**John
Ayoub**

Portfolio Manager

Key portfolio themes



Top 20 holdings (in alphabetical order)

 atlasArteria	 ANZ	 APA	 BHP	 Brambles	 Commonwealth Bank	 coles group	 CSL	 dexus	 ILUKA
ALX	ANZ	APA	BHP	BXB	CBA	COL	CSL	DXS	ILU
 landlease	 national australia bank	 NEWCREST MINING LIMITED	 RioTinto	 SOUTH32	 THE STAR	 Santos	 Transurban	 T	 westpac GROUP
LLC	NAB	NCM	RIO	S32	SGR	STO	TCL	TLS	WBC

*As at 31 January 2023

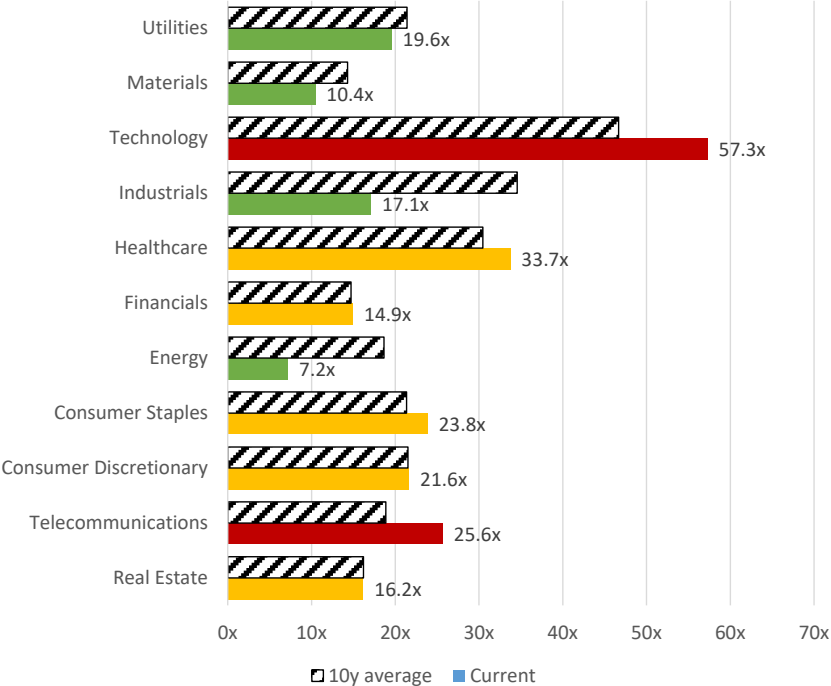
ASX 200 Index (2013 to 2023)

— Australia, Equity Indices, S&P/ASX, 50, Index, Price Return, Close, AUD



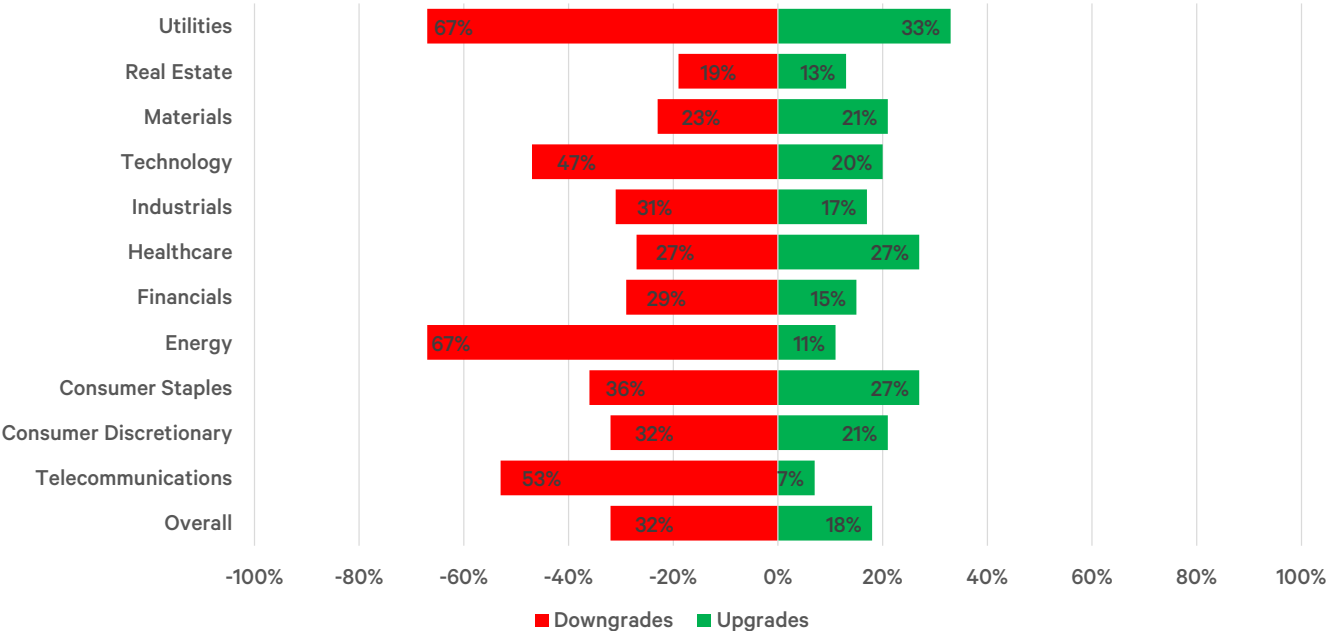
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Sector PE valuations vs. 10 year averages



February Reporting Season Summary

2023 Earnings outlook upgrades and downgrades, by sector



**Anna
Milne**

Equity Analyst

Stock examples

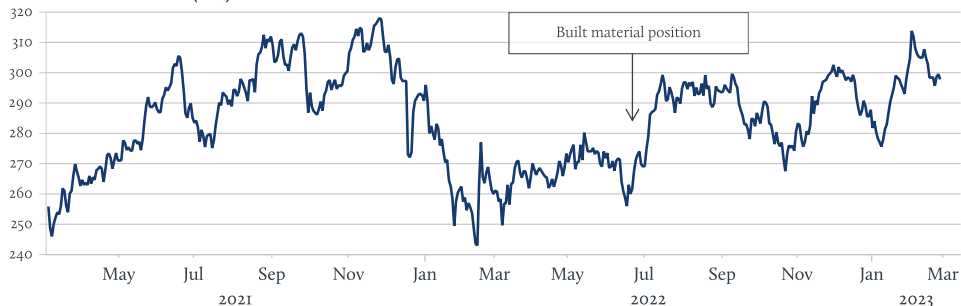


CSL Limited (ASX: CSL)

CASE STUDY

Market cap (A\$bn)	\$143.6bn	PE ratio (12m fwd)	31.5x
CSL AU % ASX 200	6.7%	PE ratio (24m fwd)	29.3x
Industry sector	Healthcare	3y Revenue growth CAGR (FY23F-26F)	10.2%
Industry sector weighting (% ASX)	10.0%	3y EPS growth CAGR (FY23F-26F)	17.8%
CSL AU % Industry sector	67%		

CSL Share Price (A\$)



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Macroeconomic analysis

Highly defensive sector into slowdown

Higher cost of living to aid plasma donations



Fundamental analysis

Strong earnings growth visibility for next decade

Transitioning from capacity roll out to yield maximization story



Positioning analysis

Likely to have positive flow dynamics due to ASX200 relativity

Valuation in line with historical average

Source: Bloomberg

Positive

Neutral

Medibank Private Limited (ASX: MPL)

CASE STUDY

Market cap (A\$bn)	\$9.1bn	PE ratio (12m fwd)	17.4x
MPL AU % ASX 200	0.4%	PE ratio (24m fwd)	18.1x
Industry sector	Financials		
Industry sector weighting (% ASX)	28.0%	3y Revenue growth CAGR (FY23F-26F)	5.6%
MPL AU % Industry sector	1.5%	3y EPS growth CAGR (FY23F-26F)	4.9%

Medibank Share Price (A\$)



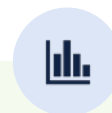
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Macroeconomic analysis

Defensive sector into slowdown

Beneficiary of higher bond yields through investment income



Fundamental analysis

High quality company & brand

Hospital claims lower than expected

Return of international students beneficiary



Positioning analysis

Sentiment was extreme following cyber attack

Valuation at discount to historical average

Source: Bloomberg

Positive

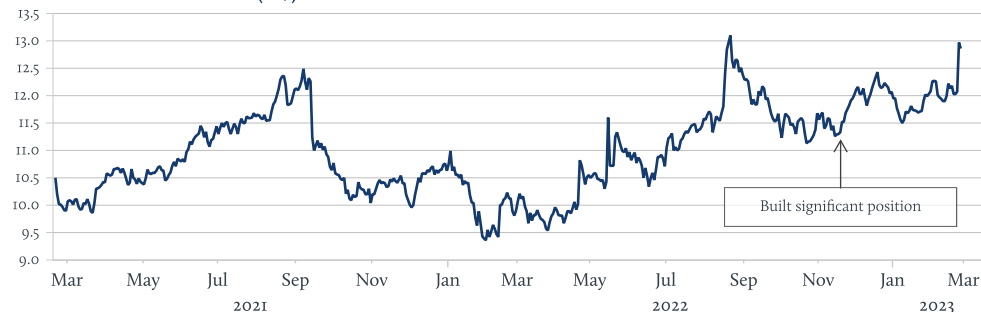
Neutral

Brambles Limited (ASX: BXB)

CASE STUDY

Market cap (A\$bn)	\$17.9bn	PE ratio (12m fwd)	18.0x
BXB AU % ASX 200	0.8%	PE ratio (24m fwd)	16.9x
Industry sector	Industrials	3y Revenue growth CAGR (FY23F-26F)	7.3%
Industry sector weighting (% ASX)	5.9%	3y EPS growth CAGR (FY23F-26F)	8.9%
BXB AU % Industry sector	13.6%		

Brambles Share Price (A\$)



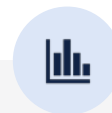
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Macroeconomic analysis

Consumer slowdown led destocking to ease pallet constraints

Falling lumber prices



Fundamental analysis

Strong price growth in all regions

Multiple paths to breakeven Free Cash Flows post Dividends



Positioning analysis

Under-owned domestically

12mth share price move earnings driven, with valuation unchanged

Source: Bloomberg

Positive

Neutral

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OVER **20** Making a
YEARS difference

Investor Q&A



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