

# Annual General Meeting Chairman's Address

29 November 2017

## FY2017 highlights

- Full year pre-tax profit of \$2.7 million after-tax profit of \$2.1 million
- 5.5 cents per share fully franked full year dividend
- 16.0% total shareholder return
- 11.6% investment portfolio performance and 4 times portfolio turnover

## Introduction and welcome

Good morning and welcome to the tenth WAM Active Limited Annual General Meeting (AGM). I would firstly like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past and present. I would also like to welcome all our shareholders – thank you for joining us and for your continued support of WAM Active.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Chris Stott, Matthew Kidman and John Abernethy. Scott Whiddett, a representative from our auditor Pitcher Partners, will be available to address any questions relating to the Company's financial statements.

## Positive investment portfolio performance

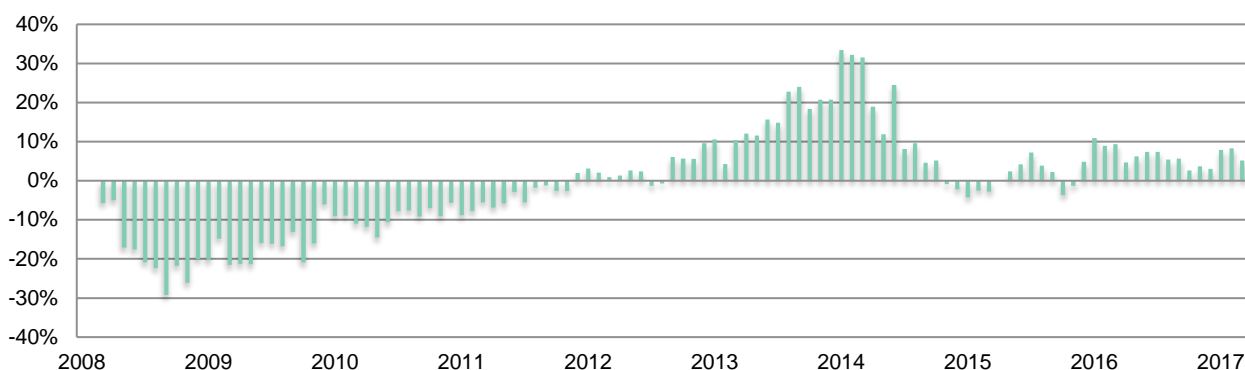
WAM Active has effectively applied an investment approach that provides investors with exposure to active trading strategies focused on delivering positive returns in all market cycles. The portfolio has returned 12.6% per annum since inception in January 2008, against the UBS Bank Bill Index's 3.7%, while holding an average of 43.5% in cash.

The investment portfolio continued to deliver solid, absolute performance during the 2017 financial year, increasing 11.6% over the period while holding on average 34.4% in cash. The investment portfolio delivered these returns while taking less risk than the market as measured by standard deviation, with the portfolio recording 4.2% against the S&P/ASX All Ordinaries Accumulation Index's 9.2%. The highly active investment process saw the equity component of the investment portfolio turnover four times during the year with 278 individual companies traded.

## Total shareholder return and share price premium to NTA

The total shareholder return for WAM Active for the year to 30 June 2017 was 16.0%, driven by WAM Active's investment portfolio performance of 11.6%, the share price premium to NTA during the year and options on issue. As at 30 June 2017, the share price premium to NTA was 4.7%. On 28 November 2017 the premium was 6.9%, after the payment of the fully franked 2.75 cents per share final dividend on 27 October 2017. Throughout its 11-year history, the Company's share price has traded at both premiums and discounts to its NTA.

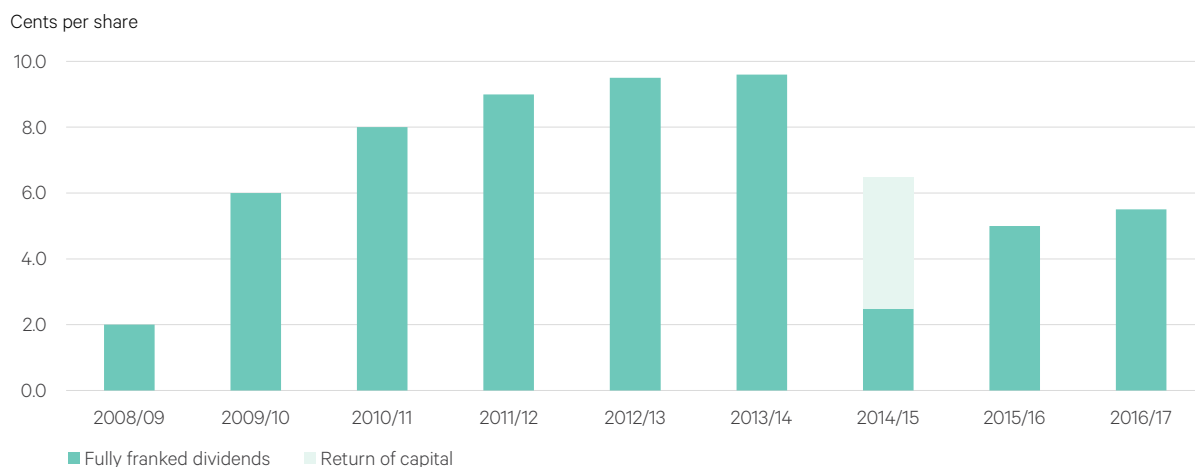
## WAM Active share price premiums and discounts to NTA since inception



## Continued fully franked dividend growth

The Board continued to enhance shareholder returns through the payment of fully franked dividends in FY2017. The fully franked full year dividend increased to 5.5 cents per share. As at 31 October 2017 the profit reserve was 8.1 cents per share.

## Fully franked dividends and return of capital since inception



## Financial results and bonus option issue

In FY2017, the Company recorded a pre-tax profit of \$2.7 million and paid tax of \$0.4 million and dividends of \$2.0 million. In August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. The options have an exercise price of \$1.14 per share and can be exercised at any time on or before 17 September 2018. The WAM Active Board is committed to growing the Company to the benefit of all shareholders and the bonus option issue is an effective way to do so. As the Company's size increases, on-market liquidity for the shares is expected to increase. It will also increase the Company's relevance in the market, improve the prospect of broker and research coverage, and gain interest from financial planners. The options are currently trading on the Australian Securities Exchange under the code WAAO. To date, 4.6 million or 13.1% of all options have been exercised.

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## Equity market outlook

At WAM Active's first AGM in 2008, I said "I believe the current period will provide the greatest buying opportunity in my lifetime". In the 12 months following, WAM Active's investment portfolio increased by 55.0% while the S&P/ASX All Ordinaries Accumulation Index increased 22.4%. I am excited by the fact that we will soon enter a period defined by similar opportunities.

In the United States, the current bull market has run for eight years and eight months, making it the third-longest in history. Alongside it, the 30-year bull market in interest rates has expanded price-to-earnings ratios. The US is still the driving force of global equity markets worldwide. With record-low interest rates across the world, investors have devoured shares and, I believe, have mispriced risk. Since the GFC, the 50 largest central banks around the world have cut interest rates 700 times and injected \$9 trillion of liquidity into global markets. The effects of this policy response has been compounded by the growth of passive, open-ended equity trust structures – exchange traded funds (ETFs). In the US, ETFs have grown to \$4 trillion, or 16 per cent of the entire equity market. The surge in global liquidity, synchronised global economic growth and increased investor appetite for risk and yield have driven asset prices to record levels.

I believe that the bear market that will inevitably follow this bull market will present significant investment opportunities as emotion takes hold and quality assets become substantially undervalued.

## Company outlook

WAM Active entered the 2018 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team.

## Shareholder engagement and communication

Shareholders are the owners of WAM Active. Wilson Asset Management's job is to manage the Company on your behalf and be available to report to you on a regular basis. We encourage all shareholders to meet with us, and utilise our proactive approach to keeping them informed. We value shareholder engagement and aim to provide transparency to our investors and the broader market. We do this regularly in many ways, including:

- Weekly investor updates from our Chief Investment Officer;
- Regular investment news and market insights;
- Monthly investment updates;
- Annual and half yearly profits announcements; and
- Semi-annual shareholder calls and briefings across all major Australian cities.

If you have not already done so, I encourage you to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We welcome all feedback on how we can improve our communication and engagement with you, if you have any suggestions please contact our Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

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## Making a difference

Wilson Asset Management, WAM Active's investment manager, is passionate about making a positive difference to our shareholders and the community. In the 2017 financial year the team worked towards this objective in a number of ways.

We continued our support of Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG), Australia's first philanthropic wealth creation vehicles with the dual purpose of creating shareholder wealth and investing in our future generation. FGX and FGG are actively making a difference with a significant stream of annual investments in high impact charities working to better the lives of young Australians. Wilson Asset Management's team gives ongoing pro bono support to these innovative companies, providing funds management, marketing, shareholder communications, company secretarial, administrative and support functions.

Wilson Asset Management is a signatory to Pledge 1% – a global corporate philanthropy movement that commits to donating 1% of product, 1% of equity, or 1% of employee time to improve communities around the world. We achieve this in a number of ways, including through a program that allows our staff to spend one day each month working in the non-profit sector.

We are proud to provide significant support to various charities. In addition, every Wilson Asset Management team member is given \$10,000 per year to donate as they see fit to any one or multiple charities. All donations are made by the investment manager and not WAM Active.

## Thank you

I would like to thank the entire Wilson Asset Management team. Every member of the team has worked tirelessly throughout the year for the shareholders of WAM Active. I would also like to thank my fellow Board members for their invaluable contributions to WAM Active. I am grateful for the Board's ongoing guidance and expertise. Finally, on behalf of the Board and Wilson Asset Management, thank you to our 1,717 loyal shareholders for your continued support and to new shareholders who joined WAM Active in the last year, welcome to the Wilson Asset Management family.