

Annual General Meeting Chairman's Address

26 November 2020

Introduction and welcome

Good afternoon and welcome to the third WAM Microcap Limited Annual General Meeting (AGM). During the coronavirus pandemic, we are focused on the health of our shareholders, and therefore this meeting is being held virtually. We recognise the limitations of holding AGMs in this format, and we look forward to seeing you all again in person when it is safe to do so.

I would like to begin by acknowledging the Traditional Owners of the land on which I am speaking to you from today, the Gubbi Gubbi people and pay my respects to Elders past and present. As we are unable to meet together, I also acknowledge the traditional custodians of the land from which our shareholders and fellow directors are currently viewing and listening to today's AGM.

Wunya Ngulum. Welcome to all our shareholders – thank you for joining us and for your continued support of WAM Microcap.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley and Jacqueline Sullivan. Scott Whiddett, a representative from WAM Microcap's auditor, Pitcher Partners, will be available to address any questions relating to the Company's financial statements.

FY2020 in review

Equity market and company overview

In 2020, WAM Microcap continued to deliver shareholders strong risk-adjusted returns. The WAM Microcap investment portfolio outperformed the S&P/ASX Small Ordinaries Accumulation Index by 17.5%, increasing 11.8% during the 12-month period to 30 June 2020, while the Index fell 5.7%, during a period of heightened volatility for equity markets. This outperformance was achieved with an average cash holding of 21.9%. The return on the equity portion of the portfolio was 14.8% and the return on the cash portion of the portfolio was 1.0% for the year. The driver of the investment portfolio's performance during the year was the sound stock selection from the investment team.

Financial results

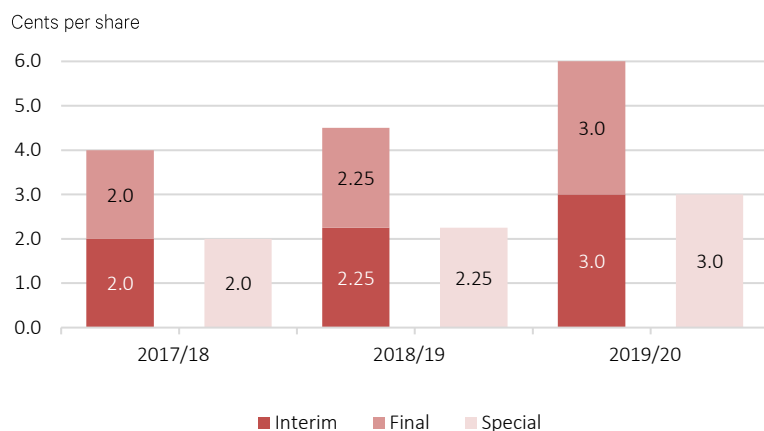
In the year to 30 June 2020, the Company achieved an operating profit before tax of \$14.8 million (FY2019: \$8.6 million) and an operating profit after tax of \$11.3 million (FY2019: \$7.0 million). The operating profit for the year is reflective of the strong investment portfolio performance during the period.

Total shareholder return and share price premium to NTA

The total shareholder return (TSR) for WAM Microcap for the year to 30 June 2020 was reflective of the investment portfolio outperformance and the reduction in the share price discount to NTA. As at 30 June 2020, the share price discount to net tangible assets (NTA) was 7.1% (2019: 7.9%), with TSR of 6.4% for the year. The S&P/ASX Small Ordinaries Accumulation Index fell 5.7% for the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends. On 25 November 2020, the share price premium to NTA was 14.9%.

Fully franked dividends since inception

The Board declared a fully franked final dividend of 3.0 cents per share, with the fully franked full year dividend being 6.0 cents per share. The Board also declared an additional fully franked special dividend of 3.0 cents per share. The fully franked final dividend and fully franked special dividend were paid on 23 October 2020. Since inception, the Company has paid 21.75 cents per share in fully franked dividends to shareholders.



Making a difference

Wilson Asset Management, WAM Microcap's Investment Manager, is passionate about making a positive difference to our shareholders and the community. In the 2020 financial year, the team worked towards this goal through philanthropy, advocacy and shareholder engagement.

Philanthropy

Wilson Asset Management created and is the lead supporter of the first listed investment companies to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and is a significant funder of many Australian Charities. All philanthropic investments are made by the Investment Manager.

We raised \$1 million for Australians impacted by bushfires and drought, matching shareholders' donations to the Foundation for Rural and Regional Renewal (FRRR), our major philanthropic contribution during FY2020. More recently, we donated more than \$100,000 to the GO Foundation, which creates opportunities for Indigenous youth through education, as part of a 10 year commitment that will total \$1 million. We made a number of other donations, including through our WAMI Gives initiative, which provides all team members provided with \$10,000 each year to donate to charities of their choice. In the 2020 financial year, our 36 team members donated to 67 different charities.

Advocacy

One area of passion for the team at Wilson Asset Management is levelling the playing field for all investors, and we have been active in this space for a long time. In a column for the Australian Financial Review this May, Chief Executive Officer Kate Thorley advocated for retail investors' equal participation in capital raisings. A tidal wave of capital raisings hit equity markets as companies looked to strengthen their balance sheets as government mandated lockdowns set in earlier this year. Twelve years since we last experienced this trend, in the wake of the Global Financial Crisis, retail investors are still locked out of discounted capital raisings open only to wholesale investors. We find this unacceptable and are currently lobbying the Federal Government to make changes. We are preparing to lodge a submission on this matter to the Senate Select Committee on Financial Technology and Regulatory Technology.

We also participated in the public debate and formal consultation regarding the proposal to reduce Board transparency and accountability by permanently removing the requirement for AGMs to be conducted in person. We are firmly opposed to this change as it would undermine AGM transparency and accountability, primarily impacting retail shareholders. I would like to thank all shareholders for their support in advocating for retail shareholders' rights and those of you who sent a submission to Treasury. We were pleased to see Treasurer Josh Frydenberg endorse our preferred hybrid model for AGMs, ensuring the requirement for AGMs to be conducted in person and virtually. We look forward to holding our AGMs in person when it is safe to do so.

Shareholder engagement

Shareholders are the owners of WAM Microcap. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. For the first time in more than 20 years, we were unable to take to the road and meet with our shareholders across the country and we have missed catching up with you all, over a cup of tea, at our Shareholder Presentations. In May, we launched a virtual alternative to our Shareholder Presentations, WAM Vault. Our second instalment, *The Case for Optimism*, was released on 20 November 2020. If you have not yet done so, we encourage you to visit wilsonassetmanagement.com.au/vault to watch, read and listen to the engaging and insightful conversations between Oscar Oberg and Tobias Yao, Catriona Burns and Nick Healy, Matthew Haupt and John Ayoub, Dania Zinurova, Kate Thorley and myself.

We encourage all shareholders to utilise our proactive approach to keeping you informed, particularly by accessing the:

- Updates from our Lead Portfolio Managers;
- Investment team insights at WAM Vault: wilsonassetmanagement.com.au/vault;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- NTA reports and investment updates;
- Shareholder Q&A calls;
- Presentations and lunches across Australia; and
- Annual and interim results announcements.

We aim to provide valuable and insightful information and welcome all feedback on how we can improve our communication and engagement. Please contact myself or our Head of Corporate Affairs James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au with any questions or feedback.

FY2021 update and outlook

Company update

WAM Microcap has achieved a strong start to FY2021. Through our continued focus on undervalued growth companies in the micro-cap Australian market, the Company has outperformed the S&P/ASX Small Ordinaries Accumulation Index by 16.8%, increasing 23.0% in the financial year to 31 October 2020. In the calendar year to date, WAM Microcap has achieved strong investment portfolio performance of 16.0%, outperforming the Index by 19.6%. As at 31 October 2020, the Company had 26.4 cents per share available in its profits reserve, after the payment of its FY2020 fully franked final dividend of 3.0 cents per share and fully franked special dividend of 3.0 cents per share.

In August, WAM Microcap completed an oversubscribed Share Purchase Plan (SPP) and Placement following overwhelming demand from WAM Microcap shareholders, raising a combined \$88.0 million. The SPP closed on 20 August 2020 and was oversubscribed after raising \$58.7 million, with more than 55% of existing shareholders participating. The Placement raised \$29.3 million and was oversubscribed and subject to scale back.

The primary purpose of the capital raising initiatives was to grow the Company's assets. WAM Microcap's larger capital base increases the liquidity of the shares and its relevance in the market by improving the prospect of broker and research coverage, and increasing interest from financial planners. The Company will also gain additional access and exposure to market opportunities, such as capital raisings and pre-IPO investments.

Equity market outlook

After a strong start to the financial year, global equities paused their positive run in September, driven by a resurgence of the coronavirus and uncertainty surrounding the US election. In November, global equity markets surged, as clarity on the US election outcome and progress on the coronavirus vaccines provided cause for optimism. We believe the election of Joe Biden is positive in terms of social, geopolitical, and, potentially, economic outcomes; it is worth noting that historically the US equity market has performed better under a Democratic President. The conditions for equity markets remain highly accommodative given the sustained commitment of central banks to stimulate economies, and Australia has responded to the pandemic with strength. We are cautiously optimistic as we look towards 2021 and believe that micro-cap companies, particularly in the retail, travel, agricultural, building materials and automotive sectors are well-positioned to benefit from the reopening of the Australian and global economies.

Thank you

I would like to close by thanking all 7,232 loyal WAM Microcap shareholders. We greatly appreciate your support at all times; in challenging periods, as this year has been, that support is all the more profound. I would also like to thank the Wilson Asset Management team, who worked tirelessly to the benefit our shareholders, as well as my fellow Board members, whose guidance and expertise make an invaluable contribution.