

Annual General Meeting Chairman's Address

23 November 2021

Introduction and welcome

Good afternoon and welcome to the fourth WAM Microcap Limited Annual General Meeting (AGM). We are focused on the health and wellbeing of our shareholders, therefore this meeting is being held virtually to protect you all from the risk of the current coronavirus pandemic. We recognise the limitations of holding AGMs in this format, and we look forward to seeing everyone again in person as soon as 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 lands 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, Jacqueline Sullivan and Adrian Siew, on whose appointment you are invited to vote today. 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.

FY2021 in review

Financial results

WAM Microcap achieved a record operating profit before tax of \$107.0 million (FY2020: \$14.8 million) and a record operating profit after tax of \$76.1 million (FY2020: \$11.3 million), reflective of the record investment portfolio performance during the period.

The WAM Microcap investment portfolio increased by a record 53.2% in FY2021, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 20.0%. This investment portfolio performance was achieved with an average cash weighting of 12.3% over the year. WAM Microcap's pre-tax NTA increased 37.5% in the 12 months to 30 June 2021, including the 10.0 cents per share of fully franked dividends paid to shareholders during the year.

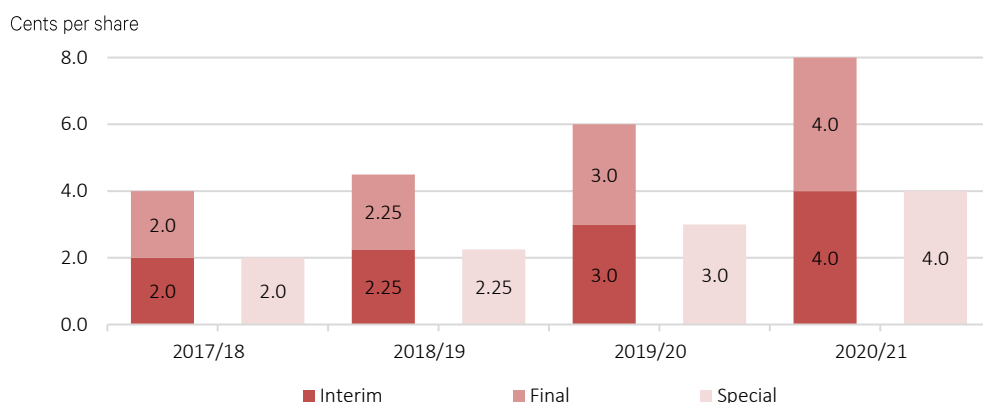
Total shareholder return and share price premium to NTA

Total shareholder return measures the value shareholders gain from share price growth and dividends paid over the period, before the value of any franking credits distributed to shareholders through fully franked dividends. The investment portfolio outperformance and the share price moving from a discount to NTA to a premium to NTA resulted in a record 58.7% total shareholder return for shareholders during the 12-month period to 30 June 2021. As at 30 June 2021, the share price premium to NTA was 7.8% (FY2020: discount of 7.1%).

On 22 November 2021, the share price premium to NTA was 13.0%. Throughout its 4-year history, the Company's share price has traded at both premiums and discounts to its NTA.

Fully franked dividends since inception

The Board declared a fully franked full year dividend of 12.0 cents per share, including an additional fully franked special dividend of 4.0 cents per share, which represented a 6.6% dividend yield on the 30 June 2021 share price of \$1.825 per share. Since inception, the Company has paid 33.75 cents per share in fully franked dividends to shareholders. As at 31 October 2021, the Company had 50.2 cents per share available in its profits reserve, after the payment of the fully franked final dividend of 4.0 cents per share and the fully franked special dividend of 4.0 cents per share on 22 October 2021.



Capital management

In August 2020, WAM Microcap completed an oversubscribed Share Purchase Plan (SPP) and Placement, following overwhelming demand from shareholders, raising a combined \$88.0 million. The total shareholder return was 40.9% for shares purchased in the SPP and Placement for the year to 30 June 2021, based on the SPP and Placement price of \$1.379 per share. The additional capital was invested in accordance with the Company's disciplined and proven investment process, and provided additional access and exposure to market opportunities, such as capital raising and pre-initial public offering opportunities.

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 2021 financial year, the team continued to make a difference through various philanthropic initiatives, advocacy and shareholder engagement.

Advocacy

Our advocacy work on behalf of retail investors in the Australian equity market is a priority. We **firmly believe** all shareholders, both retail and wholesale, should be treated equitably when investing in the Australian equity market. On 11 December 2020, we lodged a submission to the Senate Select Committee, in an effort to level the playing field and stop retail investors being locked out of discounted capital raisings, which are only open to wholesale or "sophisticated" investors.

We also participated in the public debate and formal consultation on permanently removing the requirement for AGMs to be conducted in person. We are firmly opposed to this change as it undermines AGM transparency and board accountability, primarily impacting retail shareholders. I would like to thank all shareholders for their support in advocating for retail shareholders' rights and for your emails, letters and phone calls sharing your personal experiences.

Shareholders are the owners of the company, and every director is accountable to its shareholders. We remain passionate about the rights of retail shareholders and the ability to ask questions without being censored. The new AGM provisions allow companies to permanently hold AGMs virtually if the constitution allows. While Federal Treasurer Josh Frydenberg has extended the relief on companies holding virtual AGMs until next March, we still believe the hybrid model for AGMs, ensuring the requirement for AGMs to be conducted in person and virtually is by far the most equitable outcome. We look forward to holding our AGMs in person as soon as it is safe to do so.

At Wilson Asset Management, we firmly believe all shareholders, both retail and wholesale, should be treated equitably when investing in the Australian equity market. In a recent [Australian Financial Review article](#), I discussed the limitations of the sophisticated investor test. The Australian Financial Review also highlighted our case for a **financial literacy test** to replace the sophisticated investor test.

Shareholder engagement

Shareholders are the owners of WAM Microcap; Wilson Asset Management's responsibility is to manage the Company on your behalf and be available to report to you on a regular basis. This year, we were once again unable to take to the road and meet with all our shareholders across the country and we have missed catching up with you all, over a cup of tea, at our Shareholder Presentations. We have enjoyed our regular email and telephone correspondence, regular Investor Q&A webinars and providing you with a virtual alternative in WAM Vault. Our fourth instalment will be released on 25 November 2021. We encourage you to visit wilsonassetmanagement.com.au/vault to watch, read and listen to the engaging and insightful conversations of our team.

Please visit our website, subscribe to receive our regular updates and call or email us with any questions or suggestions you have regarding WAM Microcap or Wilson Asset Management. Our calendar of engagement includes initiatives such as presentations, investment insights, portfolio and market updates, regular webinars with the investment team and shareholder advocacy.

FY2022 update and outlook

Company update

WAM Microcap has achieved a solid start to FY2022. Through our continued focus on undervalued growth companies in the micro-cap Australian market, the investment portfolio has increased 12.0% in the financial year to 31 October 2021, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 7.6%. As at 31 October 2021, the Company had 50.2 cents per share available in its profits reserve, after the payment of its FY2021 fully franked final dividend of 4.0 cents per share and fully franked special dividend of 4.0 cents per share on 22 October 2021. We are pleased to be able to increase the fully franked dividends for WAM Microcap during a time when companies have reduced dividends.

Outlook

Equity markets continued their upward trajectory during the 2021 financial year driven by record low interest rates and an anticipated rebound in economic growth. Investors oscillated between favouring lockdown beneficiaries or companies that would benefit from the reopening of the economy. Australian small-and-mid cap companies experienced an environment which reflected both a crisis and a recovery. The macroeconomic environment, especially central banks' monetary policy, was in sharp focus for markets and we expect this to continue. We adjusted the portfolio to take advantage of these conditions, rotating towards cyclical names benefitting from strong levels of consumer sentiment coming out of lockdown restrictions including tourism, traditional media, financials, and construction.

In FY2022, we have positioned the portfolio into companies that can generate strong top line organic growth irrespective of the economic outlook. We are positive on the medium-term economic growth and earnings, despite the headwinds of new coronavirus variants. We remain committed to our proven investment process of identifying undervalued micro-cap growth companies with a catalyst. WAM Microcap's gross assets were \$377.5 million as at 31 October 2021 and the Company currently has 9,395 shareholders. The investment portfolio was comprised of 90 equity positions as at 31 October 2021.

For more information

Further information on WAM Microcap can be found in the [FY2021 annual report](#) and [website](#), including more details on the three key listed investment company performance measures, Lead Portfolio Manager update from Oscar Oberg and the Investment Manager Update from Wilson Asset Management Chief Executive Officer and WAM Microcap Director Kate Thorley.

Thank you

Thank you for your support in what has been a challenging period. Pleasingly, WAM Microcap has again delivered strong investment portfolio performance and record total shareholder returns during the year. I would like to thank all shareholders who have entrusted us with their capital. I would also like to thank the Wilson Asset Management team, who have worked tirelessly to the benefit our shareholders, as well as my fellow Board members, whose guidance and expertise make an invaluable contribution.