

# 2021 March Quarter

Michael Cottier  
Chairman



Dania Zinurova  
Portfolio Manager



## Portfolio update We believe the strengthening Australian economy supports most alternative asset classes and the strategies that underpin WAM Alternative Assets investment portfolio.

Improving consumer confidence and increasing discretionary spending contribute to the positive story for private equity investments in the consumer sector. The broader infrastructure market is also benefiting from the recovery with increased domestic passenger numbers as State borders reopen and people feel safer traveling as the coronavirus vaccine is rolled out.

Since the appointment of Wilson Asset Management as the investment manager of the existing portfolio of alternative assets in October 2020, we have exited the investment in the Better Medical Fund and committed to new opportunities. We expect the existing investments will mature over two to five years and we will continue to recycle the capital received from exits into new opportunities.

Investors in alternative assets have long-term exposure to illiquid assets, and therefore the consideration of macroeconomic factors and societal trends is a key driver of success. Our investment strategy seeks to identify these megatrends that possess strong tailwinds, leveraging structural shifts in society, such as an ageing population. In the March quarter, we finalised commitments with Palisade Investment Partners for \$15 million and Barwon Investment Partners for \$15 million. Palisade is a specialist asset manager focused predominantly on Australian infrastructure. Since inception in 2007, Palisade has grown the Palisade Diversified Infrastructure Fund (PDIF) portfolio to \$1.3 billion by investing in over 20 high-quality infrastructure assets and delivering strong returns comprising yield and capital appreciation.

Barwon is a boutique fund manager focused on Australian real estate, and in 2016, was one of the first fund managers in Australia to launch a dedicated healthcare real estate strategy for institutional investors. Data published by the Australian Bureau of statistics (ABS) shows 14% of the population, or 3.3 million people, were aged sixty-five years and over in 2013. By 2053, based on ABS' medium-level growth assumptions, this will increase to 21% of the population. Healthcare real estate has attractive fundamentals, supported by growing demand for healthcare services driven by a rapidly ageing population and is at the same time restricted by the supply of assets. This sector differentiates itself by long lease contracts (often over 10 years), inflation-linked rental increases and the potential for further capital appreciation. Barwon Institutional Healthcare Property Fund (BIHPF) is a growing portfolio of 16 high quality healthcare property assets with tenants such as Health Care, Healthscope and Calvary. The healthcare real estate sector has experienced strong capital flows and has

seen its share of the securitised property market steadily rise. Our investment in Barwon allows us access to property assets within healthcare that are valuable to healthcare service providers, who are continuing to improve and expand their services. The addition of PDIF and BIHPF to the WAM Alternative Assets investment portfolio provides further diversification benefits, strong yield and an investment opportunity.

I presented a new private equity opportunity at the March Investment Committee meeting, which focuses on the mid-market buy-out segment in Australia. The mid-market buy-out segment opportunity offers strong return potential, with a smaller number of market players and only a handful of fund managers that embody the specialist skill set to implement the strategy.

During the quarter, I also participated in the *Beyond the mainstream: rising asset classes* panel for the Private Equity Real Estate Australian Forum, a discussion with global asset owners and fund managers exploring the most attractive real estate sectors. Healthcare real estate, data centres and the multi-family housing sectors currently present significant upside compared to the traditional office, retail and industrial sectors, from both a valuation and growth perspective.

I remain focused on engaging with shareholders, financial planners, advisers and market participants, as we work to return the share price to a premium to net tangible assets (NTA). In a recent survey to shareholders and potential investors, we found that many would like to learn more about private equity, real assets and infrastructure asset classes, and from this we plan to soon share an educational series elaborating on these topics.

## Investment manager update - WAM Strategic value IPO launching soon

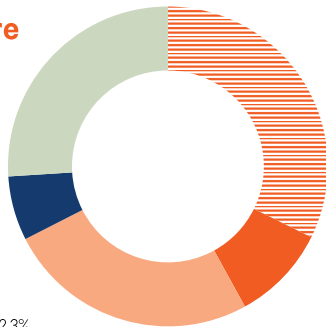
We are pleased to confirm that we are preparing to launch an IPO in May. WAM Strategic Value will focus on identifying and capitalising on share price discounts to underlying asset values of listed companies, primarily listed investment companies (LICs), listed investment trusts (LITs) and other closed-end investment vehicles.

Chairman and Chief Investment Officer Geoff Wilson AO will serve shareholders as the Lead Portfolio Manager of WAM Strategic Value. Full details will be contained in a prospectus that will be issued by WAM Strategic Value when the IPO is launched. We expect to lodge the prospectus with ASIC in early May 2021 and the offer to close in early June 2021. Once lodged with ASIC the prospectus will be made available on our website.

If you have any questions regarding WAM Strategic Value, please call Geoff Wilson AO on (02) 9247 6755 or email [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

**As at 31 March 2021  
 Asset class exposure**

- Real assets 42.0%\*
- Private equity 25.5%
- Real estate 6.5%
- Cash 26.0%#



\* Total water entitlements exposure is 32.3%.

# Total capital commitments is 14.6%.

**Market capitalisation**

\$191.9m\*

**Gross assets**

\$215.1m

**Date of transition**

14 October 2020

**Fully franked interim dividend**

1.0c

**Profits reserve**

6.9cps

\*Based on 193,829,724 shares on issue.

**Top holdings**

**Real Assets**



**Water Fund**

Pioneer and leading non-irrigator water investor in Australia.

**Strategic Australian Agriculture Fund**

Investing across Australian water entitlements, Australian farmland and associated businesses and Australian agricultural infrastructure.

**Private Equity**



A manufacturer of premium condiments, desserts and beverages.



A provider of outsourced e-commerce solutions in South-East Asia.



Shopping centre advertising campaigns.



A leading developer of utility-scale battery energy storage projects in the US.



Owns and operates a portfolio of hotel in Australia.

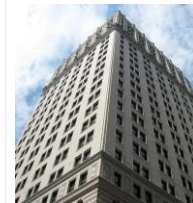


An Australian online wine retailer



Food services distributor.

**Real Estate**



2 Rector Street, Manhattan, New York



441 Ninth Avenue, Manhattan, New York

Darra industrial, income Fund, Queensland

Revesby Industrial Income Fund, New South Wales

**New investment partners**

We were pleased to finalise commitments with Palisade Investment Partners for \$15 million and Barwon Property Funds Management for \$15 million in early March.



Specialist infrastructure fund manager



Boutique real estate fund manager

**WAM Alternative Assets Shareholder Update and Q&A**

Please **register** to join Portfolio Manager Dania Zinurova and Wilson Asset Management Chairman and Chief Investment Officer Geoff Wilson AO on Wednesday, 12 May 2021 at 3:30pm (Sydney time) for a WAM Alternative Assets focused shareholder update and Q&A.

**Contact us**

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