
W | A | M Strategic Value

ABN 24 649 096 220

Financial Report

For the half year ended 31 December 2023

Wilson
Asset Management
Making a difference



WAM Strategic Value Limited

WAM Strategic Value Limited (WAM Strategic Value or the Company) is a listed investment company and is a reporting entity. It primarily invests in discounted asset opportunities, particularly in listed investment companies (LICs) and listed investment trusts (LITs) (commonly referred to as closed-end funds).

Directors

Geoff Wilson AO (Chairman)
Kate Thorley
Virginia Waterhouse
Glenn Burge

Company Secretary

Jesse Hamilton

Investment Manager

Wilson Asset Management
(International) Pty Limited
Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower
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Sydney NSW 2000

Contact Details

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Share Registry

Boardroom Pty Limited
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For enquiries relating to shareholdings, dividends (including participation in the dividend reinvestment plan) and related matters, please contact the share registry.

Australian Securities Exchange

WAM Strategic Value Limited
Ordinary Shares (WAR)

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Directors' Report to shareholders for the half year ended 31 December 2023

The Directors present their report together with the financial report of WAM Strategic Value Limited for the half year ended 31 December 2023.

Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

Geoff Wilson AO (Chairman – Non-independent)

Kate Thorley (Director – Non-independent)

Virginia Waterhouse (Director – Independent) (appointed 30 October 2023)

Glenn Burge (Director – Independent)

Principal activity

The principal activity of the Company is making investments in discounted assets. The Company's investment objectives are to provide capital growth over the medium-to-long term, deliver a stream of fully franked dividends and preserve capital. No change in this activity took place during the period or is likely to in the future.

Operating and financial review

Investment operations during the half year resulted in an operating profit before tax of \$8,023,335 (2022: \$8,632,410) and an operating profit after tax of \$6,398,345 (2022: \$6,823,069). The profit for the period is reflective of the solid performance of the investment portfolio over the six months to 31 December 2023. The investment portfolio increased 5.3% in the six months to 31 December 2023, achieved with an average cash weighting of 13.7%.

The operating profit for the period includes unrealised gains or losses arising from changes in the fair value of the investments held in the investment portfolio during the period. This movement in the fair value of investments can add to or reduce the realised gains and losses on the investment portfolio and other revenue from operating activities (such as dividend and interest income) in each period. This treatment under the Accounting Standards can cause large variations in reported operating profits between periods.

The operating profit or loss for each financial period is reflective of the underlying investment portfolio performance and it is important to understand with context to the overall performance of equity markets in any given period. As a result, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return.

WAM Strategic Value's NTA before tax increased 3.7% for the six months to 31 December 2023, including the 2.0 cents per share fully franked final dividend paid to shareholders during the period. This increase is after corporate tax paid of 0.4 cents per share or 0.3% of the Company's pre-tax NTA during the period. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. The performance fee accrued of 0.8% was the major item of difference between the investment portfolio performance of 5.3% and the NTA performance.

Other items contributing to the change in the value of the assets during the period were management fees of 0.4%* and other company related expenses of 0.1%.

The NTA before tax as at 31 December 2023 amounted to \$1.19 per share (June 2023: \$1.17). The NTA after tax was \$1.23 per share (June 2023: \$1.21). These figures are after the 2.0 cents per share fully franked final dividend paid to shareholders during the period.

The total shareholder return for the Company for the period to 31 December 2023 was 9.3%, driven by WAM Strategic Value's solid investment portfolio performance and the narrowing of the share price discount to NTA to 12.5% from 16.8% at the start of the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

**Wilson Asset Management has foregone management fees on the portion of the investment portfolio held in WAM Global (ASX: WGB) shares. WAM Strategic Value received WAM Global shares as scrip consideration for Templeton Global Growth Fund shares previously held. Wilson Asset Management is entitled to management fees of 1.0% (excluding GST) per annum.*

Dividends

The Board declared a fully franked interim dividend of 2.25 cents per share to be paid on 30 May 2024. A fully franked final dividend of 2.0 cents per share was paid during the period.

The Board decided to increase the FY2024 fully franked interim dividend to 2.25 cents per share, surpassing previous dividend guidance, as a result of WAM Strategic Value's strong investment portfolio performance in the financial year to 31 January 2024 of 8.2%. The investment portfolio increased 2.8% in January 2024, outperforming the S&P/ASX All Ordinaries Accumulation Index which rose 1.1%.

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits, and it is within prudent business practices.

Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half year is set out on page 6 of this Financial Report.

Signed in accordance with a resolution of the Board of Directors.



Geoff Wilson AO
Chairman

Dated this 15th day of February 2024

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**Auditor's Independence Declaration
To the Directors of WAM Strategic Value Limited
ABN 24 649 096 220**

In relation to the independent auditor's review of WAM Strategic Value Limited for the half year ended 31 December 2023, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S M Whiddett
Partner

Pitcher Partners
Sydney

15 February 2024

Statement of comprehensive income for the half year ended 31 December 2023

	Note	December 2023 \$	December 2022 \$
Net realised and unrealised gains on financial investments		5,420,976	5,462,533
Other revenue from operating activities		5,558,625	4,340,594
Management fees		(910,941)	(881,564)
Performance fees		(1,698,589)	-
Directors fees		(30,164)	(25,000)
Brokerage expense on share purchases		(77,693)	(23,437)
Custody fees		(8,575)	(6,070)
ASX listing and CHESS fees		(38,273)	(44,825)
Share registry fees		(38,784)	(36,067)
Disbursements, mailing and printing		(18,557)	(8,045)
ASIC industry funding levy		(4,010)	(3,956)
Accounting fees		(35,750)	(33,000)
Audit fees		(28,606)	(24,219)
Company secretary fees		(13,750)	(13,750)
Other expenses from ordinary activities		(52,574)	(70,784)
Profit before income tax		8,023,335	8,632,410
Income tax expense		(1,624,990)	(1,809,341)
Profit after income tax attributable to members of the Company		6,398,345	6,823,069
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		6,398,345	6,823,069
Basic and diluted earnings per share		3.55 cents	3.79 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2023

	Note	December 2023 \$	June 2023 \$
Current assets			
Cash and cash equivalents		16,723,516	57,637,839
Trade and other receivables		390,396	640,384
Financial assets	6	200,381,384	153,608,132
Total current assets		217,495,296	211,886,355
Non-current assets			
Deferred tax assets		5,913,494	7,134,006
Total non-current assets		5,913,494	7,134,006
Total assets		223,408,790	219,020,361
Current liabilities			
Trade and other payables		2,268,285	375,164
Current tax liabilities		-	300,522
Total current liabilities		2,268,285	675,686
Total liabilities		2,268,285	675,686
Net assets		221,140,505	218,344,675
Equity			
Issued capital	3	225,147,829	225,147,829
Profits reserve	4	18,820,678	16,024,848
Accumulated losses	5	(22,828,002)	(22,828,002)
Total equity		221,140,505	218,344,675

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half year ended 31 December 2023

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2022		225,147,829	(22,828,002)	6,540,428	208,860,255
Profit for the half year		-	6,823,069	-	6,823,069
Transfer to profits reserve		-	(9,256,840)	9,256,840	-
Other comprehensive income for the period		-	-	-	-
Transaction with owners:					
Dividends paid	2(a)	-	-	(3,602,515)	(3,602,515)
Balance at 31 December 2022		225,147,829	(25,261,773)	12,194,753	212,080,809
Balance at 1 July 2023		225,147,829	(22,828,002)	16,024,848	218,344,675
Profit for the half year		-	6,398,345	-	6,398,345
Transfer to profits reserve	4	-	(6,398,345)	6,398,345	-
Other comprehensive income for the half year		-	-	-	-
Transactions with owners:					
Dividends paid	2(a)	-	-	(3,602,515)	(3,602,515)
Balance at 31 December 2023		225,147,829	(22,828,002)	18,820,678	221,140,505

The accompanying notes form part of these financial statements.

Statement of cash flows for the half year ended 31 December 2023

	December 2023 \$	December 2022 \$
Cash flows from operating activities		
Proceeds from sale of investments	8,915,026	12,575,844
Payments for purchase of investments	(50,298,565)	(18,024,993)
Dividends, trust distributions and other income received	4,834,824	3,237,098
Interest received	855,750	999,212
Management fees (GST inclusive)	(974,680)	(943,905)
Payments for administration expenses (GST inclusive)	(396,151)	(407,070)
Income tax paid	(705,000)	(2,100,000)
Brokerage expense on share purchases and sales (GST inclusive)	(86,570)	(26,532)
Net GST received from the ATO	77,436	74,329
Net cash used in operating activities	(37,777,930)	(4,616,017)
Cash flows from financing activities		
Dividends paid	(3,602,515)	(3,602,515)
Repayment of offer costs	466,122	466,122
Net cash used in financing activities	(3,136,393)	(3,136,393)
Net decrease in cash and cash equivalents held	(40,914,323)	(7,752,410)
Cash and cash equivalents at the beginning of the period	57,637,839	79,591,306
Cash and cash equivalents at the end of the period	16,723,516	71,838,896

The accompanying notes form part of these financial statements.

Notes to the financial statements for the half year ended 31 December 2023

1. Material accounting policies

These interim financial statements and notes for the half year represent those of WAM Strategic Value Limited.

The half year financial report was authorised for issue on 15 February 2024 by the Board of Directors.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2023 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical cost with the exception of certain financial assets and liabilities that have been measured at fair value. All amounts are presented in Australian dollars.

In accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2023 Annual Financial Report.

2. Dividends

a) Ordinary dividends paid during the period

	December 2023 \$	December 2022 \$
Final dividend FY2023: 2.0 cents per share fully franked at 30% tax rate, paid 30 October 2023 (Final dividend FY2022: 2.0 cents per share fully franked at 30.0% tax rate)	3,602,515	3,602,515

b) Dividends not recognised at period end

	December 2023 \$	December 2022 \$
Since the end of the period, the Directors have declared a fully franked interim dividend of 2.25 cents per share, payable on 30 May 2024 (Interim dividend FY2023: 1.5 cents per share fully franked at 30.0% tax rate)	4,052,830	2,701,886

3. Issued capital

a) Paid-up capital

	December 2023 \$	June 2023 \$
180,125,761 ordinary shares fully paid (June 2023: 180,125,761)	225,147,829	225,147,829

b) Offer costs

Under the investment management agreement, the Investment Manager agreed to be responsible for the payment of the offer costs relating to the IPO that the Company would normally be liable for. These costs were paid upfront by the Company however, the Investment Manager repaid the offer costs to the Company in 30 equal monthly repayments. The total offer costs in relation to the initial public offering were \$2,342,122 (\$1,639,486 net of tax) with \$466,122 being repaid over the six months to 31 December 2023 by the Investment Manager. At the end of the period, the offer costs have been repaid in full.

4. Profits reserve

	December 2023 \$	June 2023 \$
Profits reserve	18,820,678	16,024,848

The profits reserve is made up of amounts transferred from current period profits and are preserved for future dividend payments.

	For the 6 months to December 2023 \$	For the 12 months to June 2023 \$
Movement in profits reserve		
Balance at the beginning of the period	16,024,848	6,540,428
Transfer of profits during the period	6,398,345	15,788,826
Final dividend paid (refer to note 2(a))	(3,602,515)	(3,602,515)
Interim dividend paid	-	(2,701,891)
At reporting date	18,820,678	16,024,848

5. Accumulated losses

	For the 6 months to December 2023 \$	For the 12 months to June 2023 \$
Balance at the beginning of the period	(22,828,002)	(22,828,002)
Profit for the period attributable to members of the Company	6,398,345	15,788,826
Transfer to profits reserve	(6,398,345)	(15,788,826)
At reporting date	(22,828,002)	(22,828,002)

6. Financial instruments measured at fair value

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs.

There were no transfers between Level 1 and Level 2 during the period (June 2023: nil).

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2023:

31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	200,381,384	-	-	200,381,384
Total	200,381,384	-	-	200,381,384

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	153,608,132	-	-	153,608,132
Total	153,608,132	-	-	153,608,132

The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

7. Segment reporting

The Company currently engages in investing activities, including cash, term deposits and equity investments. It has no reportable operating segments.

8. Capital commitments

There were no capital commitments for the Company as at 31 December 2023 (June 2023: no capital commitments).

9. Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2023 (June 2023: no contingent liabilities).

10. Events subsequent to reporting date

Since the end of the period, the Directors declared a fully franked interim dividend of 2.25 cents per share to be paid on 30 May 2024.

No other matters or circumstances have arisen since the end of the period, other than already disclosed, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The Directors of WAM Strategic Value Limited declare that:

- 1) The financial statements and notes, as set out in pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 31 December 2023 and of its performance for the half year ended on that date.
- 2) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Geoff Wilson AO
Chairman

Dated this 15th day of February 2024

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**Independent Auditor's Review Report
To the Members of WAM Strategic Value Limited
ABN 24 649 096 220****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of WAM Strategic Value Limited ("the Company") which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of material accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of WAM Strategic Value Limited does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



S M Whiddett
Partner



Pitcher Partners
Sydney

15 February 2024



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