

Annual General Meeting Chairman's Address

25 October 2023

Introduction and welcome

Good afternoon and welcome to the 2nd WAM Strategic Value (ASX: WAR) Limited Annual General Meeting (AGM). This is a hybrid meeting, held both online and in person here at the Museum of Sydney. The hybrid meeting format allows those that cannot join us in person to participate.

I would like to acknowledge the Gadigal people of the Eora nation and pay my respects to Elders past and present. Thank you for joining us and for your support of WAM Strategic Value.

Before we officially open the meeting, I would like to say that our thoughts and prayers are with all people who are in conflict right now, particularly in the Middle East and Eastern Europe.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley and Glenn Burge. Scott Whiddett, a representative from WAM Strategic Value's auditor, Pitcher Partners, will be available to address any questions relating to the Company's financial statements. We are also joined by Company Secretary and Wilson Asset Management Chief Financial Officer, Jesse Hamilton, who will act in the capacity of moderator, assisting us to address any questions received during the meeting.

FY2024 update and outlook

Company update

Through our continued focus on identifying and capitalising on share price discounts to underlying asset values of listed companies, primarily listed investment companies (LICs) and listed investment trusts (LITs), the investment portfolio has increased 1.5% in the three months to 30 September 2023. As at 30 September 2023, the Company had 9.4 cents per share available in its profits reserve, after the payment of the FY2023 final fully franked dividend of 2.0 cents per share on 30 October 2023, representing 2.4 years of dividend coverage based on the annualised FY2024 interim dividend guidance of 4.0 cents per share. 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. The Company's ability to generate franking credits is reliant on the receipt of franked dividends from investee companies and the payment of tax on profits.

Outlook

WAM Strategic Value focuses on providing shareholders with risk-adjusted returns by identifying and capitalising on buying assets at a discount; effectively trying to buy \$1 of assets for 80 cents or less. We believe it is an opportunistic time to be investing with quality investment managers, as share price discounts to NTA across the listed investment company and listed investment trust sector lead to continued corporate activity and liquidity event opportunities for WAM Strategic Value. We are deploying capital into companies that meet our investment criteria and recently increased our shareholding in a number of companies trading at attractive valuations.

Listed investment companies sector

Recently the listed investment company (LIC) and listed investment trust (LIT) sector has experienced a challenging period as investors sought the perceived safe haven of term deposits and cash amid a volatile equity market. The yield on fixed interest and bonds has surpassed the average dividend yield for the Australian equity market for the first time in nearly 12 years, causing share price premiums to net tangible assets (NTA) to contract and discounts to widen.

The LIC and LIT sector has experienced numerous cycles of expansion and contraction since the first listing in 1868 in London.

During 2002 / 2003 the Australian LIC sector experienced significant growth which was followed by a period of consolidation. After the levelling of the playing field with the Future of Financial Advice (FOFA) reforms in 2012 the sector expanded significantly from 51 LICs and LITs in 2013 to a peak of 114 in 2018.

Recently a number of LICs and LITs have resorted to restructuring to open-ended managed funds or active exchange-traded funds (ETFs) with 24 LICs and LITs departing the sector since the peak in 2018. While we expect further consolidation in the coming years with LICs and LITs that have underperformed, or failed to properly engage with shareholders, choosing to or being forced into restructure, the sector will emerge from this period of consolidation stronger with a solid platform for growth.

FY2023 in review

Financial results

WAM Strategic Value reported an operating profit before tax of \$19.8 million for the year (FY2022: operating loss before tax of \$23.3 million) and an operating profit after tax of \$15.8 million (FY2022: operating loss after tax of \$14.5 million).

The WAM Strategic Value investment portfolio increased 11.4% during the 12 months to 30 June 2023 with an average cash weighting of 33.4% over the year. The investment portfolio's allocation to equities, which was 72.7% as at 30 June 2023, provided a weighted average return of 15.4%. Given the market conditions, we adopted a cautious approach, holding 27.3% cash and cash equivalents as at 30 June 2023, earning a weighted average return of 3.5%.

Total shareholder return (TSR) and share price discount to NTA

TSR measures the tangible 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 TSR for WAM Strategic Value was 4.1% for the year to 30 June 2023 and was driven by the investment portfolio performance of 11.4%, offset by the widening of the share price discount to NTA. As at 30 June 2023, the share price discount to NTA was 16.8% (FY2022: discount of 12.6%). The TSR is inclusive of the 3.5 cents per share in fully franked dividends paid during the financial year (FY2022: 1.0 cents per share). In this measure we do not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

On 24 October 2023, the share price discount to NTA was 13.2%^{*}.

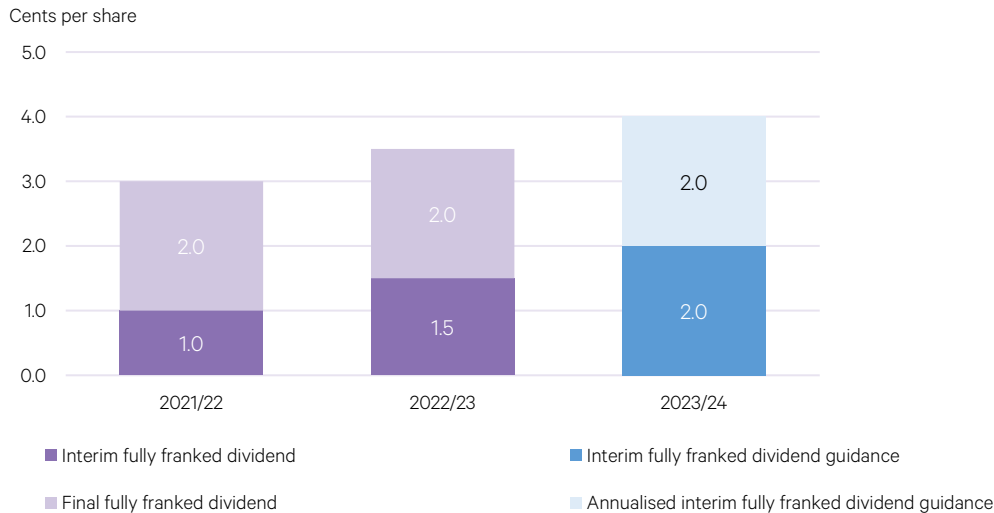
Fully franked dividends

The Board declared a final fully franked dividend of 2.0 cents per share, bringing the FY2023 full year fully franked dividend to 3.5 cents per share. The full year fully franked dividend represents an increase of 16.7% on the previous year. Since inception, the Company has paid 4.5 cents per share in fully franked dividends to shareholders.

On 18 July 2023, the Board announced its intention to deliver an FY2024 interim fully franked dividend of 2.0 cents per share (subject to no material adverse changes in market conditions or to the investment portfolio), representing an annualised interim fully franked dividend of 4.0 cents per share, a 14.3% increase on the FY2023 full year dividend.

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. As at 30 September 2023, the Company had 9.4 cents per share available in its profits reserve, after the payment of the final fully franked dividend of 2.0 cents per share on 30 October 2023. The Company's ability to generate franking credits is reliant on the receipt of franked dividends from investee companies and the payment of tax on profits.

^{*}Based on the 30 September 2023 pre-tax NTA of \$1.18 per share, adjusted for the final fully franked dividend of 2.0 cents per share and the 24 October 2023 share price of \$1.01. The ex-dividend date for the final fully franked dividend was 3 October 2023.



About Wilson Asset Management

Wilson Asset Management, WAM Strategic Value's Investment Manager, has been passionate about making a positive difference for our shareholders and the community for more than 25 years. In the 2023 financial year, the team continued to make a difference through various philanthropic initiatives, advocacy and shareholder engagement

Philanthropy

Geoff Wilson founded Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG) as Australia's first companies to deliver both investment and social returns. The companies seek to deliver a stream of fully franked dividends and capital growth to investors by giving them unprecedented access to prominent Australian and global fund managers. These managers generously waive their performance and management fees, which enables the Future Generation companies to invest 1.0% of net tangible assets each year in not-for-profit organisations. To date, the companies have donated more than \$75 million to organisations that support children and youth at risk and youth mental health. The team at Wilson Asset Management continue to support both companies.

Wilson Asset Management is a member of the global philanthropic Pledge 1% movement, is a significant funder of many Australian charities and provides all team members with \$10,000 each year to donate to charities of their choice. During the year, Wilson Asset Management and Future Generation team members were proud to support over 90 charities across several cause areas such as homelessness, mental health and cancer research. All philanthropic investments are made by the Investment Manager.

We are honoured to provide continued support to Olympic athletes, through managing funds for the Australian Olympic Committee (AOC) on a pro bono basis. The AOC provides crucial financial and institutional support to Australian athletes to compete at an Olympic level. All fees are foregone by the Investment Manager. We also support a number of organisations through sponsorships and partnerships across a range of initiatives including; the 2022 Wollongong UCI Road World Cycling Championship, The Australian Shareholder's Association, Sporting Chance Cancer Foundation, Women in Super and many more. All sponsorships and partnerships are made by the Investment Manager.

Advocacy and Education

As part of our focus on making a difference to shareholders and the community, our advocacy work for fair and equitable treatment of retail shareholders continues to be a priority. We firmly believe all shareholders, both retail and wholesale, should be treated equitably when investing in the Australian equity market.

Together we have been publicly fighting for the preservation of Paul Keating's franking system since the Labor party first proposed changes in 2018, a proposal that would unfairly deny refunds of franking credits to certain investors. Unfortunately, in September 2021, the Australian Labor Government announced proposed legislation changes to the Australian franking system, this time limiting the ability of Australian companies to pay fully franked dividends to their shareholders.

The first piece of legislation, *Schedule 4: Off-market share buy-backs*, will restrict a company's ability to undertake an off-market share buy-back with a fully franked dividend component, effectively reducing a company's ability to equitably manage its capital. It will also reduce the incentive for companies to list on the ASX due to a provision where if a listed company undertakes an off-market share buy-back or selective capital reduction in the future, they will lose their franking credits or be forced to pay franking deficit tax. Thus all public companies will be unfairly penalised and permanently lose the amount of franking that previously would have been distributed to shareholders. This will not apply to unlisted companies and therefore challenges the rationale for companies pursuing public listings.

The second piece of legislation, *Schedule 5: Franked distributions funded by capital raisings*, will stop companies paying fully franked dividends that in Treasury's view are directly or indirectly funded by capital raisings. This legislation will stop small growth companies from raising capital and paying fully franked dividends and encourage large companies to focus on minimising tax paid in Australia.

Following a public consultation period and our extensive engagement with Federal MPs and Senators, a Senate Inquiry was held to take a deeper look into the details of the proposed changes. This has now taken place and the committee acknowledged Schedule 5 of the Bill needs clarification, an important victory for us all including industry and taxation experts, lawyers and academics who agree that this legislation is flawed. Unfortunately, they did not grasp that Schedule 4 of the Bill also has significant unintended consequences and needs redrafting.

The Australian franking system has been part of the reason Australia has seen more than three decades of economic stability and growth. It has encouraged Australian companies and shareholders to invest in Australia, employ Australians, pay tax in Australia and in turn create more local jobs and ownership of Australian companies by Australians. We will continue to engage with Federal members of parliament, raising awareness about the long-term unintended consequences of the proposed legislation.

On 18 October 2023, we submitted a response to the draft Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 objecting to the taxing of unrealised gains and the failure to index the "large superannuation balance threshold" of \$3 million. We object to the proposed changes based on the significant stress they will place on Australian superannuants, who will be expected to pay tax on unrealised capital gains that may never be realised. Further, we object to the lack of indexing of the threshold, therefore transferring tax liabilities to younger generations. We also believe these changes place self-managed superannuation funds (SMSFs) at a significant disadvantage to large industry funds due to the practicalities of managing capital flows on taxed unrealised gains. We believe these changes will distort investment markets and alter the incentive for retirement plans. We will be monitoring this matter closely.

We also remain committed to education initiatives which advocate for change and progress in corporate Australia. We support the University of New South Wales' School of Mathematics and Statistics' Do The Maths program, which aims to inspire girls in high school to consider tertiary studies and careers in mathematics and statistics. We believe in the importance of gender diversity in the financial services industry, in particular funds management, which provides rewarding career paths. We regularly host Women's Investor Events which give likeminded women a platform to network and enhance financial literacy, while our Young Investor Events aim to inspire the next generation to begin their investment journey early.

All of our philanthropic and advocacy efforts are paid for by the investment manager Wilson Asset Management and not the listed investment companies we manage on behalf of shareholders. There has been recent media coverage on corporations spending shareholder money on political and advocacy campaigns. I confirm that WAM Strategic

Value has not spent shareholder money on philanthropic or advocacy campaigns. We believe all publicly listed companies have a responsibility to report to their shareholders on any corporate ideological advocacy they undertake and that all Boards have a fiduciary responsibility to shareholders.

Shareholder engagement

Shareholders are the owners of WAM Strategic Value; Wilson Asset Management's responsibility is to manage the Company on your behalf and be available to report to you on a regular basis. We encourage all shareholders to communicate with us and share their feedback. Please visit our [website](#), subscribe to receive our regular updates and call or email us with any questions or suggestions you have regarding WAM Strategic Value or Wilson Asset Management.

Vale Andrew Cormie

We would like to acknowledge the recent passing of fellow fund manager and good friend Andrew Cormie.

Andrew has been an important part of the Wilson Asset Management community. He helped guide me 26 years ago when I was in the process of articulating our investment process and was one of the founding fund managers for Future Generation Global Limited.

He has left us far too early and will be sadly missed.

For more information

Further information on WAM Strategic Value can be found in the [2023 annual report](#) and [website](#).

Thank you

Thank you for your support and for entrusting us with your capital. I would also like to thank the Wilson Asset Management team, who have worked tirelessly for our shareholders, as well as my fellow Board members, whose guidance and expertise make an invaluable contribution.