

Product Assessment

Report data as at 30 Apr 2019
Rating issued on 23 May 2019

WAM Leaders Limited

VIEWPOINT

The Company is a Listed Investment Company (LIC) managed by Sydney based Wilson Asset Management (Wilson AM). The Company listed on the Australian Stock Exchange in 2016 and provides investors with exposure to a research and market-driven strategy focusing within the S&P/ASX 200 Index. Zenith regards Wilson AM as a high calibre investment manager with a long and successful history of investing utilising their market and research-driven strategy. Although Zenith regards the investment team and process highly, our conviction in the Company is moderated due to the relatively limited track record of investing with a dedicated large caps mandate and less peer relative experience of the team.

Wilson AM was founded in 1997 by Geoff Wilson, who owns 100% of the business. Wilson AM manages approximately \$A 3 billion (as at 30 April 2019) across six LICs. On 29 October 2018, Wilson AM announced the intention of Chief Investment Officer (CIO), Chris Stott, to retire, effective 31 December 2018. Post his departure, Stott continues his role as a Director of two of the Wilson AM LICs (WAM Capital Limited and WAM Microcap Limited). Following this announcement, Geoff Wilson took over the dual roles of Chairman and CIO.

Although Zenith believes Wilson AM's strategies continue to be managed by capable investors, we believe that Stott's departure reduces the experience and depth of the overall investment team. However, we also acknowledge that Stott had less involvement in the Company, which continues to be managed by Portfolio Managers, Matthew Haupt and John Ayoub who are supported by a team of eight other investment staff. Nonetheless, given Stott was an integral part of stock selection and portfolio construction processes across the wider firm, given his departure, we believe a period of consolidation is required. We are also cognisant that the team cover a large universe of stocks and as such we remain wary of capacity limits on the research side.

Focused on investments within the S&P/ASX 200 Index, Wilson AM's approach is absolute return orientated using a combination of two investment strategies: research-driven and market-driven. The research-driven process seeks to identify targets with a focus on free cash flow and an assessment of management, earnings potential, valuation and industry position. The market-driven process seeks to take advantage of relative short-term arbitrages and mispricings in the market such as participating in IPOs, placements, block trades and rights issues.

Although the Company adopts the same absolute return investment approach used across Wilson AM's investment suite, Zenith believes the Company is limited by the constraints imposed upon it. Furthermore, we believe there is a mismatch in investment philosophy given Wilson AM has historically derived the majority of its success outside the S&P/ASX 200 Index.

Consistent with its capital preservation focus, the Company may hold significant levels of cash if investment opportunities cannot be found. The Company will typically hold between 20 to 50 stocks and exhibit relatively high levels of portfolio turnover.

Zenith views Wilson AM's ongoing commitment to investor communication and engagement programs as best in class. Zenith believes that this is a critical aspect of successful LIC management given the ability of LIC's to materially trade away from their underlying asset values. However, Zenith views reporting of portfolio investment performance as sub-standard, as it reports returns before of fees rather than after. Zenith sees this as below best practice and out of keeping with contemporary LICs.

COMPANY FACTS

- Benchmark unaware, absolute return style investment strategy
- S&P/ASX 200 focused
- May hold high cash allocations
- Short selling only used opportunistically with gross exposure limited to 100% (must be cash backed)

APIR Code

ASX:WLE

Asset / Sub-Asset Class

Australian Shares
Listed Investment Entities – LICs/LITs

Investment Style

Long / Short

Investment Objective

To deliver a stream of fully franked dividends, to provide capital growth over the medium-to-long term and to preserve capital.

Zenith Assigned Benchmark

S&P/ASX 300 (Accum)

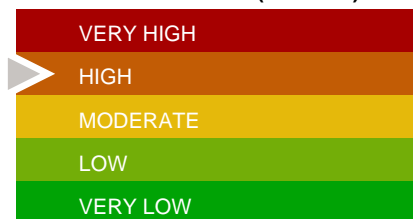
Net Returns (% p.a.)

	2 yrs	1 yr	6 mth
LIC	2.98	2.39	1.03
Benchmark	7.99	10.31	10.91

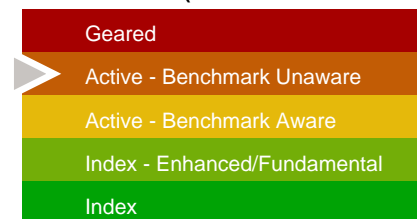
Fees (% p.a., Incl. GST)

Management Cost: 1.10%
Performance Fee: 22% of the outperformance of the S&P/ASX 200 Accumulation Index subject to a high watermark.

ABSOLUTE RISK (SECTOR)



RELATIVE RISK (FUND WITHIN SECTOR)



INCOME DISTRIBUTIONS PER



INVESTMENT TIMEFRAME



APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

Listed Investment Companies (LIC)

In assessing the performance of the LIC sector, it is vital to understand how their structure affects the final performance figures as it is materially different to unlisted funds. As listed companies, the portfolio returns generated are exposed to additional volatility from share price movements and can trade at significant premiums or discounts to Net Tangible Assets (NTA).

In addition, the impact of pre and post-tax returns needs to be considered because LICs distribute returns net of company tax, whilst benchmark index returns are quoted on a pre-tax basis. Accordingly, it is difficult to accurately compare shareholder returns to either benchmarks which do not account for tax or realised peer group LICs where the timing of company tax on realised gains differs.

As an indication however, a series of return data can be viewed on the basis of the returns generated by:

- Share price and dividends
- Change in pre-tax NTA value and dividends
- Returns generated internally by the investment portfolio

For comparison purposes, the use of the internal portfolio returns versus the benchmark gives the closest measure of the investment manager's skill in generating returns. However, these returns may not be able to be fully crystallised to shareholders given the potential for share price movements.

Caution should be used in the comparison of these figures as share price and pre-tax asset NTA are measures which take into account company tax paid on realised capital gains and unfranked income, whereas benchmark performance is a wholly untaxed measure.

At various times when assessed on a purely quantitative basis, a LIC can trade away from its NTA which may represent good buying or selling opportunities. While these instances may boost investment returns, there is no guarantee that the discount or premium will converge to NTA, therefore, gains can not be crystallised.

Australian Equities

The sector incorporates both benchmark aware and benchmark unaware strategies but the funds focus predominantly on large capitalisation stocks. The sector is one of the most competitive in the investment landscape, based on the number of managers and strategies available to investors. Despite the competitiveness of the sector, the Australian share market has historically provided many opportunities for active management, with the median active manager outperforming a passive index over the longer term.

The Australian share market, as represented by the S&P/ASX 300 Accumulation Index, is highly concentrated and narrow. Technically, a company is assigned the large cap moniker if it falls within the S&P/ASX 50, with those companies falling between the S&P/ASX 50 and S&P/ASX 100 assigned to the mid cap category. All stocks below the top 100 are considered small capitalisation stocks.

As at 28 February 2019, the Financials and Resources sectors

combined represented a significant portion of the S&P/ASX 300 Accumulation Index, with the Financials sector accounting for approximately 32% of the index, and Materials approximately 19%. The split between Industrials and Resources stocks was approximately 80%/20%. The top 10 stocks represented approximately 42% of the weighting of the Index, and the top 20 stocks represented over 57% of the Index.

PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer-term with some income. However, this higher growth is also often associated with higher volatility. Therefore, it is recommended that investors adopt a longer time frame when investing in equities.

Investors should also be cognisant of the fact that the Australian equity market is relatively concentrated, with the Materials and Financials sectors dominating the market; the market also only represents approximately 1% of global equity markets (in terms of market capitalisation). Therefore, to mitigate this concentration risk it is highly recommended that investors diversify their investments across asset classes, both domestically and globally.

The Company may suit investors seeking a benchmark unaware exposure to Australian equities. The Company is managed with an absolute return approach which allows for significant levels of cash to be held when investment opportunities are not apparent. While the Company has the ability to take short positions, Zenith expects that in practice, use of shorting in the portfolio will be uncommon. It should be noted that any short selling must be cash backed and portfolio exposure limited to 100%.

The Company may also suit investors seeking a consistent income stream, with the Board committed to paying an increasing stream of fully franked dividends to shareholders.

Investors need to be aware that as a LIC, the shares will have their own trading patterns and may trade away from their NTA which at times may impact the effectiveness of Wilson AM's investment process and/or expected risk-return profile.

One of the benefits of the LIC structure is that the Company, unlike in an unlisted managed fund, does not have to sell holdings to fund redemptions. Zenith believes this feature is a key competitive advantage for the Company as it will not have to sell positions at inopportune times to meet redemption requests.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the "Australian Equities/Listed Investment Entities" sector are exposed to the following broad risks:

MARKET & ECONOMIC RISK: As is the case with all long only Australian Share funds, the biggest risk to performance is a sustained downturn across the Australian share market. In addition, changes in economic, social, technological or political conditions, as well as market sentiment could also lead to negative fund performance. This risk can be significantly reduced by investors adhering to a LIC's/LITs prescribed

investment time frame.

SPECIFIC SECURITY RISK: This is the risk associated with an individual security. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.

LIQUIDITY RISK: This is the risk that a security or asset cannot be traded quickly enough, due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

STYLE BIAS RISK: Australian equity managers will either employ a Growth, Value or Neutral (combination of Value & Growth) styled approach to investing. Each style is conducive to certain market conditions, i.e. Growth should outperform Value in an upward trending market and vice versa in a downward trending market. As with Market Risk, investors should adhere to the LIC's/LITs investment time frame to avoid short-term market movements and style impact.

CAPACITY RISK: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager, as high FUM has the potential to hamper the manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

PREMIUM/DISCOUNT TO NET ASSETS: Investors need to be aware that as a LIC/LIT, shares/units will have their own trading patterns and may trade away from their net asset value. This may impact the effectiveness of the investment process and/or expected risk-return profile in the hands of the investor.

COMPANY RISKS

Zenith has identified the following key risks of the Company. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

KEY PERSON RISK: Zenith believes that Geoff Wilson and Lead Portfolio Manager, Matthew Haupt are integral to the success of the Company and the firm. While the business has increased its team size over recent years, the departure of any of these individuals would trigger a reassessment of our rating.

CONFLICT RISK: Many LICs are exposed to conflict risk because there is a direct link typically between the Company and the Manager. In the case of the Company, this is present with Geoff Wilson who is the Chairman and also the sole director and "beneficial" owner of Wilson AM.

SHORT SELLING RISK: The Company may be engaged in short selling. Short selling involves borrowing and selling securities the Company does not own. The action of stock borrow creates an obligation to redeliver the securities borrowed (or their equivalent) on an agreed date, or if circumstances change on demand from the stock lender. Short sale positions create an unlimited risk for the portfolio if the stock price of the security rises and the Company is unable to buy the securities back in the marketplace. The act of buying securities in a rising market can add to the positive price momentum and add to the losses in the Company. Zenith notes that any shorts by the Company must be cash backed,

which reduces these risks.

DERIVATIVES RISK: The Company can use various derivatives including options and futures and these investment securities can be volatile, speculative, illiquid and leveraged.

CAPACITY RISK: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, and therefore limit outperformance potential. While Zenith does not believe that capacity is currently an issue, we will continue to monitor the Fund's performance and FUM levels.

QUALITATIVE DUE DILIGENCE

ORGANISATION

WAM Leaders Limited

The Company has no paid employees.

The Board consists of the following individuals:

- Geoff Wilson, Executive Chairman, appointed May 2016
- Kate Thorley, Executive Director, appointed May 2016
- Melinda Snowden, Non-Executive Director, appointed May 2016
- Lindsay Mann, Non-Executive Director, appointed May 2016
- Ross Finley, Non-Executive Director, appointed April 2019

Zenith notes that Chris Stott resigned from his role as a Executive Director of the Company in October 2018. Replacing Stott on the Board is Ross Finley. Zenith recognises that a modest amount of turnover in company boards tends to be healthy as new directors bring fresh perspectives and new skills, and new directors can show a propensity to challenge on key issues more than long serving incumbents. However, there is a balance to Board turnover which also needs to be considered.

The composition of the Board does not comply with ASX corporate governance principles because:

- The Chairman is not an independent director
- It does not have a Nomination Committee

Zenith also notes that each of the Executive Directors is remunerated, albeit a nominal sum, of \$10,000 p.a. each. Zenith believes the practice of remunerating Board Directors who are employees of the investment manager is not reflective of best practice amongst LICs.

Wilson Asset Management

Wilson Asset Management International (Wilson AM) is an independently owned boutique funds management organisation established in 1997 by Geoff Wilson. Wilson AM comprises two investment managers, MAM Pty Limited (MAM) and Wilson Asset Management (International) Pty Ltd (WAMI). Management of the Wilson AM listed vehicles is as follows.

MAM Pty Limited:

- WAM Research Limited (WAX)
- WAM Active Limited (WAA)
- WAM Leaders Limited (WLE)
- WAM Microcap Limited (WMI)

Wilson Asset Management (International) Pty Ltd:

- WAM Capital Limited (WAM)
- WAM Global Limited (WGB)

Zenith notes that Geoff Wilson has 100% of the equity ownership in Wilson AM. As such, we would prefer to see a greater level of equity ownership distributed amongst investment staff, which would further align the interest of the team with investors.

As at 31 March 2019, Wilson AM and affiliates managed approximately \$A 3 billion in FUM. As at the same date, the Company had a market capitalisation of \$A 877 million.

INVESTMENT PERSONNEL

Name	Title	Tenure
Matthew Haupt	Lead Portfolio Manager	8 Yr(s)
John Ayoub	Portfolio Manager	3 Yr(s)

The investment team of 11 is led by Chairman Geoff Wilson who established Wilson Asset Management in 1997. Wilson has in excess of 37 years' experience in equity markets and in managing equity portfolios. Wilson has oversight on all the Wilson AM LICs, Zenith regards Wilson highly for his investment acumen and long track record in the LIC market.

On 29 October 2018, Wilson Asset Management announced the intention of Chief Investment Officer, Chris Stott, to retire, effective 31 December 2018. Stott will remain as a Director of two of the Wilson AM LICs (WAM Capital Limited and WAM Microcap Limited). As a result, Geoff Wilson has moved to occupy the dual roles of Chairman and CIO.

Although Zenith believes Wilson AM's strategies continue to be managed by capable investors, we believe that Stott's departure reduces the experience and depth of the overall investment team. However, we also acknowledge that Stott had less involvement in the Company, which continues to be managed by Portfolio Managers, Matthew Haupt and John Ayoub who are supported by a team of eight other investment staff. Nonetheless, given Stott was an integral part of stock selection and portfolio construction processes across the wider firm, given his departure, we believe a period of consolidation is required. We are also cognisant that the team cover a large universe of stocks and as such we remain wary of capacity limits on the research side.

Zenith notes that Stott had progressively increased his role across the Wilson AM business over the years which has worked to reduce keyman risk in Geoff Wilson. With Stott's departure, Zenith believes that succession planning within the firm to reduce keyman risk regarding Wilson is imperative.

Haupt has overall responsibility for managing the portfolio and is supported by Ayoub. Although Haupt and Ayoub are dedicated resources to WLE, Zenith still expects them to be solid contributors to Wilson AM's other strategies.

Haupt joined Wilson AM in 2011 and has been primarily involved in the research-driven portion of the investment process. While we believe Haupt is a capable investor, we note that his portfolio management experience is generally less extensive than peers. However, Zenith draws comfort from the oversight provided by Wilson.

Zenith believes the team's pedigree is in covering small

companies as such, we believe the team has less of an edge covering larger companies.

As Wilson AM has increased the number of LICs being managed, the team has progressively expanded. While members of the investment team tend to be generalists, the team is largely split along market capitalisation lines and each devotes varying proportions of their time to each LIC managed by Wilson AM.

Zenith notes that management has hired a dedicated trader to the business, which Zenith views positively as this allows the investment team to focus more fully on research and portfolio construction.

Whilst an additional five analysts and portfolio managers have been added to the team in the last three years, it should be recognised that Wilson AM has also added three new LICs to the management line-up in that timeframe. We are also cognisant that the team as a whole cover a large universe of stocks across the market capitalisation spectrum and as such we remain wary of capacity limits on the research side, particularly given the loss of Stott who was the most senior individual behind Wilson.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

Focused on investments within the S&P/ASX 200 Index, the Company's investment objective is to deliver investors a stream of fully franked dividends, provide capital growth and preserve capital. Zenith would prefer to see the delineation of a specific outperformance target, as opposed to a descriptive, qualitative objective.

Wilson AM's overall investment philosophy is to focus on investing in growth companies with an emphasis on under-researched and undervalued stocks. These companies tend to be small to mid-cap sized listed industrial companies. Wilson AM's style is best described as fundamentally driven and absolute return focused. In instances where investment opportunities cannot be found, significant levels of cash will be held.

The Company's investment strategy can be distilled into two independent sub-strategies: research-driven and market-driven. The sub-strategies are combined at approximately equal weights.

The research-driven strategy aims to identify micro and macroeconomic trends and under-researched opportunities. Particular attention is placed on modelling a company's free cash flow and understanding its return on equity. Other important aspects of note are the ability of management, earnings growth potential, valuation and industry position.

The market-driven strategy targets relatively short-term arbitrage and mispricings which include: IPOs, placements, block trades, rights issues, corporate transactions, arbitrage opportunities (i.e. LICs relative value discounts), trading market themes and trends.

One of the key beliefs within Wilson AM from a macroeconomic, structural perspective is that listed investment companies (LICs) provide a distinct advantage to unlisted funds which are open-ended. Given LICs manage a captured pool of assets, fund managers are not hindered by inflows and

outflows, which can have a significant impact on performance. Although Zenith believes LICs have this advantage over unlisted peers, we note that the effectiveness of the strategy may be altered by the Company's own trading movements. That is, investors may not be able to benefit from the strategy's capital preservation focus as the performance of the Company is driven by market sentiment.

SECURITY SELECTION

Wilson AM adopts two independent investment processes to achieve its investment objectives and to identify investment opportunities.

Research-driven Process

The team considers relevant micro and macro economic trends and targeting under researched companies. Once an attractive opportunity has been identified, the team will undertake extensive financial analysis and meet with the company. The team typically conducts over 1,500 company visits a year with multiple members of the team involved.

The financial analysis includes entering all historical, publicly available financial information (Profit & Loss, Balance Sheet) into its own proprietary financial model. Two year forecast data is also input into the financial model.

Alongside financial analysis, the team will conduct company meetings with the aim of gathering information required to form a view on management, the ability of the company to grow within an industry and the industry position within the broader economy.

The team also conducts industry level analysis. Key factors assessed include market niche, management skills, technology, marketing, earning prospects and product demand.

The output of the team's research and analysis is a one page company summary sheet, which includes:

- A valuation target
- Recommendation
- Upside to valuation (%)
- Cash backing per share (one of the measures of downside potential)
- Broker consensus forecasts (used as an overlay only)
- Various stability, cash flow, working capital and profitability ratios

In addition, a "WAM rating score" is produced from each company, which is an aggregation of the following four variables - two qualitative and two quantitative.

- *Management*: score out of 10
- *Industry Position*: score out of 10
- *Earnings per share (EPS) Growth*: average % EPS growth next two years (for example, 31% in year 1 and 7% in year 2 will result in a score of 19)
- *EPS/Price Earnings (PE)*: EPS Growth Score/average PE next two years

A WAM Rating Score above 50 sees the stock progress onto a potential investment list. A WAM Rating Score below 50 triggers an "Under Review" rating. There are approximately 50 to 100 stocks at any one time with a WAM Rating score.

For a company to be considered for portfolio inclusion, the

team also requires the identification of a catalyst or an event which will alter the market's perception and trigger a valuation change. Catalysts typically include management changes, acquisitions and earnings surprises. Zenith believes the identification of a catalyst is an attractive feature of the process as it ensures the efficient deployment of capital.

Zenith believes the team's pedigree is in covering small companies as such, we believe the team has less of an edge covering larger companies and will have to be more reliant on external research which places WLE at a disadvantage relative to peers who conduct internal research.

Market-driven Process

This strategy attempts to take advantage of relatively short-term arbitrages and mispricings in the market. This process is active and can result in a high turnover of trade ideas. The types of trades that might form part of this process include:

- Initial public offerings (IPO)
- Capital raisings
- Block trades
- Oversold positions
- Takeovers
- Valuation arbitrage (i.e. stocks or LICs trading at discounts to net tangible assets)
- Earnings momentum/surprise
- Market themes and trends

Once an opportunity is identified, the team will assess the risk and return characteristics of the trade. The team will also evaluate whether the trade has sufficient liquidity for successful implementation. Similar to the research-driven approach, a catalyst is needed prior to portfolio inclusion.

Zenith believes the market-driven strategy will be adversely affected by the investment universe constraint as several of its underlying strategies will not be effective. For example, there are fewer IPOs in the large-cap segment of the market.

PORTFOLIO CONSTRUCTION

The research-driven and market-driven strategies are combined at roughly equal weights. For both strategies, once a catalyst is identified, a position or trade can be initiated. To size positions, considerations are made with regards to the overall risk/return profile of the existing portfolio.

The portfolio will infrequently hold resource companies (the exception being a short-term trade under the market-driven strategy) due to their often unpredictability and volatility and will comprise predominantly undervalued, large cap industrial companies. For the research-driven component of the portfolio, companies that can grow in excess of the market (i.e. 15% p.a to 20% p.a. and trade on a P/E of 10 times or less) are preferred.

The Company is typically well diversified, holding 20 to 50 stocks. Portfolio positions will typically be initiated at a maximum of 5% and spread across multiple industry sectors.

The Company will hold significant levels of cash if investment opportunities cannot be found. Cash is generally held in the form of term deposits with the major local banks on various staggered maturities to allow for liquidity. Although Zenith prefers actively managed funds to be fully invested, we note

that the ability to hold high cash exposures is consistent with the Company's capital preservation investment objective.

In addition, the Company is able to short sell securities, however, the team have used this ability sparingly, with short-sold positions never being more than a 5% allocation since inception. Short sold positions are subject to a 10% stop loss limit and must be cash backed, with gross exposure limited to 100%.

Positions may be sold for one of the following reasons:

- The position has fulfilled expectations
- The catalyst which triggered an investment no longer remains true
- The company is trading at or above the re-assessed fair value
- 10% stop loss limit is breached

The Company's portfolio turnover is expected to be between 120% p.a. to 400% p.a., which Zenith considers to be high relative to actively managed Australian equities peers. The portfolio turnover generated by the research-driven strategy is expected to be significantly lower than the market-driven strategy. The portfolio turnover of the research-driven strategy is expected to be between 40% p.a. to 90% p.a., which is consistent with the team's two year investment time frame. Conversely, the market-driven strategy is expected to produce high portfolio turnover between 200% p.a. to 400% p.a.

Overall, Zenith believes the portfolio construction approach allows for the team's best ideas to be represented in the portfolio.

RISK MANAGEMENT

Portfolio Constraints	Description
Single Stock Exposure (%)	max. 20% Typically initiated at 5%
Expected Number of Securities	20 to 50
Cash (%)	max. 100%
ESG Constraints - Excluded Sectors	N/A

Consistent with the Company's flexible investment philosophy and approach, portfolio constraints are not prescriptive. Given the broader portfolio constraints, investors should note that the Company may be significantly overweight certain sectors at any point in the market cycle.

Zenith believes risk management is embedded in the investment process, with the Company seeking to understand the risk and return characteristics of each investment. In addition, we believe the requirement of a catalyst before portfolio inclusion reduces the uncertainty of an investment.

The Company has a particular emphasis on capital preservation, with the flexibility to allocate up to 100% in cash when there is a lack of investment opportunities. Zenith believes the wide cash constraint can potentially add value in overvalued equity markets and/or falling market conditions.

Zenith is satisfied that the Fund's risk management processes are embedded throughout the entire investment process and that the liquidity of holdings is adequately monitored. However,

given the Company's broad mandate, Zenith believes investors should be aware that there is a significant reliance on the team's skill and judgement in managing risks.

Environmental, Social & Governance (ESG)

While the Company does not have any specific ESG investment exclusions in the traditional sense, it may utilise ESG factors as part of the own investment processes. Overall, Zenith believes the consideration of ESG factors is less than peers.

ADMINISTRATION AND OPERATIONS

Service Providers

The Company uses the following service providers:

Stock Lending

While the majority of long/short vehicles reviewed by Zenith utilise a Prime Broker to provide access to short positions, Wilson AM has elected to enter into Securities Lending Agreements with two lenders. Whilst using a lender involves slightly more administrative work (i.e. posting collateral to the stock lender manually when trading), Wilson AM prefers this approach as it reduces the counterparty risk associated with posting fund assets with a Prime Broker as collateral at all times.

While most peers also use Prime Brokers for access to stock, as well as other purposes such as special situations deal flow, Zenith does not envisage Wilson AM having difficulties in this regard given its scale. In addition, Zenith notes that Wilson AM should have the capacity to negotiate fair borrowing arrangements and fees.

Custodian

RBC Investor and Treasury Services

Auditor

Pitcher Partners

Legal

Kardos Scanlan

Registry

Boardroom

Transparency

Wilson AM has provided full transparency of their portfolio in support of Zenith's due diligence process. Zenith notes however that Wilson AM does not provide shareholders with transparency on portfolio returns after management costs. Zenith believes that this level of disclosure is out of keeping with contemporary investment managers and is below best practice.

INVESTMENT FEES

PERFORMANCE ANALYSIS

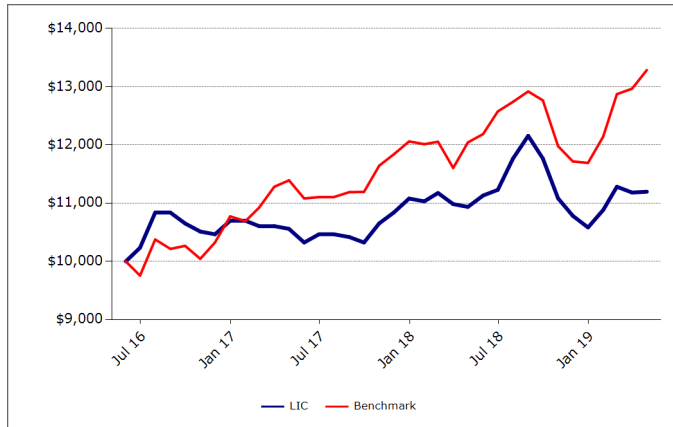
Report data: 30 Apr 2019, product inception: Jun 2016

Monthly Performance History (% , net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LIC YTD	BENCHMARK YTD
2019	2.83	3.67	-0.88	0.13									5.80	13.64
2018	-0.43	1.30	-1.71	-0.43	1.79	0.88	4.78	3.32	-3.21	-5.81	-2.70	-1.85	-4.48	-3.07
2017	0.00	-0.87	0.00	-0.44	-2.22	1.36	0.00	-0.45	-0.90	3.18	1.76	2.20	3.56	11.95
2016						2.33	5.91	0.00	-1.72	-1.31	-0.44	2.22	6.98	7.73

Benchmark: S&P/ASX 300 (Accum)

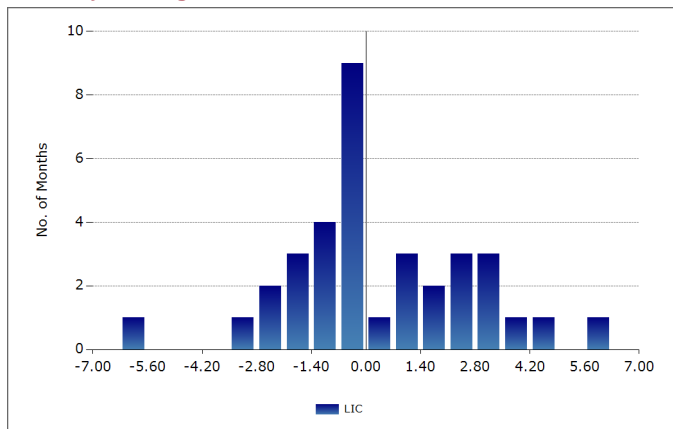
Growth of \$10,000



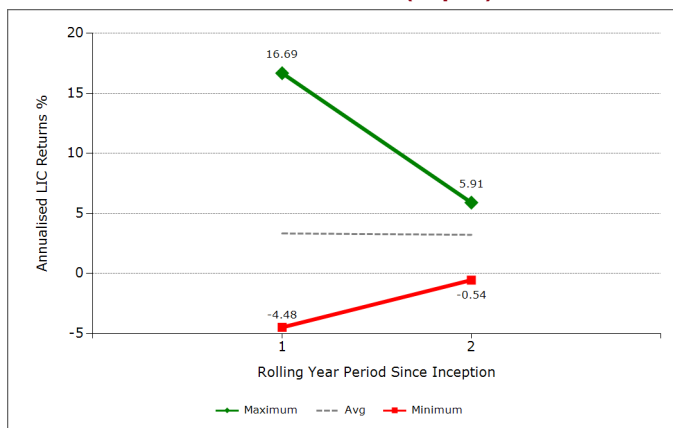
ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	2 yr	1 yr	6 mth
LIC (% p.a.)	3.95	2.98	2.39	1.03
Benchmark (% p.a.)	10.23	7.99	10.31	10.91
Median (% p.a.)	4.45	1.98	-3.98	-4.36
Ranking within Sector	Incpt.	2 yr	1 yr	6 mth
Fund Ranking	26 / 46	21 / 46	17 / 50	7 / 50
Quartile	3rd	2nd	2nd	1st
Standard Deviation	Incpt.	2 yr	1 yr	6 mth
LIC (% p.a.)	8.13	8.49	10.69	8.10
Benchmark (% p.a.)	9.23	9.09	10.40	9.33
Median (% p.a.)	15.66	11.18	10.90	10.66
Downside Deviation	Incpt.	2 yr	1 yr	6 mth
LIC (% p.a.)	4.23	4.85	6.18	3.63
Benchmark (% p.a.)	4.67	5.21	6.02	2.77
Median (% p.a.)	8.74	6.29	6.93	6.79
Risk/Return	Incpt.	2 yr	1 yr	6 mth
Sharpe Ratio - LIC	0.26	0.13	0.03	0.00
Sortino Ratio - LIC	0.49	0.23	0.06	0.01

Monthly Histogram



Minimum and Maximum Returns (% p.a.)



Readers should note that unless otherwise indicated, all performance, consistency and risk/return data is referenced to the Zenith assigned benchmark (as represented by Benchmark 1 in the above table) with the LIC returns representing those attributable to shareholders (i.e. share price + dividends).

Zenith typically includes the ongoing net returns of a LIC's investment portfolio as we believe this is the best measure of the investment manager's skill. Zenith notes however that Wilson AM has declined to provide this information.

All commentary below is as at 31 March 2019.

The Company's investment objective is to deliver a growing dividend income stream and preserve capital over the short and long-term. Although the Company is benchmark unaware, the Company utilises the S&P/ASX 200 Index as a performance benchmark.

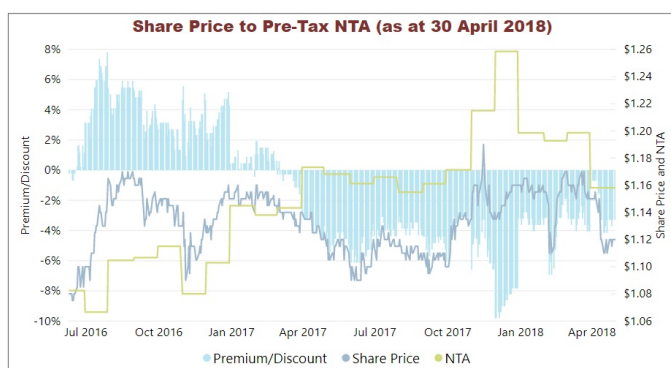
Given the Company's recent inception date, there is currently insufficient performance history to conduct any meaningful

analysis. However, we note that the Company's portfolio has outperformed the benchmark on a before fees basis since inception.

Zenith believes that transparency of performance reporting is essential for listed investments. As such, we view the Company's public reporting of portfolio investment performance as sub-standard on the basis of quoting returns before fees rather than net. Zenith sees these issues as below best practice and out of keeping with contemporary LICs.

Share Price vs. NTA

The following chart shows the Company's premium/discount since inception.



RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	2 yr	1 yr	6 mth
Excess Return (% p.a.)	-6.28	-5.01	-7.93	-9.88
% Monthly Excess (All Mkts)	40.00	41.67	33.33	0.00
% Monthly Excess (Up Mkts)	29.17	41.18	37.50	0.00
% Monthly Excess (Down Mkts)	63.64	42.86	25.00	0.00
Beta Statistics	Incpt.	2 yr	1 yr	6 mth
Beta	0.62	0.73	0.85	0.85
R-Squared	0.50	0.62	0.68	0.95
Tracking Error (% p.a.)	6.69	5.78	6.21	2.26
Correlation	0.71	0.79	0.83	0.98
Risk/Return	Incpt.	2 yr	1 yr	6 mth
Information Ratio	-0.94	-0.87	-1.28	-4.37

All commentary below is as at 31 March 2019.

It is important to note that the Relative Performance Analysis shown above combines the Company's share price returns with dividends to give the reader detail on the investor experience.

Zenith seeks to identify funds that can achieve an outperformance ratio above 50% of months in all market conditions as we believe this represents a persistence of manager skill.

Given the Company's recent inception date, there is currently insufficient performance history to conduct any meaningful

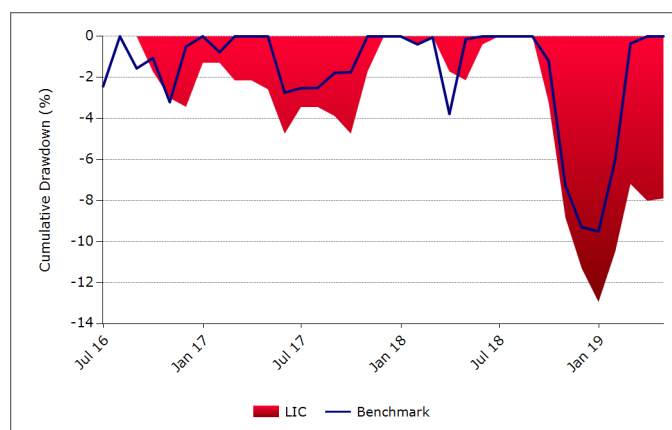
analysis.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	LIC	Benchmark
Max Drawdown (%)	-12.94	-9.51
Months in Max Drawdown	4	4
Months to Recover	-	3

Worst Drawdowns	LIC	Benchmark
1	-12.94	-9.51
2	-4.74	-3.78
3	-2.14	-3.20
4	-0.43	-2.74
5		-2.44



All commentary below is as at 31 March 2019.

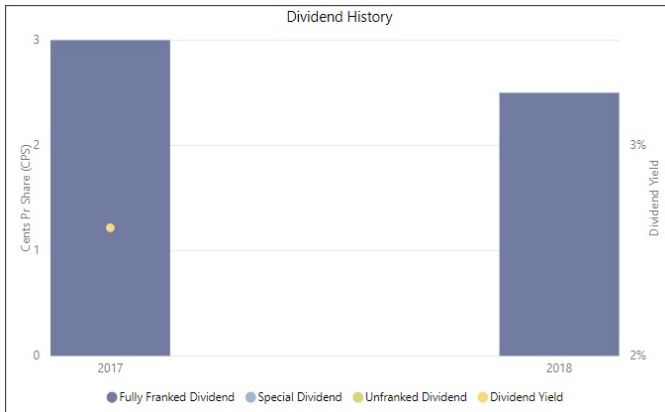
Given the Company's recent inception date, there is currently insufficient performance history to conduct any meaningful analysis.

Investors should be aware that accessing a strategy via a LIC will mean that the effectiveness of the strategy may be significantly diminished due to the Company's own trading movements. That is, investors may not be able to benefit from the portfolio's performance, as the performance of the Company is driven by market sentiment.

Dividend Policy

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

business practices. Dividends will be made with consideration to cash flow, cash holdings and available franking credits.



REPORT CERTIFICATION

Date of issue: 23 May 2019

Role	Analyst	Title
Author	Dugald Higgins	Head of Property & Listed Strategies
Sector Lead	Dugald Higgins	Head of Property & Listed Strategies
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
23 May 2019	Approved
2 Nov 2018	Approved
30 Oct 2018	Under Review
5 Jun 2018	Approved
8 Jun 2017	Approved
6 Jun 2016	Approved

Last 5 years only displayed. Longer histories available on request.

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