W|A|M Global

WAM Global FY2024 Interim Results Q&A Webinar
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Speakers:
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Catriona Burns: Good morning and welcome to WAM Global (ASX: WGB) Interim Results Webinar. I'm Catriona Burns and I'm the Lead Portfolio Manager for WAM Global. This is your company and we're pleased to provide you with an update on the portfolio. With me here in New York is Chairman and Chief Investment Officer, Geoff Wilson, Portfolio Manager Nick Healy and Senior Investment Analyst William Liu. We're excited to give you an update on this portfolio. We're really pleased with the performance in the first eight months of the year. It's exciting to report we have 5.6 year's dividend coverage in the profit reserve, representing an annualised yield on the interim dividend of 5.3% or 7.6% grossed up.

In terms of the agenda for the call, I'll begin by giving a bit of an update on the portfolio and on markets and on what we're seeing around the world, I will then handover to Geoff for some thoughts and then turn to Nick and Will and the three of us will discuss some of the thematics that the portfolio is exposed to and some of the stocks.

In terms of disclaimer up on the screen, what we talk about today is general in nature and shouldn't be seen as financial advice.

In terms of the portfolio as I said we're super pleased with how the year has started. There are a number of interesting drivers of the market at the moment including things like artificial intelligence which we'll go into a bit of detail in this presentation because it has been a driver of some of the stocks in the portfolio and in terms of what the team's been up to.

I've been travelling around the US, Nick's been over in San Francisco at one of the major tech conferences for the year. We have seen a lot of really interesting people including Elon Musk, Sam Altman, the founder of OpenAI which created ChatGPT, amongst others – Nvidia CFO and various other CEOs and CFOs. We've got things to update you on there, the portfolio itself as I said performance has been strong, outperforming both the MSCI World Index (AUD) and the MSCI Small Mid Index. We are very pleased to have that assimilated dividend coverage and to be paying a very strong dividend yield, particularly when you compare that to global market dividend yields so very pleased with that.

In terms of what we're seeing around the world, sitting here in the US, the economy itself is very strong. It's been remarkably resilient despite significant increases in interest rates. We've had a high level of fiscal spending and also significant pandemic savings that have really buffered the initially rising inflation and now rising interest rates. It does look like we're on an interest rate pause and potentially cutting through this year which is really giving businesses confidence to continue to invest.

We do have the election coming up this year in November, but usually in terms of how markets perform in election years, they're up on average 7.5% particularly post knowing the outcome of the election when uncertainty is removed. And we do think Biden going through this year is going to continue to spend in an effort to be re-elected.

If we look further afield around the world, in Europe the manufacturing sector has certainly been under pressure, but unemployment remains very low and the service's sector is still seeing spend and we have various holdings in the portfolio that are actually benefiting from that.

In Japan we have inflation for the first time in decades and that's feeding through into higher wages and then higher consumption. And then the weak spot if you look around the world is China. You have a housing market that's been under pressure. You've had widespread deflation and you have high levels of youth unemployment. Our view on China is that it will take time for these imbalances to clear, particularly if the government doesn't announce more significant stimulus, which they've done things at the margin so far, but not enough to stop some of the issues that are underway at the moment in that market.

In terms of markets themselves, as I said the market has been very strong, particularly the market came off into October last year as interest rates were increasing, but since then it has rallied very strongly and what's been interesting in terms of the stocks that are driving the returns. Up until recently it had been quite concentrated in terms of the stocks that were driving return so the main drivers were these major technology companies in the US labelled the "Magnificent 7" and at one point this year they'd driven 70% of returns to the S&P 500 Index.

What we've seen of late is that the market returns are starting to broaden out which is very positive from our perspective because we tend to hold companies outside of those names and we're super pleased that we've actually outperformed and the stocks we own have done incredibly well despite being outside those names. What is driving that is that when a lot of those companies were going up a lot, initially some of them had very strong earnings growth, but a lot of them it was just a valuation, the valuation was getting more expensive.

Positively, we focus on fundamentals, on underlying earning's growth, on buying stocks at reasonable valuation and for us the stocks that have done really well are the ones delivering on those multi year earnings growth, the growth trajectories that were the reason we bought them. And in terms of the portfolio performance itself, we're very pleased that it hasn't been a single stock. It's been very broad based in nature in terms of the stocks that have done well for us. So, names such as Tradeweb (NASDAQ: CW), Intercontinental Exchange (NYSE: ICE), CME Group (NASDAQ: CME), Booz Allen Hamilton (NYSE: BAH), ICON (NASDAQ: ICLR), Quanta Services (NYSE: PWR) and we'll go into more detail in a lot of these names in a little while. But yes, we're pleased it's been broad, it hasn't been a single stock driving it. That's a bit of the round the ground in terms of what we're seeing around the world and in markets of late.

Why don't I hand over to you Geoff to give any insight you've got at the moment.

Geoff Wilson AO: Besides it being incredibly cold here, and good morning everyone but it's mid evening here and at least a little bit warmer today. I haven't been to New York City post-COVID, I just forgot how dirty the city is. These are micro views, obviously how expensive it is. I lived in New York back in the late 80's, 86/87 and early 88 and then it was a pretty tough place to be in terms of high levels of crime, you just had to be a little bit careful. Besides walking around the streets and smelling dope everywhere you walk, because it's legalised over here, there still is, the level of crime I think has increased quite significantly and just talking to the locals, I know you're a local, but other locals beside yourself, they think the risk factor, you've just got to be a little bit more careful if you're over here.

From an investment perspective, obviously with yourself seeing some various companies, to me it is, like New York is the epicentre of the world in terms of finance, it is incredibly dynamic. I mean some of the meetings we had today, the people, they're the top of their game. They have very defined strategies and to me the feeling seems quite, it still seems pretty positive. That's sort of my big picture take.

Catriona Burns: Definitely. And to reiterate how we do what we do, we are on the ground seeing companies. That process is grounded in wanting to identify quality businesses that are in advantage industry structures with super high-quality management that we think can execute on multiyear growth plans, of driving earnings, driving revenue and really coupling that with the need for valuations to be extremely reasonable and for us to see strong upsides. And then layering over that the need to have a catalyst to drive a share price rerating.

And in terms of what we're doing, every day we're seeing companies, we're talking to management teams, we're talking to their competitors, we're talking to their suppliers. I mean as I said at the outset, last week I was in Orlando. I saw 35 companies. Nick was in San Francisco with major tech companies, seeing the cream of the crop in terms of those technology companies, and all their competitors, CEOs and CFOs of these businesses and Will was going through Texas meeting the CFO of one of our largest holdings and various other potential new investment opportunities that we're looking at.

So we are on the ground, we are nimble when we see opportunities and we think we can identify lots of exciting opportunities in markets at the moment and particularly, it's interesting in that artificial intelligence space and this is a space that we discussed at the last webinar and we discussed it at the roadshow last time, but it's only getting more and more groundswell in terms of the influence on businesses and how they're adapting their strategies to what will be the new reality around AI.

So, with that, why don't I hand over to Nick who can give us some insight from his time on the ground in San Francisco.

Geoff Wilson AO: He can tell us what Elon had to say to him, what he whispered in his ear.

Nick Healy: Yeah absolutely. Thank you, Catriona. I'll do my best Geoff. It's always hard to summarise his thoughts because they are quite high level. But yeah, thank you and it is great to be here with you today. As Catriona mentioned, I spent last week in San Francisco meeting companies and leaders from across the technology space.

Now if there's one clear message that came through from that week and from the last 18 months since the launch of ChatGPT, is that generative AI is real and it's set to change the way a majority of businesses operate. So, I guess firstly what is generative AI? Generative AI is training computer models to be broadly predictive about the world which is a departure from previous AI models that were quite constrained. And the opportunity here is truly immense. It's to do for knowledge work what the industrial revolution did for manual labour. So, there are society wide productivity benefits and some definitely big winners at the company levels.

Now as Catriona mentioned and as Geoff mentioned last week, I did see Elon Musk but interestingly enough, I think even more impressive than Elon was Sam Altman who is the founder and CEO of OpenAI which is the company that owns ChatGPT that everyone's talking about. He laid out a really impressive vision for what we could expect over the next 1-2 years but also what we will expect in a decade and it truly is world changing.

Now given our belief that AI is real and meaningful, it's important that we have the fund positioned to benefit from that view. And the fund is positioned that way. I think what we'll do today is we'll take you through a number of companies and thematics that illustrate how we're looking to benefit from that theme.

But before I dive in, I think it is worth it at this point in time to just take a moment to reflect on the fact that markets have a strong history of excessively pricing in even impressive situations. Investors at the same time have a strong history of over extrapolating current earnings. So as Catriona mentioned, while we're very intent on winning in AI, we're very intent on doing it in a disciplined manner that aligns with the process that Catriona laid out.

We also take the view that if you look for undiscovered opportunities, you can find companies that are said to benefit as much as others, and yet because they're not so consensus, it's not quite as priced into the stocks.

Okay so if I kick off with the first thematic, it is digital enterprise. Now I'll give you a couple of holdings today in this area but there are many others in the fund that benefit as well. I'm happy to touch on those in Q & A.

So, our high conviction view is that digital platforms need three key elements to win. The first is they need scale. In simpler terms that means they need a lot of current users using the platform. Secondly, they need to have products and services that lend themselves to AI and lastly, they need a better access to data. Now although this is the last point, I think it is the most important. Our view is that the models that everybody is talking about today like ChatGPT will, over time, commoditise and become less important and the most important differentiator between a fantastic AI solution and a more mediocre one, will be the quality of the underlying data.

Now the first company I want to run you through it clearly ticks those three boxes. It is Intuit (NASDAQ: INTU). They are strong in tax and accounting software. Many of you will know Xero (ASX: XRO). Xero's strong in Australia and in New Zealand. Intuit is very strong in the US. I met Intuit last week in San Francisco. It was a really upbeat meeting, but I always ask myself at these meetings what's my one key takeaway? And from this meeting it was that Intuit management were really forward thinking and actually started investing in AI technology over 5 years ago. That meant that they're in a position today to be benefiting. They launched an AI assistant recently. They have a really impressive product roadmap that we think gross the earnings over the coming years, and really acts as a catalyst for the stock. So, we're very excited about our holding in Intuit.

The second company I want to take you through, so we talk a lot in the past about how we like companies who help other businesses win. The proverbial seller of picks and shovels to the miner in a gold rush. We think we have a really good winner in this category which is Booz Allen Hamilton. I've been covering Booz Allen for almost 10 years. I've met with the CEO and the CFO multiple times. I've visited their headquarters in Virginia. All of that work allowed me to be in a position to take a really high conviction view that no other company is better positioned to benefit as the US government adopts technology. This was core to our thesis when we invested in early 2022. That was when the government was clearly adopting cloud and cyber. It's been working. Booz Allen had a very good year last year with double digital revenue growth, but actually our view is that they will be forced to adopt AI solutions because they are just so compelling. We think again no one is better positioned to help the US government to do this, so we think Booz Allen win for a number of years to come.

So, we think that is very exciting. As I mentioned there are others that we hold in the fund that are equally exciting, but why don't I pass over to Will to keep us going with the next thematic.

William Liu: Sure, thanks Nick. So, I have a thematic that I want to talk to you about today and that is of electronifying market places. So, we believe that these are great businesses. We have several businesses in the portfolio but in this early innings of leveraging for technology to transition away from analogue to electronic processes. These are scalable leaders in their field, enjoy network effect and importantly they collect valuable data which will be critical for AI in the future.

We've seen this playbook many times across different asset classes whether it be energy or equity. Each time we've seen success in terms of the long-time compound earning growth potential and the attractive shareholder returns on offer. So today I want to talk to you about 2 companies with 2 opportunities in 2 asset classes.

So, the first one is Tradeweb. They are electronifying the global bond market. The second one is Intercontinental Exchange. They are electronifying the global mortgage technology industry and they're showing incredible opportunities for us.

So let me begin with Tradeweb. Tradeweb is a leading owner and operator of electronic market places for the global bond market. That is still in its early innings of moving away from analogue to electronic processes. The global bond market is the largest and most diverse securities market in the world. Even larger than the global equities market which we play in. I found it in my career over a decade ago as a Fixed Income Asset Manager and I can tell you that fixed income investors have been slow to embrace technology and adopt electronic processes and that is still the case today. If you look at US Treasury Securities, 40% of volumes are still traded on the phone. That's incredible. At the same time high yield and investment growth securities have even higher proportions traded over the phone. You compare that to the US equity market where over 90% of volume are electronically traded. To us it's clear that the market is only moving in one direction. Fixed income volumes are going to get electronified and you can invest in a company like Tradeweb which is ahead of the curve.

In addition to this long-term compound earning potential, we see a number of shorter-term macroeconomic catalysts which will assist Tradeweb. Firstly, the inevitable expansion of US Government debt and corporate debt is going to increase that total adjust for market. At the same time, normalising interest rates and a relative attractiveness of the fixed asset income class means there'll be more flows into the sector. Finally with the Federal Reserve stepping out of the market, that's going to drive a tailwind for volume. So, it's a business we're incredibly bullish on.

The second business I want to talk to you about today is Intercontinental Exchange. Similar to Tradeweb they are a leading operator of financial products across different asset classes. The opportunity I'd like to highlight today is that of the US mortgage industry, the mortgage technology industry in particular, which is still in its infancy. We believe that the US market similar to the Australian market, every house that gets built in the US gets sold and that's just because of the strength and the critical undersupply of housing in the US. So, while quarter to quarter trend can change, we have a strong view that over the long term, the number of mortgages is only going to increase.

At the same time as this macroeconomic event, you have an overlay of going from analogue to electronic processes and Intercontinental Exchange is one of the only providers who have an end-to-end solution. They are seamlessly automating and are electronifying the real estate and housing finance lifecycle, collecting data, transitioning it through different processes, making it easier for lenders and home owners. And we think that's an incredibly attractive opportunity.

Why do we think Intercontinental Exchange will succeed? We think they're the largest scalable provider with the best end to end solution that can leverage AI into one origination process and utilise that across their technology back. Secondly the management team have had an excellent track record. They've had disciplined capital allocation and a proven track record of providing capital returns for shareholders. They pushed hard into the energy market post before Enron. They've pushed had into credit defaults while post to 2008 Global Financial Crisis and now they're pushing hard into the mortgage technology business post some of the most rapid rises of interest rates we've seen in recent memory.

At the same time mortgage volumes are troughing and we think that's going to be a tailwind for earnings growth and we're incredibly excited about opportunity Intercontinental Exchange has ahead of itself. So those are two names I'd like to highlight and with that I'll pass onto Catriona to talk about critical infrastructure.

Catriona Burns: Thanks, Will and Nick. So, the next thing I'd like to chat to you about is critical infrastructure. So, anyone that's spent any time in the US or has been in California through blackouts knows that infrastructure spend in the US has been grossly under billed and under spent on. Right now, with the geopolitical risks in the world and various other factors, we're seeing huge demands placed on the transmission and distribution systems of the electrical grid in the US.

The explosion of AI, cloud transitions more generally, energy transition and the addition of renewables into the grid and then EVs that are still to come, are all going to put increasing pressure on the infrastructure, both the communication's infrastructure but also the electricity grid across the US. This is where a business that we own called Quanta Services comes into the picture. They are the largest systems provider in the US. So, they work with the renewable's companies, they work with all the utilities. They work with the tech companies who need to put their data centres onto the grid, basically to connect everything into the grid and then also to maintain the grid. They're a massive beneficiary of all the spend that is going on at the moment in the US.

And what is so interesting about the US is that because of the geopolitical risk and because of all the pressures on the grid, you are seeing that the government is generally realising how behind they are in terms of spend and you've seen a number of pieces of legislation passed including the CHIPS Act and the Inflation Reduction Act which we're going to see significant amounts of money invested going forward.

Last week I was as I said in Orlando, met with the CEO of Quanta, Duke Austin, he's been in the business for 40 plus years says he's never seen an environment as good as this one setting up for multi decade of investment and spend. They're the largest at what they do, they're the best. They have an amazing track record of executing. I've known this business for over 15 years and it's a super high quality management team, and one of the bigger investments in the fund. They've been executing as I said extremely well and we think the earnings growth trajectory for the business is very exciting going forward.

Geoff Wilson AO: And run by the Duke!

Catriona Burns: Run by the Duke.

Geoff Wilson AO: Good name, good name.

Catriona Burns: In terms of other investments that have been from this thematic in the portfolio, Applus+ (BME: APPS) is a Spanish stock that we talked about last time, and this is a stock that is involved in testing and inspection and certification of critical infrastructure and they're the leading player in Spain. When we bought this stock, it was completely unloved, trading on over 16% pre-tax per yield, less than 7 times price to earnings (P/E), but a leader in what they did.

What we've seen recently, and what we think is actually going to be a thematic for the market and will help, could potentially help a number of the stocks in the portfolio is that recently it was bid for, not once but twice. It has a second bid and there's a bidding war at the moment underway. The stocks up over 45 cents since we bought the position and we think it's just a great example of some of these smaller companies which are high quality, are starting to see interest from both strategic and Private Equity buyers. Private equity buyers, with rates stabilising and potentially going down, particularly if you're a corporate buyer, you want to know your cost of capital and there's various private equity firms that are cashed up and haven't deployed. So, we think it will be a thematic that picks up going forward and we have started to see takeovers happen and I know Oscar was talking yesterday about the same thematic for the small mid guys in Australia.

We think there's a number of holdings in the portfolio that could potentially benefit from this thematic. It's not why we own them, but it's upside if it comes. That's two stocks, Quanta and Applus+ and with that in terms of concluding on the formal part of the presentation I guess I just want to reiterate as I said at the start, super pleased with the portfolio performance, doing what we do which is nimble on the ground, comprehensive research, seeing companies getting to know the management team. I think we've got a very high-quality portfolio of stock with multi decade earning scope stories. We are excited about the returns that can be generated going forward.

Geoff Wilson AO: I mentioned earlier that Catriona and I know everyone's been seeing companies and one of the companies we saw today, what I liked is when we sat down with them and just started the conversation, they started off, they said, "Well why would you invest in us?" And I thought oh well that's interesting. We're doing the webinar tonight, why don't we start that way, why is someone investing in WAM Global?

You mentioned in terms of your investment process, so it's yes, those undervalued global growth companies, buy them when there's a catalyst that's going to change the valuation, so you're getting exposure to that. The beautiful thing is you're also getting a fully franked yield. I know there's been some questions coming in about profit reserve. We'll talk about that and the ability to keep paying the dividend is a function of the profit reserve. There's five years plus there and the great thing also is you're getting those assets. You're paying about 87.2 cents in the dollar at the moment. The share price is trading about a 12% discount to net tangible assets (NTA), and that will change at some point in time. It will trade at NTA if not at premium and I know some questions have come through on that. So, to me that's, that's sort of a why, isn't it?

Catriona Burns: Yes, definitely. Let's hand over to Emiko to facilitate the Q & A. Thanks Emiko.

Emiko Reed: Thanks Catriona and thanks so much to the team for your insights and as well as everyone who's joined the Webinar today. We've received quite a few questions. We'll start with Leon. He's asked, can you discuss your macro view of the US market?

Catriona Burns: Sure, in terms of the economy itself we do see it as continuing to be relatively resilient. At the edges, the jobs market which has been very, very tight post COVID, so we had various people let go during COVID and then demand surged back so we had people moving jobs and we had great resignations because post the COVID boom and the labour market was extremely tight. We have started to see that loosen up, but overall, in terms of unemployment is extremely low – 3.9%. As I said the consumer continues to be very resilient. There is a number of legislative announcements in terms of, as I said the IRA and CHIP Act. A lot of that money hasn't even flowed into the economy so we think that will be supportive of the US economy going forward. So that's the economy going itself.

In terms of market, we've seen a good run in the market over this year since that October low and some of the valuations, particularly of some of the names in the tech space that have had very good runs, some of those valuations look on the more expensive side, but we think when you go below the surface, there's still lots of value lower down and so we are continuing to see lots of opportunity across the US market.

At the margin we have a lot of the stocks that we've had in the US do very well so where we are finding incremental ideas. There have been quite a few names that we've added and increased in Europe, but we still see lots of opportunity in the US.

Geoff Wilson AO: Earlier you were talking about the Magnificent 7 and how the market's broadened out.

Catriona Burns: Yes.

Geoff Wilson: And to me that's a very positive sign for the market. I know you mentioned in an election year, the market tends to perform. When the market's hitting new highs and it's been doing that for 12 months, the market tends to perform I think 80% plus every time so yeah to me there's a number of characteristics that make me a little more positive about this current 12 months where if you'd asked me sort of 4 or 5 months ago, I wasn't anywhere near as positive as I am now.

Emiko Reed: Okay thank you so much both. So, we'll turn to John's question, he's asked why don't you increase returns by reducing dividend reserve?

Geoff Wilson AO: In terms of increased returns, the profit reserve allows us to pay dividends. This is just an accounting, it's a function of accounting in terms of, say there's, what is it? How much is it, 60 cents?

Catriona Burns: 66.7

Geoff Wilson AO: 66, nearly 67 cents in the profit reserve. That is part of the portfolio. It's not as if, say if the NTA is $2.57, it's not as if 67 odd cents is held to one side and the $1.90 is invested. No, the whole $2.57 of NTA is invested.

So his question may have been, like if we reduce the dividend? Obviously if we pay less out in the way of dividends then you get more capital gain and that's really the balance. We try to work through that in terms of a Board, in terms of making decisions of what dividend we pay out and I know some of the people on the WAM Capital (ASX: WAM) webinar asked us great questions about this. With WAM Capital you have a situation where the pre-tax return that's been paid out as fully franked dividends grossed up, is closer to 14% per annum. When the actual capital return has been a lot less than that. So therefore, you're losing capital but you're getting more income.

So, at the moment the Board's decided the dividend at the level is a good a good yield. It's that 5 and a bit per cent. At the moment it's fully franked. The ability to pay franking really is a function of Catriona and her team making profit and then paying tax. That's the only way we get franking for the Global portfolio. So, there could be times where the dividend isn't franked.

So, if you're looking for all those characteristics, then WAM Global's for you. If you're looking for just pure capital growth and no income, then maybe you look for something else like an exchange traded fund (ETF) or a different structure. To me what we need to do and what really well help us in terms of getting the share price to trade at NTA as quickly as possible is everyone who sort of understands what the team is doing, are happy with that and committed to what we're trying to achieve. And the Board's trying to balance capital growth and income for shareholders. And we know that, a lot of the marginal buyers in Australia are the self-managed superfunds and so if we pay the tax, we may as well pay the dividends out fully franked.

Emiko Reed: Great thank you so much Geoff. So, with Stephen's question, he says WAM Global is a diversified Global fund which pays a strong fully frank dividend with plenty left in the profits reserve. He asks, how do you do it with minimum exposure to the bank stocks?

Catriona Burns: Thanks. I guess the question more lately is, it's just been those bank stocks, and now they've added in Nvidia (NASDAQ: NVDA). It's Mag 7 that's just the extension of saying these days. But that group has been driving a significant amount of the returns of the market. What's been positive is that we've been able to pick stocks that have overall done better than the index that we measure ourselves against. And it's interesting, beyond that, below the Mag7 a lot of the stocks have actually gone backwards so if you take the equal weight index verse the market cap rate of index, yeah, it's been very bifurcated in terms of the return.

So sure, we've had a little bit of Google (NASDAQ: GOOG) that's about the only thing we've had but it's about one and a half per cent of the portfolio. Other than that we haven't had the Mag 7. But the stocks we have had, have done incredibly well regardless of not being in that group. And as Nick kind of highlighted, part of that was that a number of the stocks have benefit. We've chosen them and identified them as unique market leading, high-quality businesses. Some of them have benefited from the same thematic that Mag 7 have benefited from, which is AI and Cloud and because they have something unique in their business that they do, they have market leading data and they're executing on AI within their business. And in some cases in a much more durable way than some of the equipment players that are benefiting from artificial intelligence. So, we do have a number of technology stocks that are benefiting from AI, they just they haven't been in that as a majority in that Mag 7 group or the banks group.

Emiko Reed: Thank you so much. We've also received a number of questions around the WAM Global share price discount to NTA. Geoff if you can touch on why the share price is lower than the NTA and what is being done to close the discount.

Geoff Wilson AO: Yes, the reason why the share price is below the NTA is because obviously some shareholders aren't happy and they're prepared to sell at below what the company is worth. Now it could be change in circumstances, we're not 100% sure why. If you look back, a number of years ago we made a takeover bid for Temple Global. We were trading at NTA, at a slight premium to NTA when we made that bid and we think a number of people accepted the share alternative, not the cash, and they accepted that and then over the next period of time they sold.

So normally when you increase in size and that's what you find, and this tends to happen over time, the larger LICs tend to trade at closer to NTA if not premium. If you look at AFIC and Argo, the WAM Capitals, the WAM Leaders and the plan is to get WAM Global into that similar size. You tend to find that a number of the financial planners, they're looking to put say $5 million dollars to work in an entity so they need liquidity. There's no use having it in liquid small listed invested company and there seems to be some quite significant benefits in being a larger listed investment company.

WAM Global did get to probably at the biggest discount I think it was 21 to 22% discount to NTA. That has narrowed quite significantly over the last little period and we're pretty comfortable that it'll get to NTA if not a premium again.

Emiko Reed: Great thank you so much Geoff. Now we'll turn to David's question, do you have any Chinese stocks? They're cheap, is it time to buy?

Catriona Burns: Will do you want to take that one?

William Liu: Sure, yes, you're exactly right David Chinese stocks are cheap. You could argue they dip into the undervalue growth category just given what's happened in that market. I guess for us we think about it in the sense that we need to find a catalyst as well and some of the catalysts that have played out have not been meaningful enough so one was the reopening of the economy and moving away from the zero COVID policy. Whilst they reopened their borders there's been limited consumption expenditure in that region. At the same time investors are waiting for fiscal stimulus and that's come in drips and drabs and that also hasn't been enough. That's more from a macro perspective where fundamental investors will keep looking at the bottom of stories and how they stack up and it's the reason we do work on them and it's a reason that we can invest in. We are looking for companies which can grow and despite the macro challenges, maybe they can do some self-help whether it be capital management or improvements in margins so we're keeping a close eye on the region. It's definitely worth keeping an eye on in somewhere where we have interest but right now, we think the catalyst is missing for that reason to go in more meaningfully so that's how I like to approach it.

Emiko Reed: Thank you very much Will. This question is from Stephen and it's for Geoff. In light of the presidential candidates being close to 80 years in age, can you see yourself hanging in as chair and mentor for the company?

Geoff Wilson AO: Well, that wouldn't get me to 80 see I'd still be young if I was in the presidential race. See I'm 66 so I'll be 76. Now the plan is to continue on and there's no changes there. Warren Buffett, I know Charlie Munger did a little bit better than Warren. Well, Warren's still going and Charlie's race has finished. You have to do what you enjoy doing and I know everyone that's on this call from our side, the Wilson Asset Management side, we really enjoy what we're doing so when you enjoy doing it, then you may as well keep doing it.

Emiko Reed: Thank you, Geoff. This question is from Mark and Ellen. Would the directors of WAM Global hold a meeting to consider converting the company to an ETF and eliminate the discount that the shares trade on?

Geoff Wilson AO: Yeah, I mean, look a fair question. This is a listed investment company (LIC). It's not a trust structure, not an ETF. There are positives about ETFs and there's negatives about ETFs. There's positives about listed investment companies and there's negatives.

Now one of the things that people see as a negative about a listed investment company is it can trade at a discount, but it also can trade at a premium. I've been around long enough in the listed investment company space to see a number of them trade at significant discounts, a number of them trade at significant premium.

We have one which is WAM Research (ASX: WAX) which it took us 7 years to get it to trade at NTA. Unfortunately, we did too good a job in terms of tightening up the share register which is very important, getting everyone committed and understanding what you're doing and everyone supportive of what you're doing. We're too successful and it ended up going to a 50%+ premium to NTA.

Now if we'd turned it into an ETF when it was trading at a discount, then all those shareholders that sold when it was at 30%, this premium, 20% premium, 10% premium, 40% premium – they missed that opportunity and that's one of the beauties of LICs. And probably one of the biggest things that everyone's missed when they're talking about LICs, it actually is a superior structure to a normal investment company. Catriona and I we were lucky enough to catch up with Bill Ackman today, a US based hedge fund player, one of the smartest hedge fund guys in the world and it's public knowledge, he's looking at doing a very large listed investment company, or they call them closed end funds in the US, and he just thinks it's a fantastic structure to investment in medium-to-long term.

I remember the reason why I started creating these structures back in Australia, 25 odd years ago for us to manage our money in. We could have chosen any pool, any structure. We went for that structure because all the research I'd seen is the closed end fund out performs the open-ended fund over time. And that's because you don't get caught up with redemptions, money flowing in/money flowing out. Money tends to flow into the top of the market and out of the bottom of the market. When you have a closed end pool of capital and you as the investor, as the fund manager, like these guys have, they can invest in these companies and they can take a medium-to-long term view. The one Catriona was talking about that's just been bid for at a premium and now there's been a second bidder, when an auction starts, the odds are you're going to get a really good result. But you've made good money and so you could have that position, you could hold it for as long as you want until something positive happens.

So, to me I actually think it's a superior structure and I think the company could easily change into an ETF. It would give you a little short term positive and then you'd miss out on enormous performance over time. Talking about Ackman, I remember Catriona Pershing Square. He manages a significant pool of capital, what is it 7 of 8 billion dollars including Pershing Square Holdings.

Catriona Burns: 9 billion.

Geoff Wilson AO: 9 billion, yep, and that was well a lot of people were looking in sort of closing it down or letting people get out of NTA or turn it into an ETF or a trust structure about 6 years ago, and what is it up? How much is it up in those last year?

Catriona Burns: 200%

Geoff Wilson AO: 200% in that 6 years. To me it really doesn't make sense to do that. If we believe that it will never trade at a premium, then maybe then it's more logical, but it's traded at a premium before. It will trade at a premium again.

Emiko Reed: Thank you so much Geoff. So, Richard has asked, has the WAM Global team been in contact with the overseas corporate activist funds which has taken a significant holding in WAM Global?

Geoff Wilson AO: A very topical question, yes, we caught up with them today. What they do is they look globally. It's SABA Capital. They look around the world for assets trading at a discount. They take a position in those companies and they try to reduce the risk. They have a listed investment company which is listed on the New York Stock Exchange which trades at about a 9% discount which actually I've been doing some work on so keep an eye on this space, but that's not for WAM Global.

We spent a good hour to an hour and a half with them today, just chatting through what our plans are and we're very comfortable. They looking to get a return. They're looking for that discount to close. From their perspective if they're hedging their position, the quicker the discount closes, then the better for them. WAM Global has to continue to perform and that discount has to close. And if it goes the other way, then they'll end up being… well I mean you'd assume they will end up becoming bigger shareholders and that would end up being a bigger challenge for the structure going forward.

Emiko Reed: Thank you, Geoff. We've received quite a few questions on this one, have the WAM Global team made any investments in India and does AI pose a risk in this space?

Catriona Burns: We don't at this stage have investments directly in India. I've spent over the years a lot of time in India meeting all the listed companies. There are some good quality businesses. The good quality often tends to trade on very, very high multiples and the lower quality spaces tend to trade under reasonable valuation so it's a bit of a disconnect in terms of finding ideas that you would want to hand on heart say this is the right valuation to be paying for the stock.

It is a market we're constantly running screens on so definitely, certainly in the past. In the future we could invest directly in the market. Certainly the population growth, the young population relative to China which has demographic issues, makes it an interesting place. We do have various companies within the portfolio that are multinational in nature that are targeting India as a growth avenue, but at this stage we don't have direct investments in India. And in relation, I'm not sure, the AI question was it meaning is AI a threat to India or was it they're completely two separate questions?

I think in terms of, so India has been a wonderful place to outsource to, so a lot of the business process outsourcing (BPO) companies of the world were all located in India and when you go and meet companies in India there's the big players, like the Infosys of the world, which is a leader in outsourcing or basically labour in India doing things like call centres. It's been an enormous part of employer in the Indian population and you see hundreds of these companies. The barriers to entry are relatively low, particularly where it's just labour not technology that are being deployed.

Whether you're talking about in India or the companies in say areas like call centres in developed and more developed markets, AI is definitely a threat to all call centre businesses and you're seeing that in terms of technology being deployed and the Chatbots being used instead of real people.

I think a lot of the quality players in that space will evolve and you'll see the entry level questions when you call a call centre for example being answered by AI and directing you somewhere. When it comes to more complex application, right now it's hard for AI to fulfil that need. So, I think AI will improve and these businesses if you're in that space, in the BPO market you will have to evolve and use technology and become more than just a body shop which some of these companies are.

Emiko Reed: Great thank you so much Catriona. Let's turn to Georgia's question regarding the profits reserve. She knows it decreases on payments of the dividends, but if there is a substantial fall in the stock market, will the profits reserve balance also fall?

Geoff Wilson AO: No. Once the profit is made, from an accounting perspective, it's put in the profit reserve and the Board makes that decision really quarantine that to be paid out as a dividend at some point in time in the future. The profit reserve will reduce it by the amount of dividend that's paid, but in terms of the market going down, that doesn't reduce the profit reserve.

How does a profit reserve grow? It's really the change in the value of the asset in a 12-month period and it's done on a monthly basis. We announce the profit reserve monthly just so you can keep an eye on it. Over the 12-month period you've got to hit a high-water mark to put money into the profit reserve again.

Emiko Reed: Great thank you Geoff. I just wanted to cover off David's question in regards to the percentage of cash in the WAM Global Investment Portfolio and that's 2.1 % as at 29th of February 2024. Turning to Paul's question, this is a two-part question. It is, do you have a view on the US banking industry, particularly in relation to liquidity and confidence issues that seem to arise? And the second part of his question is, are there any broader confidence issues that might impact the markets flowing on from bank industry instability?

Catriona Burns: Sure, why don't I kick off and maybe Nick if you want to add anything. In terms of the banking system in the US, in general it's been extremely highly regulated compared to pre the GFC and it's had enormous consequences for the banks. JP Morgan, Citi Group, they all had proprietary trading desks pre the GFC. They've had to reduce risk, they've had to increase capital requirements and so the banking industry has really changed since pre the GFC to avoid the same systemic risks that we saw occur at that time.

As you go down to the smaller banks and what you saw with Silicon Valley Bank for example, they don't have the same requirements as the bigger banks that are really crucial to the system. At the margin some of the lending practices of those smaller banks have been more questionable and so from our perspective we think those bigger, more important banks that really drive the US banking system and have the majority of assets are more well regulated than some of the small ones which won't cause a systemic issue. But you could continue to see blow ups at the smaller end just because of some of the lending practices. You have seen, with rising interest rates, who's "swimming naked" to quote Warren Buffett's analogy, and so we have seen that play out with some of those smaller regional banks.

So, we don't think there's a big systemic issue. We do think there's issues in certain parts of the market, say in the office sector in the US, there's pockets of moving right down. Various companies we've met today who are in the asset management space are just saying the demand in terms of real estate for areas like data centres, for warehouses, logistics, is all very strong. The pockets of issues are in say office where work from home has changed the dynamic of how much office space companies need. So, the broad-brush thought is that we don't see systemic issues in the US banking system and it's more at the margin that you may continue to see issues. And sorry what was the second part Emiko of that other question?

Emiko Reed: Are there any other broader confidence issues that might impact the markets flowing on from the bank industry instability?

Catriona Burns: Again, I think it's certainly if you're exposed to office as a pure manager then yes, you'll have issues right now but in terms of the broader confidence issues no, we don't think it's going to cause systemic risk across markets or the system. It's quite concentrated in terms of the issues. And Nick I don't know if you want to add anything to that.

Nick Healy: I think that was a very comprehensive answer. The only additional point I would make is we did see some issues last year with Silicon Valley Bank. The speed and the aggression with which the Central Bank stepped in really underwrote the assets, really quickly solved any potential kind of systemic issues. It makes us think that the response mechanism of the Central Bank is just really rapid these days. That would count in the column Catriona was mentioning that we don't really see this as something we expect to be systemic.

Maybe the financial point would be, if you own fantastic businesses, we tend not to be heavily invested in the banks. That's not where we like to play. These fantastic businesses are really subject to credit markets being open or anything like that. We think they perform really well in a number of environments so very optimistic on that front, but by and large, Catriona that was a comprehensive response.

Catriona Burns: That's exactly right Nick, you're right in terms of investment. We don't own any of the US banks. We own in financials when we look at the industries that we're exposed to, we do have financial services because we own the exchanges. Will talked about Intercontinental Exchange, CME Group, and they come up as financials when you do industry break downs, but we don't own any of the US banks.

Emiko Reed: Great. Thank you so much both. So, Stephen has asked, do you think Xero has any hope competing against the likes of Intuit of the US?

Nick Healy: I'll take a go at this just since I had a chat about Intuit earlier on. Interestingly enough Stephen, I was at the Morgan Stanley tech conference last week and both Intuit and Xero were presenting and doing meetings. If I had kind of one takeaway from that it would be Xero made a relatively decent push to attempt to move into the US market a few years ago. The message that they were sending today is that they're going to be much more focused on profitability of every region which I kind of read as saying that not as significant of a push. It's also a case that these businesses tend to be winner take all. Intuit already has significant scale advantages in the US.

So, my base case would be Intuit is in a very strong position. I think the only thing I'd want to add is we actually think Xero's a fantastic business but we think Intuit is the way we want to play this space but we're certainly very respectful of the quality of the business that Xero is.

Emiko Reed: So, thank you so much Nick. A lovely note from a shareholder and a question. Thanks Catriona and Geoff for your close stewardship of the fund since our last meet. Your opening catches a lot on New York hence America and upcoming US presidency election. Do you have any views of the fund's focus on other regions such as Europe? What is your appetite on Japan?

Catriona Burns: Thank you for the question, yes so in terms of other investments across the fund, we have about 64% of the fund invested in US stocks. Often, they're quite global in nature though so when you look at the actual earnings it can be more diversified.

We do have about 25% in stocks in Europe and that's very diversified across some great quality businesses. Names like CTS Eventim (ETR: EVD), which is, for anyone who knows Ticketek and buys all their concert tickets for Taylor Swift on Ticketek, would know that business in Australia. The equivalent business in Europe is called CTS Eventim, a great example of market leader over 90% share in Germany, over 60% share in Italy, Switzerland, Austria – a super high quality management team. The founder owns over 30% of the business, and it is massively benefiting right now. The manufacturing sector's been under pressure but service is doing well. It is a great example of a company where you've seen enormous artists make all their money these days from touring and you've seen an enormous amount of artists touring through the US, now moving to Europe. They've had multiple earnings upgrades which is that identification of catalyst that's part of our process and we see a really strong trajectory of growth going forward.

We own Hemnet (STO: HEM) which is listed in Sweden. It's the REA equivalent for anyone who knows REA in Australia, it's the equivalent in Sweden. Unlike in Australia where you've got Domain and REA, in Sweden you have only Hemnet. It gets over 90% of views when someone's looking for a property. We think there's massive monetisation opportunity ahead when you look at the rates that they charge for their product verse what's charged by REA in Australia, we can see them earning multiple times their revenue so a huge runway of growth. Absolutely in Europe we see lots of great businesses with really exciting growth and that's certainly a hunting ground for us for ideas.

We own some names in Japan. Nick and I were did a trip recently and what's happening is as I mentioned at the outset, you are seeing inflation which is very positive in terms of wage growth and consumption. There's a bit of a dynamic though at the moment that companies, if you haven't seen inflation for decades, they're not accustomed to pushing through price and so they've been used to deflation.

Many of the businesses where sure they're getting some growth, but they're getting margin squeeze and so they need to change the psyche in terms of, we have inflation, we need to price for it. We've looked at a number of names and we had one where the actual business is doing well, but the margins were just getting squeezed and it hasn't performed for us.

What has done well is a business that we've owned for a long time, Kobe Bussan (TYO: 3038) which is a discount, Aldi equivalent in Japan. We own that business and they have a massive store roll out opportunity. You have had a thrifty consumer because of inflation pressuring some people's budgets and you haven't had wage inflation so we continue to see things and pricing increasing and the consumer wanting to get more value for money. So that's been a business that has done well, but a lot of the businesses, the market, the stock market itself has done very well but a lot of the businesses are seeing considerable margin squeeze. It is a market we're continuously going back to and talking to the companies and trying to identify those ones where we think they have pricing power because you need to be careful on the margin side in Japan.

Emiko Reed: Great thanks so much Catriona. We'll turn to Dennis' question, could you please explain the rationale for retaining so many years of dividend coverage? I know we did touch on the profits reserve earlier, but a slightly different question.

Geoff Wilson AO: The dividend coverage is just a function of the performance of the portfolio. So, if the portfolio goes up and in a 12-month period we're making a profit, then we can put that profit in the profit reserve – even if it's unrealised profit, we can put it in the profit reserve and that's a decision the directors make. So, we're doing it to safeguard our ability to pay dividends going forward.

You could have a situation where say a company floats at a $1. In a six month period it goes to $1.50. You put 50 cents in the profit reserve. In the next 6-month period the assets go back from a $1.50 to a $1.00 then you end up, you still have that 50 cents in that profit reserve, even though that 50 cents wasn't realised so you've got to remember that profit reserve is realised and unrealised profit that allows us to pay dividends to shareholders over time. And that's why the Board makes the decision and puts it in the profit reserve. So, it's really a safeguard.

The ability to pay a fully franked dividend is you also need to have paid the tax or received fully frank dividends to pass that franking on and even though there's a profit reserve, there's, there's not necessarily franking. So it wouldn't be that smart to pay all the profit out. That means you wouldn't be able to, well if we paid all the profit reserve out now, then you'd get a big dividend, but only a very small part of it would be franked. The rest would be unfranked and it would be sort of illogical for you to receive it that way.

You have to see the profits reserve it more as a safeguard for you. It doesn't mean we have that much franking. It just means we have an ability to pay profits over time. And it's not as if we consciously think oh, we need a lot of profit reserve. What the directors and the decisions we make and the one just more recently where we've decided to increase the dividend and pay the dividend out to shareholders, we look at the return on assets. Now if you look at the return on assets that we're giving you, and Catriona mentioned it earlier, the best way to look at it is the pre-tax return on assets, we're giving you nearly a 7 and a bit per cent pre-tax return on assets.

Now if you think assets go up by about 10% per annum, equity assets increase by 10% per annum. If you're getting, now 7% of it, that's pre-tax, or grossed up yield. Tax is paid and you get a fully franked yield which if it's in your self-managed superfund you can claim the tax back. Then in that example I was giving you, say 7%, then you're getting 3% capital growth.

Now if you pushed the dividend too high, say if we're paying you a 10% pre-tax yield and we're only making 10% per annual, then you actually get no capital growth. If we're paying you a 12% or say a 14% pre-tax yield which is WAM Capital, then you actually lose capital because your return has to come from somewhere.

So, it's really that balancing act to have enough yield and if it's franked so shareholders can get the franking back, and has some capital growth as well. And that's what I said a little earlier, if you were looking purely at capital growth, then look at a company that can provide you that capital growth. What we do is provide a steady stream of fully franked dividends where we can and performance over time.

Emiko Reed: Great thank you so much Geoff. John has asked, given many Australian companies are largely international such as CSL (ASX: CSL), Rio Tinto (ASX: RIO), do those Australian stocks get included in the possible pool for WAM Global?

Catriona Burns: Thanks for the question. Yes, so absolutely we can invest in those stocks. The only name of note in the portfolio right now of the Aussie names is Resmed (ASX: RMD), so for anyone who's covered Resmed and we've covered it for many years in the past as well, what has happened to the stock and what we saw as an opportunity is that these obesity and diabetes drugs Ozempic, Wegovy, have been released in the US by Nova Nordisk (NYSE: NVO) and Eli Lilly (NYSE: LLY). These are phenomenal success stories in terms of the sales of these drugs and the benefits that they're showing right now in terms of diabetes and weight loss reduction and so forth.

Resmed is a sleep apnoea business. They sell the machines and the masks to treat sleep apnoea and these products are often used by people who have more weight and the worry for Resmed was that with these drugs, new drugs being released on the market, that sleep apnoea would be solved and that Resmed would no longer have a business and so we saw an opportunity because the stock got very sold off.

Studies that they've seen and the prescribing doctors are seeing an increased use of sleep apnoea products, and a link where you are getting people who weren't previously necessarily treating their sleep apnoea. There's a massive undiagnosed part of the population now coming into the system and that's more than offsetting anything that's going out because people's weight loss issues are getting solved.

So, we saw an opportunity in Resmed. It's not that we don't believe in some of the growth of these drugs and the success of them, it's just that we think Resmed's business isn't structurally impaired because of these drugs and so we took a position in that stock and so that's the major stock that we have in the portfolio that is an Australian listed stock.

CSL is a wonderful business, just a matter of deciding on the valuation. There are some great businesses in Australia. We can own them if we want but at this stage, less than 3% of the portfolio is in Australian stocks and we have a massive hunting ground around the world and super high-quality businesses to choose from all around the world.

Emiko Reed: Okay thanks so much Catriona. We have a question from Shandu and this touches on the dividend question once more. Based on his observations on WAM Microcap (ASX: WMI) and other funds within the WAM group, he thinks that a special dividend sometimes helps to close the gap between the share price and the NTA given the profits reserve and also the current share price discount to NTA. Is management considering offering some special dividend for WAM Global?

Geoff Wilson AO: Yes, we've looked at capital management at every board meeting and buy backs and dividends, they're part of the capital management. We are very low on franking in WAM Global. We had enough franking to frank this fully franked dividend so it wouldn't be logical to pay a special dividend that's unfranked. That's probably the simple answer to that.

Emiko Reed: Great, thanks so much Geoff. This question, next question is from David. In this net zero world, do you see an opportunity in nuclear technology and infrastructure?

Catriona Burns: Yes, so in terms of infrastructure, nuclear we tend to love, and Nick referred to it the picks and shovel businesses, it's like the gold rush analogy, rather than picking whether right we want to own the gold company, we'd rather own the company that supplies whatever whichever gold company is winning. The same analogy can be applied in the energy space where we're not betting nuclear verse oil verse natural gas.

The company I mentioned, Quanta Services, just benefits from whichever energy source is trying to get connected to the grid and so as renewables are getting added into the transmission and distribution grid in the US they're benefitting. We don't have any direct plays on nuclear per se, but it's a great example from benefiting from infrastructure spend more broadly.

Applus+ was that other name that I mentioned in terms of Spanish inspection and testing for critical infrastructure and we do think there's massive infrastructure spend that needs to go on and it's not just in the US. Europe is the same. You see huge investment. Europe has been far ahead in terms of wanting to go green and you're seeing a lot of push back from a political perspective just because of government's overspending on things and needing increased pushback for needing returns.

We think infrastructure is going to be a huge area of investment and particularly with geopolitical risk. As a side note we're seeing an incredible amount of this trend of wanting to secure supply chains and you're seeing a lot of manufacturing move back into the US, whether its semiconductor companies or other. People want it close to where the end market is. Every company that you speak to now for example is saying on China, whatever we can produce in China we want to sell into that market. We don't want to rely on supply coming out of China and coming into the US or coming into Europe. We're trying to add additional capacity in any other market we can because we don't know what will happen on the geopolitical side, particularly say with Trump.

Emiko Reed: Thank you so much Catriona. This question is from Mike. Does Wilson Asset Management have any staff located in New York or elsewhere in the US?

Catriona Burns: Good question yes. We're all on New York on this call except Emiko right now. I'm currently based here. I have been since 2021. William Liu our Senior Investment Analyst is also based here since last September. Nick is based in Sydney, Geoff's based in Sydney or everywhere.

Geoff Wilson AO: And we just happened to all be here. It just happened to work that we're all here. We could turn the camera around and it's 9.20 pm, a little bit dark outside and actually not overly cold. Today was a nice day. Yesterday was in centigrade but I think felt like four point, no sorry it was four and a half degrees but felt like minus one point four. But today it's a little warmer.

Emiko Reed: Okay, thanks so much. So, Greg has asked, do you lose any of the tax that you're paying on capital gains in other countries?

Catriona Burns: When we sell stock like it's translated back into Aussie dollars so the tax is paid here.

Geoff Wilson AO: As in here, as in there.

Catriona Burns: Yes, in Australia.

Geoff Wilson AO: Yes, we're on the Australian corporate tax rate. It's an Australian company investing globally but from Australia so it pays Australian tax. So, there's no other tax. We don't pay other taxes in other countries.

Emiko Reed: Great, thanks very much. And David's question is we buy WAM Global in Australia dollars, but the assets seem to be in the US mainly. What effects are the exchange rates likely to have in the future?

Catriona Burns: So what effects are the exchange rates likely to have? In terms of the portfolio about 97% of the portfolio is invested in stocks outside of Australia in a variety of spaces but largely US dollar and Euro dominated, some Yen. As the Aussie dollar goes down, the value of our investments in these other places go up and so the portfolio will value. It's then translated to calculate the NTA back into Australian dollars at whatever exchange rate that is current at the time at the end of the month. And so, the portfolio will continue to move with the Aussie dollar exchange rate relative to these other currencies.

Geoff Wilson AO: And you currently, what 62% of the portfolio in the US and then Europe and Japan and, but if the Aussie dollar goes up then the values decline. So, you are taking Australian dollar exposure.

Emiko Reed: Great, thanks so much. Geoffrey has asked are the Japanese stocks in the WAM Global portfolio or are they being considered?

Catriona Burns: So yes, we do have Japanese stocks and I mentioned a couple of those before in terms of Kobe Bussan, the discount super market player. It is a market that we do hunt in and have actually had more stocks in Japan in the portfolio and have sold some of them and it's been a market that's done well. The dynamic that I mentioned earlier was that you are seeing inflation so you have to be careful which companies you're investing in and are they benefiting from inflation or getting squeezed, but there are lots of great companies in Japan, it's just marrying that process that we have with wanting super high quality management teams, very strong industry position and then having visibility on the earnings growth and the ability to find catalysts. So, it is absolutely a hunting ground in terms of ideas.

Emiko Reed: Thank you. So, Steve has asked, can you please provide the returns for all your funds before and after fees?

Geoff Wilson AO: Yes, and we do that. Each six months. We can send that to you. We actually look at it three ways. First of all, we do it before fees, just so you can look at the index that we're operating against and you can see how the managers have performed, or how that pool of capital performed against that index. As you'd know if you had your money in a trust or an ETF, there's no tax paid in those. Where with a listed investment company so every, every 10% we make in terms of profit we pay 30% tax so for every dollar we make we pay 30% tax. If we're up 10%

then we pay effectively 3% of that or 30% of that 10% increase in tax. So that's why we do the gross level before fees and before taxes.

We also show you on a six-monthly basis what the net assets are. That's the assets after tax so we're taking that 30% off and we've taken the management fees off, and if we've outperformed there's a performance fee that we split 80/20 with investors so it's taken off as well and that's the NTA performance.

You could have a situation where the share price is trading at a discount to NTA, but of course it could trade at a premium to NTA as well. And so, what we show is the total shareholder return is and that's the movement in the share price over a period, also adjusting for the dividend pay. We actually don't gross that up, but if you're a self-managed super fund and you get a fully franked dividend say of 7%, then you're going to get 3% back from the government.

So that's pretty much it. We can send that to you, straight after this, which we will.

Emiko Reed: Yes, we can do that. So, Geoffrey has asked, are you researching stocks on the Frankfurt exchange due to the increased population in recent years?

Nick Healy: If we had anything that we thought would add to the conversation we would add but we've just been listening, as much as anyone. Yeah, look absolutely Geoffrey, I think everyone's got the question. Look every exchange is within our remit to go have a look at. We won't purposefully go out and hold stocks just because they're in a given region or trading on a given exchange.

In the past we have held Deutsche Boerse (ETR: DB1) which is a conglomerate German marketplace and exchange which is quite similar to CME and ICE. We take the view at this point in time, even though that is a good business, we take the view at this point in time that the opportunities that Will laid out in Intercontinental Exchange are fantastic. The mortgage opportunity is huge and we think CME is a company that offers this fantastic ability to perform really well. In uncertain environments we think there is uncertainty around interest rates, around the future path of energy. There's an election this year in the US so we think CME's really positioned well as well.

Long answer to the question. Absolutely we look at the Frankfurt stock exchange and we will hold stocks there where they meet our process.

Catriona Burns: I mean SAP (ETR: SAP) has been one of Will's calls and it's listed in Germany and it's been an absolute cracker for the fund. Why don't you give them context for SAP, Will?

William Liu: Sure thanks Catriona. SAP is one of the bigger positions in the fund. We owned it quite early on and we took quite a differentiated view from the market in terms of we thought they'd be successful transitioning their business model away from licence revenue to a recurring cloud base revenue and they've largely been successful with that. And so now they're reaping the reward of having done the investment. Similar to what Nick mentioned with Intuit and AI, they've got a great management team now. It is the European tech leader. We are finding some tech names in Europe and I think it's going to be really important for AI as well. They're so embedded in the top fortune 2000 companies, embedded their business processes, have unique data insights, they're now on the cloud. They can use that data to provide for their customers and increase their value proposition. So, we think the multiple year growth story is very strong and we expect double digits, operating profit growth in the near to medium term.

Emiko Reed: Great thank so much Will. Geoffrey has asked, are you considering a new WAM listed stock for the new future?

Geoff Wilson AO: Oh, a new WAM listed fund?

Emiko Reed: Yes, that's right.

Geoff Wilson AO: Not at the moment but there's four or five that we'd like to do at some point in time, but no, there's nothing short term. Thanks Emiko.

Emiko Reed: Thank you so much Geoff. Michael has asked, have you looked at Novo Nordisk?

Catriona Burns: We have, yep. We've looked at Novo and Eli Lilly which are those two GLP1 companies that I mentioned before that have these new drugs Ozempic, Wegovy and have been shooting the lights out in terms of this. It's a new space and they've been a number of trials underway showing that if you use these drugs the risk of cardio vascular disease decreases.

Right now, we've bought a German listed company again, a picks and shovel business but they do the packaging. They produce the syringes that you use to inject the drugs into your body and so, again it's the packaging. They don't care whether it's Novo's product or Eli Lilly's product that wins, they're the leader in what they do in Europe and we think in terms of valuation it's very compelling.

We've seen there's an example of this type of business called West Pharmaceutical (NYSE: WST) in the US and they play book that Gerresheimer in Germany are using. It is very much the West playbook which has seen enormous growth over multi years. With these products, it's not just a can or some super market product packaging, you get put into the FDA approval as the delivery system for these drugs so once you're approved it's very hard to change out these suppliers. These drugs have multi year growth trajectories and once you're in that approval process, the visibility around growth is very strong and we think, whether it's Eli or Novo's product or the various other competitors that are trying to come into the market and play in that space, we think these guys are really well set up to benefit whoever wins in this space.

Emiko Reed: Now this question is from Graham and it's for Geoff, do you have a view on the franking outlook?

Geoff Wilson AO: The franking outlook for WAM Global I assume?

Emiko Reed: Yes.

Geoff Wilson AO: Well in terms of to pay the fully franked dividend, then WAM Global needs to make profit and pay tax. Yeah, so it really is a function, if the portfolio makes money in the next 12 months, then we'll pay tax and the dividends will be fully franked. I can't be any more certain than that.

I mean as I mentioned earlier and I think Catriona mentioned for the latter part of this year, we expect the US market to continue to perform and if the US market is performing then global markets, tend to perform. So therefore, you'd assume if that's the case then the portfolio would make money, pay tax and so then the next dividend would be able to be fully franked.

Catriona Burns: And we've accumulated... are we allowed to say? Because I think we've accumulated enough for the next dividend.

Geoff Wilson AO: Yes, there's enough franking, yeah.

Catriona Burns: And then we've got to continue to pay tax from here.

Emiko Reed: Great thanks so much. Now this question is from Mike, he just wanted to confirm that all WAM Global international investments are unhedged to the Australian dollar.

Catriona Burns: Correct.

Emiko Reed: Okay thank you. So, this question is from Samantha and it's for Geoff. I've noticed you are buying WAM Global and Future Generation, can I ask why?

Geoff Wilson AO: Well, I'm just looking at what was trading at the biggest discounts and WAM Global, well when I started buying it, it was at a lot bigger discount. It's at less of a discount now. Last couple of days, just before this, I stopped buying. Future Generation Global (ASX: FGG) was trading at a big discount. It's on less of a discount but still it's quite a large discount. And then Future Generation Australia (ASX: FGX) was at a reasonable discount as well and that's the Wilson Foundation is buying them. It's got a bit of cash at the moment and they buy that. So, to me I try to buy assets at a discount if I can and then you're getting more bang for your buck.

Emiko Reed: There's been quite a few questions on the healthcare space. Why is healthcare the largest segment of your portfolio?

Nick Healy: Happy to take that Catriona. Feel free to add anything at the end. Healthcare is an area we're very well invested into. It's a space where if you think of the needs of the healthcare patient, they don't come and go with the economic cycle, they're ever present and healthcare stocks have this great ability to grow earnings, regardless of the backdrop that we're seeing. So we really like that perspective to healthcare stocks.

We hold quite a few names that are in healthcare. The likes of Icon, Avantor, Gerresheimer that Catriona talked about, Thermo Fisher Scientific (NYSE: TMO), HCA the hospitals company. Quite a few of these companies we think are set to benefit quite well from the recovery from a dynamic that we've been going through over the last two years. As we came out of COVID, it turned out that quite a few healthcare companies or developers of treatment options overstocked in their consumables simply because supply chains were so impacted at the time. That overstocking resulted in a situation where the companies that provide consumables like Avantor or Thermo Fisher saw their demand decrease but it really was just a timing effect. The long-term reasons that this is a very interesting space remain in place. We've talked about them in the past but the demographics are really a big tail wind here and there are these fantastic technological breakthroughs in the space that we think are just kinds of multiyear, if not multi decade tail winds for these stocks.

So, we do, we are really upbeat and optimistic on the likes of Avantor, Icon, Edwards Lifesciences (NYSE: EW), Thermo Fisher. We think these are fantastic businesses. So, we've purposefully invested into the healthcare space. Catriona anything you would like to add?

Catriona Burns: It's been fascinating in terms of post COVID there's been an enormous wall of money into drug development, into cell and gene therapy, into vaccines and it's been really interesting. Then you couple that with AI and it's just speeding up the pace of innovation in the space and that's really benefiting a lot of the holdings that we have, like Icon which is really at that front end. The pharma companies have increasingly outsourced those clinical trials and when you're seeing all this drug development, they've been a key beneficiary. Then it goes down the chain in terms of the Avantor (NYSE: AVTR) and the Thermo Fisher so we do think that is a multiyear avenue like growth.

As Nick said regarding layering on demographics, we think there's a lot of positive tail winds in the health care space. We don't play by tech companies themselves trying to pick if they're going to win on x clinical trial and if they don't the stock will be worth nothing. That's not how we do it. It's more picking companies that win regardless of which therapy wins. We're excited about the names we have in the portfolio in the healthcare space.

Emiko Reed: Great thanks so much Nick and Catriona. This question is from John. He says one of the issues in holding direct US stocks by an Australian family trust or SMFS is the painful paper process required by US facilities, a benefit of WAM Global is that this is not needed. He asks what are the chances for reduction in their system complexity? I don't know if you can answer this one but…

Geoff Wilson AO: We're not in the US administration or the tax administration. My experience is it is very paper intensive. I know my daughter lives here. She just sent something in, some tax she had to put in four different documents and it is sent in separately. It's paper warfare.

Catriona Burns: Yes, and it is very complex and as someone who's unfortunately had to do US tax returns the last few years, it is an incredibly painful process so I'm sure as you buy shares it is [also painful], and you have to do Federal tax, State tax. You have to say how many days you've been in different States around the US and if you've been to many States, you do a third tax return. The benefits of this portfolio is we own Intuit which is the biggest tax software provider in the US so we're benefiting from it but in terms of having any faith that the system complexity will reduce significantly and the paper requirement, I wouldn't be betting on it.

And even with the banking system, I mean it's fascinating. Whether it's China or Australia, you come here and even things like tap and pay were very slow to get going. We looked at a lot of the tech companies in the banking sector, and it's amazing how many aren't on tech, how many haven't done technology updates and so forth and as Will pointed out, in the case of say Intercontinental Exchange, they're trying to go to paper systems in the mortgage system and electronify it so we've got lots of plays on trying to get it there, but yeah I wouldn't hold a lot of faith in a near term reducing too much paper and complexity.

Emiko Reed: Thanks so much Catriona. Turning to Barry's question, with the projected drop in world wide interest rates, what are you looking at? Are you looking at rate sensitive stocks like REIT?

Nick Healy: Happy to. My view would be that interest rates are set to drop across the world from the levels that they're currently at. There's a lot of debate in the market about when this will occur. I think of late it's been pushing out just because of how strong the economies have been.

If I think of REIT stocks themselves, honestly, we see such an abundance of opportunity to invest into it and we really like high quality businesses. I hope that came through in kind of the messages and the stories we were giving you today. We like businesses that can be winner take all that have network effects or great industry structures. I think REITs offer a potential opportunity to invest but they're generally going to be a lower quality space than the places we generally like to invest into. But we're certainly open to any sector, industry, geography, if there's opportunities we will take a look.

Catriona Burns: Yes, and the reason why often they don't fit necessarily is that growth trajectory so they have to tick all the boxes in terms of the process. But yeah, as Nick said, we'll look at it everything.

Emiko Reed: Great thanks so much. Geoffrey has asked, could you talk about the few ASX stocks in WAM Global at present?

Catriona Burns: Yes so, the one, the stock we really own is ResMed (ASX: RMD) at the moment. We've owned, we've been in and out of different things in Australia over the years but right now ResMed's the one we own.

Geoff Wilson AO: That's the only one?

Catriona Burns: Yes. Oversold on the GLP1 fears that we think are over done and we think in the long term there's still a massive pool of patients that have sleep apnoea that still need to be solved. We saw an opportunity, but yeah most of the rest of the portfolio is outside of Australia.

Emiko Reed: Great thanks so much. And this is the last question for today and it's from Geoffrey again. Are share buy backs a consideration for your companies with excess profits going forward?

Geoff Wilson AO: Whether there's a profit or not, that's not really an influence on the share buyback. The logic of the share buyback is if the NTA is trading at a discount then you buy back x amount of shares. Say it's trading at a 10% discount and you buy back 10% of the capital then it'll increase the NTA by 1% and it costs you nothing. What it also does though, it reduces the liquidity of the company. It actually benefits the sellers. It gives them liquidity and it's slightly positive for NTA.

What I've experienced is – and as I said I was over here talking to some other players in the market – the conclusion is that share buy backs don't solve the problem of a discount to NTA. What a lot of investors see is when the share buyback happens they think, I prefer the fund manager to invest, and it goes up like the one that was taken over, so it goes up 40% not by making 10% or 15% off or if we did a buy back at the moment you'd be making 12.5 cents on 87.5 cents. So, you'd be making about 14.5%.

A number of investors see that as a negative when you're doing buybacks. You're shrinking the size if the company, reducing liquidity of the company. Wouldn't you be better off looking for an investment that you can make a multiple on your money? And so, the interesting thing is they tend not to work and we've done a lot of research on them, but in an Australian context and most of the LICs are doing buy backs. Yet it doesn't improve their performance at all. It's an option. The Board talks about it, we look at it and then like with WAM Research (ASX: WAX), we bought back 35% of the company going back a number of years ago.

Emiko Reed: Great thank you so much. That is the end of all the questions. I'll pass it back to Catriona for any closing remarks.

Catriona Burns: Great thank you Emiko and thank you for facilitating the Q&A and thank you to Geoff for being with us today and to Nick and Will. But most of all thank you to our shareholders. As Nick said, this is your company. We're pleased to report and update you on the portfolio, answer your questions. Thank you for your support and as I said we're really excited about the portfolio and look forward to updating you again soon.