W|A|M Strategic Value

WAM Strategic Value FY2024 Interim Results Q&A Webinar
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Speakers:
Geoff Wilson AO – Lead Portfolio Manager
Jesse Hamilton – Chief Financial Officer
Olivia Harris – Senior Corporate Affairs Advisor

Geoff Wilson: Thank you everyone for joining us today. This is the WAM Strategic Value (ASX: WAR) Q&A Webinar. You all know this is your company, you own it. I'm fortunate enough to chair the company on your behalf. Now, we have a board of directors and the pool of capital that we manage through the listed investment company (LIC) is managed by Wilson Asset Management myself. Jesse Hamilton, our CFO, is with us, who you'll hear from a little later. And with Martyn McCathy, we are the three that work on this portfolio and try to maximise the return out of it by taking the minimum amount of risk.

Olivia Harris is one of our Senior Comms people and she'll be moderating any questions that you have. Again, thank you very much. A lot of you have sent questions in questions, and please send any more questions that you have. Some people I know, 200 odd in the last month or so might have spoken to another one of our Wilson Asset Management team members, Tomi East. Now, she's been touching base with a lot of our WAM Strategic Value shareholders and really trying to understand any feedback you have or any ideas you have. And thank you very much to everyone who's chatted to her and given the feedback. That's helped me today and the rest of the corporate affairs team to set up this webinar, to go through what we should touch on. Tomi will continue to be calling shareholders over the next month or two. So if you do get a call from her, if you have any specific questions or any thoughts or ideas, please give her some feedback.

I'll just start off with a disclaimer. You'll need to be a fast reader. That's the disclaimer. Just broadly, we can give you general advice. We can't give you any specific advice.

Let's look at the next slide which just shows you where WAM Strategic Value is positioned and how it's performed. You'll see that performance in the period to January. In this slide, it's a very solid performance against the market. As of today, it's actually down a little bit for the month and as of last night, WAM Strategic Value was up about 1.4%. So, we really have had a good year and, and we've outperformed the market by it could be three or 4%.

Myself being a shareholder, I like getting fully franked dividends. I'm in my pension phase with my superannuation. There is some value getting those growing streams of fully franked dividends. Our profit reserve is there because the portfolio has performed well recently. Our profit reserve has picked up. We were confident to actually increase the dividend, by 50%. And you'll also see on this slide, the NTA yeah, in terms of where the, where the share price is trading, myself being a large shareholder in WAR, I have shares with you all. Everyone at Wilson Asset Management, we share your frustration in terms of the share price not fully reflecting, the value of the assets. You see there the value of the assets at the end of January. If they were live, they'd be a little bit higher than this. But the end of January, there was about $1.22 and on one of these webinars, one of our shareholders said, look, you, you're buying cheap companies then, you're buying them a discount of the value of their assets. If you put them in at the value of their assets, what would the NTA be then. Thank you very much that shareholder that made that suggestion. So on a monthly basis, we report to you what that see-through NTA would be. And if and if all those companies are trading at NTA, the value of the assets would be a $1.42. WAM Strategic Value, it's actually extremely good value from my perspective.

Why is it trading there? When we floated a few years ago, within the first month or so, a couple of our positions, specifically the Magellan Concentrated Fund and Templeton Global Growth Fund, one decided to give their money back at NTA and the other one was bid for by WAM Global (ASX: WGB). There was a lot of activity in a short period of time and the, the actual share price went to a premium to NTA, and was actually trading at about a 10% premium in that within the first few weeks, if not months.

A lot of people bought in then expecting that there's going to be takeover bids happening on a weekly basis. Now, unfortunately, anyone who's been around for a while and I know a number of you shareholders have, investing is all about patience. It takes time. It takes time to build positions in these undervalued companies where we're trying to buy $1 of assets for 80 cents or lower. It takes time for those to be crystalised and, and we'll talk about a few of those that are getting close to crystalised. You'd see one of the positions that is quite large on our, in our portfolio is QV Equities (ASX: QVE). WAM Leaders has made a takeover bid for that, but we'll, we'll touch on that a little bit later.

In terms of the company, it is performing very well. We're frustrated and disappointed that the share price isn't reflecting the NTA. You can nearly argue the share price should be reflecting close to the see through NTA.. It's trading at a 15% discount. There's some easy money for people that want to add to their shareholding position.

In terms of the dividends, the Board was pretty relaxed in terms of increasing that dividend 50%. It's good that we've got that growing stream of fully franked dividends. In the second half, you'd probably more likely assume the dividend will mirror the first half, so the increase in dividend will only be, 25% from, from a year ago.

I'd like to now pass over to Chief Financial Officer Jesse Hamilton who will take you through the next part of the presentation, then we'll open up for questions and answers.

Jesse Hamilton: Perfect. Thanks Geoff. Everyone, great to be here today with you. And as Geoff mentioned, we've been quite pleased with the performance of the portfolio over the six months. To January the portfolio is up eight and a bit percent and pleasingly over that 12 months to December up 12 and a bit percent, which has been great.

A couple of positions to talk about in the portfolio. Global Data Centres (ASX: GDC) has been a strong contributor to the performance up 21.8% over that six month period to December. The Magellan Global Fund was up 18.3% over that time as well. And you would have seen from June to December and even January, we had around 27% cash at the end of June. And we've been actively deploying that into the market over the six months where we've seen some opportunities with LICs trading at discounts close to that pandemic level back in 2020. So there's been lots of opportunities for us to utilise that cash and buy in and actively trade some of the discounts that widened and then subsequently narrowed during the period which has been good to see.

There's a few substantial positions in the portfolio: QV Equities that Geoff mentioned, VG1 (ASX: VG1) Salter Brothers (ASX: SB2) and GDC. We've been quite active as I mentioned trading discounts over that period. And with QV Equities that Geoff mentioned before, WAM Leaders has announced its intention to make a takeover bid. That's something that we need to consider from a WAM Strategic Value portfolio perspective separate to WAM Leaders in the documentation. And I know there's probably a number of questions that have come online. There was mention that a separate transaction through a Scheme of Arrangement was proposed, which I imagine may be on better terms, but that's something that we can address any questions that come through on the Q and A as well.

Just to elaborate on two positions in particular. GDC. Now, that's one of our direct discount opportunities. That's where we're just a pure discounted asset play. It is a realisation strategy. So, a fund that has investments that they're looking to do an ordinary realisation and then eventually distribute the assets back to shareholders in there. And you might have seen in the in the media, Air Trunk, they have a 1% position in an upcoming IPO as well, which should be a big boost to its underlying NTA as well. It's still trading at a good discount. And that's just been a strong contributor to the portfolio during the period. And that's just an example of us taking advantage of a direct discount opportunity separate to a traditional listen investment company or listen investment trust (LIT).

Another one is VG1, just to highlight. We first bought into that just at a traditional discount asset play with a listed investment company. They've increased the dividend over the period and been quite active with their buyback. Interestingly enough, looking at soe of the numbers, sort they've bought about 60% of the volume on the days they've been active with their buyback buying back around 3.4% of the issued capital during the period. So it's just been interesting to see how active they've been with that buyback. There hasn't been much of a move in the discount as a result.

Coming to the end of January, QVE is a position to highlight. As I mentioned that we can talk about in the Q&A. I'd like to do hand back to Geoff just before we jump into Q&A to talk about the listed investment company and trust sector, to touch on the history since the early 2000s.

Geoff Wilson: Thanks very much Jesse. I know for a number of shareholders that have been coming to our presentations for a while, they, they've probably heard these stories.

I set up Wilson asset Management about 25 to 26 years ago. But before that, in my broking days, I read some really good research that Morgan Stanley in the US had done and looked at mutual funds. Those are closed end funds, which in the US are listed investment companies. And it showed that the closed end pool of capital or the listed investment company, outperformed the open ended pool of capital by about 2 to 2.5% per annum.

That's one of the reasons why I was always fascinated.

Why does that happen? It happens because the average investor that invests in the stock market tends to buy at the top of the market, because they're all excited. They tend to sell at the bottom of the market. If the market performs about 10% per annum, the average investor does about 5% return per annum. The big thing about investing is you have to work against your emotions.

With a normal open ended fund, when the market's going as a strong bull market, all the money flows in. Therefore, the fund manager is forced to buy shares at the top of the market. And when things are bad, like during the GFC or COVID, all the money flows out and then those fund managers are forced to sell. But the beautiful thing about a LIC, it's a closed end pool of capital. The investment manager is never forced to buy anything. The shares trade on the market at premiums and discounts and that provides opportunities, but the investment manager is never forced to buy anything. And when things are bad, the share pricing might go down, but money doesn't flow out of the funds. So they're never forced to sell anything. That's what insulates them.

A number of people have been asking me, “What's happening with the LIC sector, it's not growing like the ETF sector?” My response is: it never would. The LIC sector will just grow gradually over time. Now, when we floated WAM Capital 25 years ago, there were 20 odd LICs in the early 2000s.Then, there was a number of new LICs listed and before the GFC we got to 68 or 69 listed investment companies. When there's a lot of new people that turn up, they don't quite know how hard it is or how you operate in that new that environment. What we found was a number of them did what a lot of them are doing now. They gave up, they gave their money back or were taken over.

In 2011 - 2012 we had another wave of listings. We got to about 114 LICs and now, we’re down to 88. And we’d taken over 10 of them. What you tend to find is the strong get stronger in these periods and the weak disappear. So to me, the sector is just in a consolidation phase. We'll go back to getting new LICs floating. It'll never be at the rate of ETFs. LICs have been around since 1868. They really serve a purpose. And, and one of the things I love about them is not only they have performance, they have enhancement because you have a closed pool of capital. What I love is being able to buy a dollar's worth of assets cheaply or, or below a dollar.

Now when Tomi’s been speaking to our shareholders the other we’ve received is what’s going to happen in the next 12 months? Obviously, it's very hard to guess. Up until probably the latter part of last year I was still a bit nervous. One thing we do know that the market tends to perform in the year of a presidential election. And why is that? Because you tend to find that the government that's in, wants to get re-elected. And so they're more likely to pump money into the system. Since the 1920s, 75% of the time, the market's gone up in the year of presidential election which we're in at the moment, a US presidential election and it's gone up a little over 7%.

In this period is the market is hitting new highs. And what you tend to find is if the market is hitting new highs, it just doesn't all of a sudden fall. You find that if a market's been hitting new highs for a year, then usually a year after that, the market on average is up 13%, 80 odd percent of the time. A third interesting fact is, in the first year that interest rates start falling, the market goes up. I think it's nearly 100% of the time. So it's just an interesting now, even though the market might have had a bit of a rally already now, then it looks like this year could be a solid year.

I know there's been a lot of questions that have come in. Thank you, Jesse for your other various comments and we'll, we'll dig into some of those companies in a little bit more detail. Let me hand over to Olivia who will moderate the questions. Thanks Olivia.

Olivia Harris: Thanks everyone for sending through their questions. Geoff, the first question is from John. There seems to be an increasing trend of investors looking to move to ETFs. Have you noticed this in your number of shareholders which maybe he sees reflected in the share price discounts to net asset backing and is this trend gaining energy?

Geoff Wilson: ETFs are a great mechanism to get exposure to the market. They will continue to grow. Will they grow at the expense of listed investment companies? The, the answer is no. Index funds had a big growth phase, then ETFs had a big growth phase and they will continue to have a big growth phase. And the listed investment companies will continue to have a place in the market.

The, the interesting thing about the fund management industry in Australia is listed investment companies are valued at about 50 billion. ETFs are about 150 billion, three times larger. LICs will continue to grow in terms of performance and probably one or two out of the year. But ETF S, they're trust structures so they can grow at an exponential rate. But a lot of people use ETFs. You can get in and out of NTA if you do a bit of research with a LIC. To me, it's really the starting position. For someone getting exposure to the market, you buy an ETF, if you get a bit more sophisticated, do a bit more research, then you can go to LIC, do a bit more research and then you can go into individual stocks. To me it's a logical stepping stone.

Olivia Harris: And the next question is why doesn't WAR do a buyback to close the discount?

Geoff Wilson: Jesse was talking about one of the one of our positions we have, VG1. That's currently trading at about a 14% discount to NTA. They've bought back a significant percentage of their capital. And unfortunately, it hasn't reduced the discount that much. Jesse, what was the percentage? 3.4% in a very short window being around 60% of the volume in the market? It hasn't impacted the discount to NTA.

The logic is there buy back at discount. NTA because you're buying a dollar of assets cheaply. What a lot of investors I find tell me is they're not that keen on companies buying back their own shares because it means the company can't find something to invest in to get a better return. Jesse was going through the portfolio and I know a lot of the feedback from people that have been speaking to over the last couple of months is Global Data Centres. That's trading a little bit above $2. It's one of our bigger and reasonably sized positions. We're pretty comfortable that we'll make 20-30% on our money. We could easily get something close to that $2.60 from that position. Are, are you better off buying something that you think you'll make 30% on your money or, or buying the discount? To me all the studies show that buybacks really haven't helped. That's my view on buybacks.

Saying that, when WAM Research (ASX: WAX) floated in the early days, for the first three years, we bought back 10% 10% then 5%. We bought back 35% in a four year period, but, it actually didn't help the discount.. The narrowing of the discount occurs when all the shareholders that own the company are comfortable with it, and, and they're happy with what it's doing. It's really just getting alignment of shareholders and it just takes time for companies for the share register to tighten up. And once you've got the group of shareholders that are happy how the company's performing and the company's meeting their expectations in terms of performance and dividends, then you tend to find the number of shareholders increases. And it moves from a discount, to trade at NTA. WAR at the moment, a 15% discount, it's very cheap.

Olivia Harris: Thanks Geoff Jesse. The next question is for you from Richard. Now that WAM Global (ASX: WGB) has merged with Templeton Global Growth Fund (ASX: TGG), what's the long term plan for the WAM Global holding? If you sell it, it pressures the WAM Global share price.

Jesse Hamilton: Great question. We acquired the WAM Global holding through virtue of WAM Strategic holding TGG. So that's that merger happened back in October 2021. And there was a cash out and a script offer and the script offer was around 6-7% premium to the cash out offer. So WAR took the shares at that point in time right into a period of a lot of market volatility for global equities. So we're not a natural long-term holder of the position. We don't want to hold cross holdings across the different funds. So at a point in time, it was off the back of the discount for WAM Global narrowing. And we can find sort of better discounts elsewhere in the sector that would be, at a point in time that we can consider obviously moving out.

We note the point that that could put pressure on the WAM Global share price, but it'll just be something that we need to consider for the WAM Strategic Value portfolio and our shareholders with respect to that position. And just to remind everyone on that as well, given it is a related party holding, there's no management fee charged on that WAM Global position until such time that we would sell out of the holding and invest elsewhere in the market.

Olivia Harris: Thanks Jesse. Geoff, the next question is for you. Can you release the NTA more regularly or sooner than once a month?

Geoff Wilson: So more regularly or sooner at the end of the month? Probably both. Those are possible. Will we do them? The plan is not to announce the NTA more regularly. A lot of people track the companies that we invest in. We tell you our top holdings and every year we give you our full portfolio, so it's quite easy. A lot of brokers, I know Taylor Collison, Bell Potter, they model our portfolio so they can tell you. And if you have a look on Hot Copper, the guys on Hot Copper, they can tell you effectively what the portfolio has done on a day by day basis. That's one of the reasons why we don't announce the NTA more regularly.

Also, there's no correlation between you trading at a premium or discount and the NTA getting released more regularly. One example is the Perpetual LIC. They do daily NTAs and I think it's trading about a nine odd percent discount. And it's pretty much traded at a discount for most of its listed life. ,

What the daily NTA does do is encourage more trading. Ideally the goal to get these LICs trading at premiums is just to have a group of shareholders that are supportive of what you do and not people just trading in and out all the time. So to me, we're not trying to encourage short-termism. We're trying to encourage medium long-term investing. That's why we don't do more than monthly.

In terms of getting the NTAs out a little earlier, we need to get them out by the 14th of the month. In the Wilson Asset Management group, we have eight listed investment companies, and we also support the Future Generation entities.. But with the eight listed investment companies, there is one that we do not receive the data for until pretty close to the 14th of the month now. That's WAM Alternative Assets (ASX: WMA), because they're investing with other fund managers that invest in alternate assets. You have to get valuations, and it takes time for those to come through. That's how we've done it historically.

Now, we're thinking of decoupling instead of announcing all the NTAs at once. We might actually announce them separately. If we do that, then there's an opportunity that we could bring that timeline a bit forward. So I suppose, from that perspective, it's a fair question and, and watch this space.

Olivia Harris: Thanks, Geoff Jesse. We'll turn back to you. Where is capital being deployed specifically to get the WAM Strategic Value share price to trade at a premium to NTA.

Jesse Hamilton: Great question. We've been quite active in deploying the portfolio and the cash position over the last six months. That's a big focus, finding those assets trading at a good discount in the market. We've seen that come through with the portfolio performance and we've increased our positions in the likes of a GDC, QVE, and Magellan (ASX: WGF) and we have seen some good performance on some of those holdings. That has led to the top up of the profits reserve the increased fully franked dividend that the Board has declared for shareholders early in January. So we continue to look for those opportunities. Will portfolio performance drive the discount closing on its own? No. But it is part of the key component there together with the dividends and our communication with shareholders.

Olivia Harris: Thanks Jesse. We'll stick with you. We've got two questions on AMP (ASX: AMP), one from Sid and one from Medhi. What's your view on AMP going forward? Are you still a fan? Sid says the recent result doesn't seem to show much sign of improvement in their fortunes.

Jesse Hamilton: Interesting story. One that was going really, really well until last year when the AMP board decided to change tactics and not continue down their capital management path that they'd previously announced. They announced some intentions to invest back into the banking part of the business, which I think the vast majority of shareholders don't believe is profitable for the long-term. There has been some good share price performance in February. I think it's seen the board respond to some shareholder feedback regarding the capital management and they've announced that they're y kicking that back off for another couple of 100 million into the market. So we've seen some strong share price performance off the back of that. If you'd asked me a couple of weeks ago, it might be a different tune. But given the recent announcement and reintroduction of the capital management part of their strategy, the share price is performing better again.

Olivia Harris: Thanks Jesse. Geoff and Jesse, I'm not sure who you want this one to go to next. It's from Clare. WAR has become a substantial shareholder of SB2, that's Salter Brothers. What do you see as the catalyst for the narrowing of the discount?

Geoff Wilson: Very good question. First of all, the discount is very significant. It's a very unique vehicle because a lot of the shareholders are the foreigners that have come through the program to get residency in Australia. So we think there could be more selling. That's where we got our positions and we're 100% sure about what the catalyst will be. What you tend to find is LICs can't stay at a very large discount forever. Now, Salter Brothers is at a 30 odd, 32 odd percent discount. If we could buy 100% of the portfolio at a 32% discount, then we'd be very happy because then we'd make 32 on 68. We'd nearly make 50%. We'd make 40 odd plus percent on our money. In terms of the catalyst, there could be a number of catalysts. I probably don't want to go into too much detail because we could be one of the catalysts. Now, that's not our plan at the moment. We've been buying and we can buy a dollar for now 67.5 cents, that's on our numbers at the moment. We're happy to continue to do that. And just on that, if you are shareholders, then please, send us an email just so we know. We'd be interested in what your thoughts are on Salter Brothers or if there's going to be change at a company. Please, anyone who's one of our shareholders and has a shareholding in the companies we have, please give us your feedback. Then we can get an idea the mood of the market

Olivia Harris: Continuing on with Salter Brothers. We did have a question from Jim who said, would you consider encouraging a wind up of Salter Brothers or for them to at least start paying some dividends?

Geoff Wilson: Well, it's a little early for us. We've been buying recently. When we're at 19.9%, then we'll, then we worry about a few of those other things, but we have to get there first. Assuming we decide to get to that level, or the opportunity presents itself.

Olivia Harris: Thanks Geoff. The next question is from Gary. He has a couple of questions, so I'll ask them in order. Are you still buying Ryder Capital (ASX: RYD)? And is it difficult to buy volume in this LIC due to low daily volume traded?

Geoff Wilson: Yes. That's the answer. It is. We're not buying any at the moment but it is very illiquid and Ryder, they're trying to work out what they do with their business. What happens to a lot of these listed investment companies where the fund manager think it's a great idea, I'll list on the stock market, and then they think that's all they have to do. I mean, you're talking to Olivia and she's one of our senior execs in the corporate affairs area. We have about 11 to 12 people in that work in shareholder engagement, communication and corporate affairs. We're investing $2.5 million to $3 million a year in that area. That's not a cost to the companies, that's a cost to the fund manager. And that's where part of our fund management fees go. Some other LICs, whether you're small, they can't afford, or the large ones that don't really give the commitment. That' what I was talking about earlier when Jesse asked the question, do you look at the AFICs or the Argos? AFIC, the largest LIC, Argo, the second largest LIC, WAM Capita, WAM Leaders, the next biggest LICs, the bigger guys are committed to the space. It's a lot of the other people. Does QV Equities really belong in the space? They've nearly always traded a discount to NTA., I just don't think they've committed to support the entities.

Olivia Harris: Thanks Geoff in, in continuing with Gary's question, it is pivoting a little bit. With the Wilson Asset Management Leaders Fund, will you freeze redemptions if there's a big sell off in the market? So you're not forced to sell the stocks that you don't want to?

Geoff Wilson: Ok. We manage about $5 billion on behalf of about 130,000 shareholders. The very first fund that I set up was the Wilson Asset Management Equity Fund. That's a small fund and trust structure. And then at the latter part of last year, we created an open ended trust structure with the Wilson Asset Management Leaders fund, again an open ended trust structure. You can buy in at NTA and sell out of at NTA once a month.

And the question was OK, say if the market falls, would we be in a situation to freeze redemptions? Obviously, that's a decision for the Responsible Entity. But if the market did fall significantly, you have to remember that there still is liquidity in Leaders. And back in 1987, in the large companies and that's where the Trust invests, there was liquidity, The liquidity totally dried up into small companies. But in large companies, it tends to be liquid, and that's why we did that. We're happy to do an open ended trust for WAM Leaders.

Olivia Harris: Thanks Geoff. Jesse, we'll go to you. This next question is from Sylvain. Could you please detail the calculation of the performance fee while the value of the portfolio is still below the high water mark?

Jesse Hamilton: Great question. And I think shareholders would have seen in the in the interim accounts, there is a performance fee accrued now when calculating the performance fee. It's subject to a high water mark and it's 20% of the outperformance. Now when you look at the balance sheet or just generally the interim accounts, you need to look at the pre-tax numbers. So exclude the tax liability and the deferred tax assets. But you also need to consider the dividends that have been paid since inception. There's around 8.75 cents per share, but that's around 16.5 million including franking that needs to be added back when looking at the current asset value. Now, we don't pay tax on all of that franking. We do receive some from our investment portfolio, but there is a large degree of tax payment there. So when adding that back and obviously above the $2.25 it's then 20% from there.

One thing to note just in the profit and loss of WAM Strategic Value, listed investment companies, and generally now closed end funds, ETFs, any trust structures that do investments, you don't get to claim back all the GST. So there's an extra 2.5% of just unclaimed GST in some of those line items on the profit and loss.

So with management fees and performance fees, for example, if you're looking in those numbers, you need to divide them by 1.025 just to back out the GST. And then that's the performance fee when adding back the dividends paid and the tax paid since inception.

Geoff Wilson: I know there's a, there was a little bit, little bit of discussion on an online forum about it. It's just as the prospectus. It's just like any other managed fund where it's getting 20% of the performance above the high water mark. If the portfolio goes up, then, if it's a trust structure, it would have paid a distribution out. But you take the distribution out of the high water mark. So that’s in line with that.

Olivia Harris: Thanks Geoff and Jesse. The next question is from Peter, when the focus is on buying $1 of assets for 80 cents, why is the war share price in the doldrums? And how can this be turned around?

Geoff Wilson: Fair question Peter and I know we've covered a little bit on it before. The war share price isn't in doldrums. It is a mismatching of ex of expectations from investors. When we floated WAR, maybe people thought that there were going to be takeover bids every day. In the first sort of month after it was listed, Magellan, they let us all get out at NTA of the concentrated fund. And WAM Global bid for Templeton Global. It was the takeover bid and, and that's when it went to a 10% premium. So all those people that bought there expecting bids to happen every day, it didn't occur. And it was never going to occur. So it's just a mismatching of expectations. Eventually you get to equilibrium. WAR, was it a bigger discount than it is now? The discount is narrowing. The share register is tightening up. You'll see eventually you'll trade at a premium.

I didn’t mention with WAX earlier when I was talking about buybacks, at one stage it was trading at a 40% discount to NTA. We spent a lot of time tightening up the share register and actually of all our LICs, that was the one that took us the longest time to get it to trade at NTA. It actually took seven years. The interesting thing is what happened after those seven years, then all the shareholders that were shareholders in WAX, it ended up going to a 50% premium to NTA, which is as ridiculous as a 40% discount. So, yeah, so I mentioned earlier that we've been communicating with the share register over the last little bit. There'll be more communication going forward. We have a shareholder engagement strategy, communication strategy, marketing strategy, which we're rolling out and that will continue to tighten up the share register. And so the discount will continue to narrow until it eventually trades at NTA and then eventually it'll trade at a premium NTA.

Now, I look, I've seen it. I'm not sure how long you've been investing. I've seen it before with LICs, there’s a logical reason why we're currently at a discount. It's a newish LIC. All of our shareholders that have been around for a while, have seen it before. We finally have a bit of profit reserve, so we've been able to pay dividends. Jesse talked about the performance figures earlier. Now the Board's a bit more generous in terms of paying out the fully franked dividends. So all these things happen.

What drive a LIC to trade at NTA if not a premium, it's performance, it's fully frank yield. The biggest buyers for LICs are self-managed super funds. They make up about 65% of our share registers. When we floated WAM Capital 25 years ago, I think they made up about three or 4% of our share register back then. Also LICs, have to treat shareholders with respect like all listed investment companies. You've really got to have a good marketing, shareholder engagement and communications strategy. And, and we think we have that.

Olivia Harris: Thanks Geoff. We have two questions relating to the cash weighting of the fund. Jack has asked, what is the current cash waiting? And Warwick has asked now that WAR is almost fully invested, will WAR now take more of an activist role in relation to some of the more material holdings in order to seek or to force a realisation of underlying value?

Geoff Wilson: Yeah. It's about 8% in cash we were a little bit less than that. We've trimmed a few things that were trading at closer to NTA. As Jesse said earlier, we've committed a lot of cash, nearly 20% of cash over the last six months where the opportunities have presented themselves. Now, when opportunities present themselves, we'll continue to commit the cash and there could be situations where we think there's going to be a short-term catalyst in one entity. So we might bring the cash out of another entity that's trading at less of a discount and move it into the one of the bigger discounts with more of a short-term catalyst.

In terms of the second question, which what corporate activity do we do and why aren't we involved in more corporate activity? It just takes time. We talked about Salter Brothers, why don't we do something with Salter Brothers? We have a small shareholding, six odd percent? We'd like to go to 19.9%. And then if we're still trading at a 30% discount you still want keep buying. Sort of like a cat playing with a mouse. You don't want kill the mouse if you want keep playing with it. It’s better for us if we bought 100% of Salter Brothers at 68 or 67.5 cents in the dollar rather than buying 5% of it when we can buy a lot more.

It takes time to build positions and with strategic positions, it takes time for the catalyst to play out. We're not a trader, we're taking these medium to long-term positions. We'd love to be a trader. We'd like someone to bid for GDC at $2.70, then we'd sell immediately. Or AMP has a $1.70 of assets, , it's trading at $1.10. VG1, you have an activist on the share register, that's trading at a 14-15% discount. Now we think something will happen there. Now, Pengana. Saba’s on the register there, that's close to a 20% discount. We're more on the buy side there. The Magellan Fund, we're just waiting for the wind up details. We all knew this was going to happen for quite a period of time. It was quite clear that Magellan wasn't going to stay in the listed investment trust market as they got rid of the concentrated fund. It would just be a matter of time before the other one. They let you get out at NTA or close to. We're in the Regal Asia Fund. It's about a 13.7% discount on our numbers. We think that'll get close, with Saba on the register there that'll get close to. So that just gives you a bit of bit of flavour of some of our top holdings.

Olivia Harris: Thanks Geoff. And the next question is from Leon. He says he already holds the similar GVF, that's Global Value Fund, of which you're a Director. He holds it in a much bigger parcel than WAR, which he has disposed of, however he remains interested in WAR and is wondering if you can comment on the differences between WAR and GVF and the logic of holding both.

Geoff Wilson: I'm on the board of GVF. I helped Miles set up the fund a number of years ago. When Miles was setting up the fund in Australia, it was when he was based in London. He’d go around and say, oh, we do what Geoff does, in terms of the activist stuff. Now these days people say, oh, do you guys copy what Miles does? Actually, there's a GVF board meeting in 10 minutes which I said I'd be late for. At the board meeting we don't specifically talk about what's in the portfolio.

Now. Miles currently is back in London and GVF is trading at about a 10% discount. So it looks cheap. It hasn't been at that type of discount for a long time. What you're doing there is you're buying global value fund you and it's looking at these opportunities globally. We pretty much look at these opportunities Australia. Currently we don't have any global listed investment trust. And the reason we do it in Australia is because we know the market. I've worked in funds management for 43 or 44 years in Australia. So we sort of know who everyone is. To do it on a global basis, it's still very possible. And Miles spent a lot of time in London, that's why he's got that expertise. So one, you're getting a 10% discount, one, you're getting a 15% discount, you work out, what makes sense?

Olivia Harris: Thanks, Geoff and continuing on with Leon's question. He said, Geoff, you've become such a main figure in the LIC landscape and investors who have significant Wilson Asset Management holdings must inevitably have concerns regarding key man exposure. Could you comment on succession planning?

Geoff Wilson: Yeah. Well, it, it's pretty easy. What we have had for a long time is we have a bench. So if someone leaves, it’s who takes their position. We've done that. That's just good management expertise. If I wasn't here, then it would be Jesse and Martyn and the boys. I'm not sure if I'm talking to an old person or a young person. But what you tend to find, everyone thinks the old people are the ones that do all the work and you have all the expertise. The old people are just living off the glory of all the hard work of the young people. You'd probably find that things would work better if I wasn't around. Well if I get hit by a bus, then I won't have to worry about too much. Yeah. As long as the bus does a good job.

Olivia Harris: Thanks Geoff. On that note, we'll go to the next question. Jesse, maybe you for this one. This is from Sospeter, he said, why did WAM Leaders bid for QVE when we were expecting this to be WAR's field?

Jesse Hamilton: Great question. And this is probably comes back to some of the expectation things that Geoff mentioned early on in the IPO. I do remember, I think we had listed for two days and I had a shareholder ask me when we were doing our first takeover and when are we paying our dividend?

Just to talk about the differences and expectations, but WAM Strategic Value, whilst it can play an activist role and it can take over a company, it's not our first line of attack. We would like to actively trade in and out of discounts over a period. And obviously, if there was an opportunity that presented itself for WAM Strategic Value to do a takeover and acquire some assets at a discount, that would be something that we do consider, but it all comes down to circumstances.

When you look at WAM Strategic Value right now and its size of sort of around $230 million. And then you look at QVE of a similar size. If WAR was to take over QVE, that would cause a large amount of disruption for WAM Strategic shareholders that would sort of entail doubling in size during that time. And obviously, normally we would need our share price to be trading at NTA or at a premium to do an offer where say we're doing NTA for NTA or, or a takeover bid and using our shares to acquire another company. They're the types of things that we need to consider.

If an opportunity was right for WAM Strategic Value, and size being one of them, where if you look at WAM Leaders and the portfolio as well, QVE and WAM Leaders are more aligned than not in terms of area of the market they invest. WAM Leaders being a sort of a $1.6 billion company taking over QVE, a much smaller size is a much easier bolt on in terms of disruption to the share price and the share register with such a transaction than WAM Strategic taking it over. So it is a possibility for WAM Strategic, but it's not the first thing that we'll consider when we're looking at buying a discounted asset.

Olivia Harris: Thanks Jesse. Geoff. The next question is from you. It's from Mr Ward. It's a bit of a long one. He said he's a long term fellow shareholder. He started off in the WAX IPO and holds multiple funds now. But he's noticed in the reporting, there's no indication of how the various funds are currently trailing their IPO prices or working towards reversing that capital loss. But rather, the focus is on bridging the gap to NTA. He notes that he's tried to get his children to take on holdings in the WAM funds, but they refer to the capital losses attributed to some of the holdings and that the share prices have not appreciated a great deal, especially when you compare them to appreciation of property values over the lifetime of the various funds. He's pointed out to them the dividends that have been paid out. And they say you should expect that from an investment manager, especially when you employ a professional with a well-compensated investment team. What would your reply be to them?

Geoff Wilson: A very good question. My initial reply would be, "how do you get your return?" We announced our WAM Capital result yesterday, and WAM Capital is a classic example. Listed investment companies are a different structure to a trust structure, or to an ETF, or property. With a listed investment company, it makes money each year. We are traders for tax purposes and we pay tax. In fact, 30% of the money we make gets paid to the government as tax. Say I put in $1, the first year we turn that dollar, it goes up 10%. That becomes $1.10. If you have a property, then say the property is trading at $1.10 if it's gone up 10%. But we trade the positions and we pay tax of 30%. So our dollar has turned into a $1.07.

And that 7 cents, we've paid 30% tax, so it is fully franked. We give it back to people. This doesn't really necessarily work for young people. If they don't earn any money and they get the franking credits back, it's good. But effectively, they're worse off by 30% by the tax paid if they can't get the franking credits back.

I would say to them, if they're not getting the franking credits back, they're better off investing in property. With a property, you get a yield. The yield on property at the moment is about 2.5%. With that example, I was giving you a $1. That goes to $1.10. You're getting a 2.5% yield with property. We, we're giving you a lot higher yield than that with WAM Capital, as an example, it's currently giving you about a 10% yield after tax on assets. So it, it actually makes 14 or 15%, say 14% pays tax and then can pay out 10% fully franked.

But how do you make your money? It is a combination of income and capital. Now, if you're getting a super income dividend, and this is where your children have got a little bit wrong. I think the market over that the last four years since COVID has gone on average up about 6%. So the market's gone up 6% for four years, but we've been giving shareholders in WAM Capital effectively 14% pre-tax. So where does that come from? T's from the, the profit that we made in previous years. So, effectively, if we had only paid out what, we'd return to shareholders after tax, that's 6% tax, that's 4% then the 14% we've given out, that other 10% would have been an increase in capital. So to me, you either get it as dividend or yield, or sometimes you get super yield. And then you're actually getting capital paid back out as income. It's WAM Capital that made before COVID and then it kept paying a very high dividend. Your question was quite long. Sorry, unfortunately, the answer is quite long but it's not that simple. But that is the answer. Thank you.

Olivia Harris: Thanks Geoff. And I know we've just hit 430 but I'll just keep going until every question is answered.

Geoff Wilson: And I'll tell the guys at my next meeting. You're our shareholders and you're incredibly important to us. So, yeah. Thank you for staying on. Thank you for asking the questions.

Olivia Harris: Thanks Geoff. This next one is from Damien. He says the shareholders of both WAR and WAM Global have endured significant share price discounts for an extended period. When is the board going to treat this issue seriously and announce and affect a meaningful time based strategy to address with progress reported on a monthly basis?

Geoff Wilson: Thanks for the question. I'm probably the biggest shareholder in both and of course, I'd be a lot happier if, if WAM Global was trading at its NTA which is, $2.50 a little bit, the live NTA, and WAR was trading at its live NTA or a premium. Because it's got a discount capture mechanism in there. The Board is totally aware of that and the investment manager is incredibly aware of it. And we're working as hard as we can to get it to trade at NTA.

I think part of the question, you wanted to report on a monthly basis. Effectively, I explained to you what needs to be done and we have committed the resources to do it. A number of our LICs trade at premiums and these newer ones trade at discounts. The reason why they trade at discounts is because of a misalignment of shareholders' interests. Jesse mentioned that it was a shareholder that rang him soon after we floated. Now, he would have sold in the first couple of days or maybe in the first week because we couldn't meet his expectations. And it's not until, well first year economics, supply and demand, you get to equilibrium. Eventually you will get to equilibrium. When people that are invested in these vehicles, the vehicles are delivering for them.

So, as a Board, we can continue to grow the dividend over time. With WAM Global, you're effectively getting a super dividend for a global entity. You are getting close to 6% fully franked. Where if you invest in global equities, the yield you'll get is 2%. That's 2% unfranked, which is 1.4% fully franked. We're giving you above that. It is actually profit that we've made and paid tax on and we're paying out to you. If you expect that from global equities, then unfortunately, that's not right. So I think that sort of answers this question. If you have any more ideas or suggestions, please email them in.

Olivia Harris: Thanks, Geoff. The next question is from Clarence. With the profits reserves sufficient enough to cover 2.5 years of dividend coverage at the current payout rate, why didn't you increase the dividend to 2.5 cents per share for the interim dividend? You stated it's increased by 50% but 2.25 versus 2.0 is not a 50% increase.

Geoff Wilson: It is the interim dividend and not the final dividend for the increase. It increased 50% on the interim dividend last year. When you look at your performance, it's on the previous corresponding period which is the interim, not the final. But the question is why didn't we pay a bigger dividend?

Well, we haven't got that. We haven't got enough franking to pay a bigger dividend. And I'm sure as a shareholder you'd prefer a growing stream of fully franked dividends. If we want to get these entities trading at NTA or a premium, you need to do it by delivering a growing stream of fully franked dividends, not just a big dividend one year and no dividend the next year. And a dividend is a function of the tax you pay, that's how it gets franked, and the profit you make. And the nice thing is we've actually increased the profit reserve. So now we're in a lot healthier position than we were. That was part of the debate we had as a Board, whether we go hard or whether we paid less. That was the part of the debate too at the Board.

Olivia Harris: Thanks, Geoff. We've got a couple of questions on PAI. Someone has asked, what your view is on PAI?

Geoff Wilson: Yes. It's trading at a big discount, about 16%. It looks like the options won't get exercised. We have a small position in it. It looks cheap. That's a good manager. It looks cheap. We only have a really small position because we're not quite sure, we thought there'd be a drag on both of the Platinum LICs because of the option issue, which was in the money and would put downward pressure on them. So we might increase our position as we get close to the option exercise, which we are.

Olivia Harris: Thanks, Geoff. The next question is from Rob, what is the thesis behind the NGE investment?

Geoff Wilson: Just buying assets cheaply. I think when we started buying NGE, we were buying at what could have been a 30% plus discount. And surprisingly, the underlying assets have performed extremely well. So we've made good money on it that. It's really the discount, we didn't have it, and it's very small. Now we talked about takeovers. That's, that's something that potentially, especially the very small ones, that WAR could be involved in.

Olivia Harris: Thanks Geoff. The next question is from Cameron.

Geoff Wilson: On NGE, I just looked at the portfolio, we made 50% on NGE. It wasn't a significantly bigger position. Sorry, Olivia, that's all.

Olivia Harris: The next question from, Cameron. The interconnections between the WAMI funds, including WAR, WLE and WGB, through LIC takeovers is concerning. Are we taking from Peter to pay Paul?

Geoff Wilson: Well, the answer is we're not taking from Peter to pay Paul because unfortunately Paul doesn't get paid. As Jesse said earlier, it's in our interests as in, Wilson Asset Management, not to have a position in WGB because then we get more management fees. We don't get a management fee on the position in WAM Global.

In terms of WAM Leaders bidding for QVE, it's public that WAR has a position in QVE. QVE looks at large caps minus the top 20. So that really focuses on 20 to 80 listed companies, or 20 to 200 listed companies. It's traded at a discount for a long time and WAR is a 15% shareholder. The WAM Leaders Board was obviously aware of that. Everyone was aware of that and they decided to approach QVE to allow shareholders, to allow QVE to merge with WAM Leaders. You saw the announcement. Putting our WAR hat on, it appeared that there was negotiations about doing a friendly transaction at a higher price than what WAM Leaders bid. So we're very hopeful that something will happen on that side. It will provide liquidity for everyone.

You can't forget that we were sizeable shareholders in OzGrowth and WestOz. They were taken over by WAM Capital and we sold our WAM Capital stock and turned it into cash.

Now, the reason we ended up with our WAM Global stock is when that takeover occurred, there was about a 6% difference between getting shares and cash. So we elected for getting shares. Since then, we have a policy. Going forward now, we've learned from that. And so if any other takeover occurs and we get shares in another WAM vehicle, we sell immediately.

And another, there was a takeover WAM Leaders made a takeover for AEG which we're a shareholder in and we sold the WM Leaders shares. Please don't be concerned. Peter isn't robbing Paul or whatever the saying was. Paul's not getting paid. He'd be better off if it wasn't in there and one day it won't, because that's 38 million. It's 1% of that a year.

Olivia Harris: Thanks Geoff. Jesse, we'll go to you for the next one. It's from Andrew. Can you please explain the look through NTA and isn't the discount really understated? If the look through represents the real value.

Jesse Hamilton: Great question. Now, this came up in one of our first webinars for WAR as we're buying discounted assets in the WAM Strategic Value portfolio. We have an NTA that we report on a monthly basis, the individual investments are just valued at the share price that they're trading at. And obviously we're buying them because they're trading at a discount to NTA. So in our NTA, it does not reflect the true value if we were to close the discounts of those underlying positions. We had a shareholder, ask us, well, can you tell us what the value would be of WAR if all those discounts closed? And that's the look through NTA. So it, it is correct in terms of when you think about the share price versus that look through NTA that there is a bigger discount there. And that's why we believe fundamentally that the share price should be trading at NTA if not a premium because of that embedded value, if we're able to close those discounts to NTA for WAM Strategic Value.

Olivia Harris: Thanks Jesse and Geoff. Two questions from Cameron. He's asked, even if we get to NTA, the share price will still go down if the underlying assets are dogs. Patience, sure, but we need to pick winners. How would you rate your track record within WAR? And he continues, blaming the shareholders for not being aligned is not a reasonable explanation for underperformance. What are the underlying reasons?

Geoff Wilson: Well, the there's two different questions there. We're not blaming the shareholders for underperformance. We're trying to explain why they're trading at a discount. In terms of how to rate the performance, it's early days. We've been doing this since before we floated WAM Capital, since we set up the first fund, we've been buying discounted asset plays. IT just takes time to build positions in companies that you want to. It takes time for catalysts to play out. With Templeton Global, we might have been shareholders for eight years to slowly build a position. It just takes time. What rating would I give us in terms of performance? I'd actually give it definitely above a pass for the underlying assets. Now, as Jesse said, more recently, they've done well. Were there any discounted asset plays that we missed out on in Australia? In terms of the opportunity cost, I can't think of many that have been. There's a lot of operating companies. There's only 88 listed investment companies. We've bought some of those other operating businesses. Global Data Centres has been good for us in the early days. It was tough. And AMP, we bought just above a dollar, we sold some at $1.40. We bought some back just above a dollar. Obviously, when they're down to that 80 cent level, there was a fail, but now they're trading $1.10. It's probably neutral. Then the other LICs, as I said, we've taken over 10 of them and WAR has participated in four of those takeovers. The other six were done, I think before we set WAR up.

Olivia Harris: Thanks, Geoff. And I just want to share some feedback that's come through from Martin who said, he's heard a lot of shareholders asking why the LIC is trading below NTA. But that's exactly why he got into the LIC, with the management skills of the group. He's very confident he will get a decent return, irrespective as to whether it reaches the NTA.

Geoff Wilson: That was nice. Thank you. That's the beautiful thing about listed investment companies because you get the exposure of the underlying assets. And then you're getting effectively, e getting a dollar of, well, not a dollar of assets, probably $1.15 of assets and you're paying80 to 85 cents. $1.15 of look through assets, a dollar of actual assets.

Olivia Harris: Thanks Geoff. The next question is from Sally, what is your view of the ideal share price? Is it at NTA or above? And what premium do you think is perfect?

Geoff Wilson: WAR is a tricky one because you have that look through NTA. For those that have been around a while, Buffett in his early days used to trade at a discount NTA and he was taking over companies. Then he would actually announce what his equivalent of the look through NTA was because he wanted the share price to reflect that and it, and it wasn't. So he was trying to get the share price to trade at that look through NTA. I would have thought a small premium to NTA.

The thing is, WAM Capital was trading up at about a 30% premium a few years ago. So, unfortunately, just as people are frustrated and negative, look to me, everyone on the call is frustrated and negative. If you don't think you can be positive at some point in time, please sell your shares because then we'll get to NTA lot quicker. You really need to have that alignment. And what happens is while you're trading a discounted NTA, everyone's frustrated. I'm sure it will be when war's trading at a 10% premium. NTA, then everyone keeps buying it and they buy up to a 15 and a 20% premium to NTA.

I remember when WAM Capital was trading at a 15% premium to NTA, I sold on my WAM shares. And then it went to a 25% premium to NTA. They thought, well, Geoff doesn't know what he's doing. But my logic was, it was just trading at a premium. I just know what I'll do. I like buying at a discount and selling at a premium. But the question, one of the questions Olivia, you asked a little earlier, which is very true, is what if the underlying funds perform poorly? Then there's no use buying at a discounted NTA if the underlying funds perform poorly. You look at the underlying funds, WAM Global, particularly this year, they're outperforming the market. I mean, the QV Equities ones they have this year, they've done well, but before that, they had performed poorly. We're pretty happy with now that the Regal guys are running the VGI's pair. The Magellan guys, they went through a bad patch. What you tend to find is you'll find that fund managers can go through bad patches and then they'll go through good patches. We're pretty relaxed. QVE, that'll get resolved. And, and the gentleman that was worried, don't worry, I actually don't think we'll end up being heavy. Whatever we end up with will turn into cash. We won't be holding WAM Leaders if we end up with shares.

Olivia Harris: Thanks Geoff. Question on VG1 from Jim. Do you see the activist investor in VG1 forcing a wind up?

Geoff Wilson: Well Jim, if you want to do some research, go on. I'm not on Twitter, but go on Twitter and see. They are in the US, they've had some big fights with, with big players and they are very brutal. Their playbook is buy assets at a discount and sell them when they're closer to NTA. Everyone says, why aren't we doing more? Jesse. When did Saba first buy in? How long ago do you think they came to Australia?

Jesse Hamilton: Oh, I think it was February. January, February last year. February last year.

Geoff Wilson: They're just buying like that. That's a year and they've done nothing. Probably another year and they'll have done nothing. To me it just takes time to build these positions. We would prefer that all the LICs, we own their share prices move towards NTA and we sell them all rather than someone having to take them over. That's what we'd prefer because then when they go to a discount again, we can buy them again. And ideally would prefer to do it on a rotational basis, a couple at a time. But, unfortunately, the market doesn't work like that.

Olivia Harris: Thanks Geoff. The next question is from Jack. Can you please share your view on Magellan Global Fund (ASX: MGF)?

Geoff Wilson: Thanks Jack. Magellan Global. They went through the phase of listing the LICs, and then soon after we floated WAR, Magellan Concentrated Fund allowed everyone to get out at NTA. It was just a matter of time before this happened and we all knew the options which expired at the end of March. We all knew that a transaction would occur after that. And it didn't really matter about the activist plays by people, it was always going to happen. We wrote it up about a year ago saying now before all the activist noise was going around, a lot of activists have set up positions in Magellan expecting to get out at close to NTA. So I would say in the next month or two, they'll probably announce how you get out. And you'll get out pretty close to NTA. So currently it's trading about a 6% discount. It's probably cheap. If you annualise the return, I'd say you'd probably get your money. You have to wait for the options to expire at the end of March. Maybe you don't find out the details till April and then you'd probably get the money reasonably quickly say May or June, or probably June or July or August. If you're happy to get, obviously, you're taking the risk of global equities. But if you're going to put money into global equities anyway, then you'll probably get an annualised return of 12%. So it's not 6% over six months, annualise it 12%. Remember you're taking global equities risk. So if the global market falls now, then buying a discount doesn't offset that.

Olivia Harris: Thanks, Geoff. Jesse, we will go to you for this next one because you've touched on it earlier. Simon has asked much of the M&A activity is undertaken by WAM Capital, WAM Leaders and WAM Global. Is WAR just too small to make meaningful mergers and acquisitions?

Jesse Hamilton: Look not necessarily, but I think when you think about the timeline in terms of acquisitions for Global, Capital and Leaders, some of those were probably on foot before the existence of WAM Strategic Value. There was quite a few that happened before the IPO in June 2021. But it does depend on size. Where WAR is, if say there was an opportunity at a $30 million or $40 million listed investment company, that would be something that would be considered. But as Geoff mentioned, our preferred option would be for the discounted asset plays, for the discount to close at NTA. We sell out, realise some value and then obviously buy others at discounts or buy them again when they go to a discount, and keep making money for shareholders.

Olivia Harris: Thanks Jesse. This next question is from Steven. He said the February 2024 investment report stated that you had taken a fairly substantial holding in NSC of almost 9%. Is the philosophy of WAR just to sit on this and wait for the share price to NTA discount to close or will you take advantage of the discount to NTA and look into fully taking it over? And why?

Jesse Hamilton: NSC has been there for some time since early on the IPO. It's just like Geoff mentioned on some of the others and NGE, just a discounted asset play. We would prefer that discount to close and be able to realise some value and then rotate into other sort of entities trading at bigger discounts. IF the discount was to widen, we could look at an opportunity to pick up more of the holding. If we believe that catalyst is there to close the discount.

Olivia Harris: Thanks Jesse. Next question is from Dave. Does WAR hold any TGF? That's Tribeca. It would seem to be trading a substantial discount with a good dividend.

Geoff Wilson: Not at this time. No, no, we don't. It's one that it's just a tricky one for us. I'm not that confident on the catalyst. How do they get to NTA? How I talked about earlier, the important things are performance yield, having a shareholder engagement, communication, marketing strategy and also treating shareholders equitably. They raised some capital recently and it was at a discount to NTA, which means anyone who didn't participate in got diluted. It was quite a big dilution. I think they alienated a lot of shareholders there. Some of our shareholders that have asked questions a bit frustrated because we're trading at a discount. If we then raise money at a discount, like how much more angry would you be? They haven't done the right thing by shareholders. It's a long way back for them to close that discount. We have traded it once before, but at some point in time we may be back there.

Olivia Harris: Thanks Geoff. Bill has asked, what do you find interesting in Lark Distillery?

Geoff Wilson: It's just assets. We bought into it when the CEO left and it was all a bit of a disaster. The share price had fallen significantly and come under pressure. On our numbers, you can get up close to $3.50 or $4 a share in assets in the company. So we think at some point in time, it'll be taken over. It won't be listed on the exchange. We have a very small position of the portfolio. 0.68 of a percent. That was a small play on discounted assets.

Our focus is the LICs and LITs, but go back last year, some of the operating businesses, like GDC and AMP, we saw were trading at discounts to assets. We had a bit of a nibble in there or had a bit of investment in there.

Olivia Harris: Thanks, Geoff, thanks Bradley has asked, given the FGG large discount, would you consider buying some of those shares?

Geoff Wilson: The answer is no because, out of choice, we're not going to buy shares that are in the group. FGG is very cheap. I was actually just looking at the announcement, it's to be announced next week. FGG and FGX are cheap. FGG is cheaper. Bigger discount. That won't be a long-term thing. Both have traded at premiums and discounts before, but it's just going through a tougher period I think.

Olivia Harris: Thanks Geoff. And we've got two questions that relate to the reasoning behind the discount from Richard and Roger. So is the discount because of the risk to NTA of the invested funds in the event of a significant market fall or, is the explanation of them trading at a discount in relation to taking management fees over time?

Geoff Wilson: I don't think the first one's the answer. The theory on the second one, if you do a net present value (NPV) of management fees over time, then that's the discount you trade at. If that's the case, then effectively, no LIC would trade at a premium. A while back AFIC and ARGO were close to 15 to 20% premiums. I know them, you'd argue. Well, their management fees are like point nothing. So they should be there, but then they'll go to a discount.

When WAM Capital was trading at 30% premium and WAX was trading at a 50% premium, where does that fit? Isn't that logical? You can't NPV the management fee because in theory, then you have to look at the risk adjusted return. And if manager's going to deliver better risk adjusted returns, adjusted for the management fee, then you want to pay a premium for it.

If you look at the history of LICs or closed end funds, before the crash in the 1930s, they'd float and they'd immediately go to a like 100% premium because they were investing in equities that were going up significantly. So everyone thought, oh, how do they make this magic money? They were putting them on price to earnings (P/Es), not looking at their assets. Why are there discounts? It's the shareholders. There are shareholders that bought into the IPO or since the IPO, and effectively 80% of the shareholders are rusted on and are very happy with what we're doing. It could even be 90% of the shareholders. It's the marginal shareholders that are buying or selling, that dictate the price. The moment the marginal shareholders are selling, they're prepared to sell, a dollar of assets to someone else at 85 cents. At some point in time that'll dry up. Or it could get bigger the discount. I don't think it will. We have a detailed marketing engagement strategy that we're rolling out. Unfortunately, it takes time. As I said, with WAX, it took us seven years to get to an NTA. But then unfortunately, we did too good a job and tightened the shareholder register up too much and it went to a 50% premium. I'm not saying this will happen here, but we'll trade at NTA if not a premium again.

More Olivia?

Olivia Harris: Yeah. Yeah, we do have a few more.

Geoff Wilson: Thank you for the questions. And any other, any others who don't want to ask questions, please email in and we can ring you.

Olivia Harris: George was asked if you could talk about CD1 and CD2. Is war in for the long term. Is it envisaged that you'll be holding on to these until such a time as they wind up after most of the capital is returned as part of their ongoing distributions?

Geoff Wilson: Yes. A or B, in terms of approach and take them over for us. It just looked like a no lose discounted asset play, money coming back to us or some odd bids for them.

Olivia Harris: Thanks Geoff. The next question is from, Sospeter again, he said, what are we doing with TEK? And TOP? What is the catalyst?

Geoff Wilson: They're trading a big discounts. We only have very small positions in them. Thorney is about 0.47% of the portfolio. The other one is less. From our perspective, you can't have a big discount forever. It's trading at a 31.6% discount on our numbers. Eventually something will happen and look, we only have a very small position. We had very small conviction. But if we have our toe in the water, if something happens, then obviously we'll have a bigger position. Long-term you can't survive that with those discounts.

Olivia Harris: Thanks Geoff. Jesse, we'll go to you for this next one from George. He said, if you pay 30% tax on all your profits, why aren't there sufficient franking credits to pay a higher dividend, as you mentioned, isn't 100% of your profit reserve associated with a corresponding amount of franking credits or do some of the profits not have an associated franking credit and if not? Why not?

Jesse Hamilton: Good question in terms of understanding the relationship between profits reserve and the franking balance of a company. Each year, our profit is made up of both realised and unrealised positions. So we could have unrealised gains and realised gains which makeup our profit before tax. After expenses, you accommodate 30% tax. So just per the accounting standards, we have to account for 30% tax on the total value. But our current tax liability and deferred tax liability will represent the realised and the unrealised. So obviously, when we're paying tax on our realised positions, we're topping realised profits, we're topping up the franking account. And then the deferred tax liability will relate to the unrealised gains on the portfolio which can move from period to period. So at certain points, there can be mismatches between the profits reserve and the franking accounts, depending on how quickly and how often you're turning over the portfolio and realising gains.

Olivia Harris: Thanks Jesse and sticking with George. He's asked, when buying discounted shares of another LIC, do you also consider what individual companies they hold in their portfolio as part of your decision to buy in? If the LIC holds companies that you yourself would not invest in, would you still buy the LIC?

Jesse Hamilton: Yes to the first part and no to the second part. Something we spoke about in the prospectus, you identify a discount, it could be a value trap. So you need to look at the underlying portfolio of those discounted asset plays where they're invested. Obviously the track record of the manager, what's the capital management policy of the board? So the discount, you can filter the entire universe and find all the discounts. But if the underlying portfolio, the underlying manager, what they're doing capital management wise, isn't of quality, obviously that, that presents risk where we might not be able to realise that discount.

Olivia Harris: Thanks, Jesse. Barry has a question. Are you concerned with the asset value of the unlisted assets in SB2 and TEK?

Geoff Wilson: There's no doubt that a risk in terms of trying to work out what the real NTA is. Of any company. It's obviously easier with listed investment companies. Listed investment companies that invest in listed equities. You'd expect a bigger discount for that and with those you are getting a bigger discount for that.

Olivia Harris: Thanks Geoff. The next question is from Damien, related to capital management actions again. He says the WAR monthly performance report highlights you welcome capital management actions affected for other holdings within the WAR portfolio. Why are those capital management strategies not pursued for WAR or WAM Global to help close the share price discount?

Geoff Wilson: I suppose the example we gave you is VG1. They bought back 60% of all the shares that were traded over a period of time and they're still at a 14.2% discount. Buy backs don't necessarily work in terms of capital management strategy. In terms of Magellan, which talked about giving some money back. Well, it saves us having to bid for something and we get the money back quickly. As an investor, that's great. You can vote. If you buy enough shares and then vote and then if you're wanting the money back, then you can get the money back, and you get$1.22 back, which you'll think is great. But in theory, there's a $1.42 of value. There's 20 cents of value you left on the table. To me, that's the problem. We're very happy with Magellan doing that now. We bought into it with the expectation that would happen. So the capital management. We're very happy when we bought various other things.

Olivia Harris: Thanks Geoff. Justin has asked, are companies like SOL, Brickworks and Seven available for investment? They're not technically a LIC, but they're similar.

Geoff Wilson: That's right. We could invest in those but haven't at this point in time. We could. They would be discounted asset plays.

Olivia Harris: Thanks Geoff and pivoting a little bit to Arthur's question. He said, with the advantages of the LIC structure, why did you set up the Wilson Asset Management Leaders Fund?

Geoff Wilson: Oh, this is the Leaders Fund which is in the trust structure. When we announced, it WAM Leaders was trading at a 4% premium and then it went to a 10% premium. There are a lot of financial planners or high net worth people that said, hey, look, we're very happy, and people for years have been coming to us and say, look, we're happy for you to manage some money. But we want a fund that we can get into the NTA and get out of at NTA. And that's, that's why we set up The Wilson Asset Management Leaders Fund. In theory, it's highly liquid. We could liquidate the portfolio in a day. That's another reason. We do the same for WAM Capital. We have an unlisted fund and have had it for probably 23 years. We haven't taken any more money in a small cap unlisted fund.

Olivia Harris: Thanks Geoff. And some questions on a couple of the individual holdings. What's the catalyst for Carlton investments? And can you comment on Ophir, which is a relatively new to WAR?

Geoff Wilson: It'll be interesting to see when the major shareholder, when he passes on, what happens to the entity. You think Carlton's trading at a big discount, it's traded at a big discount for a long period of time, 20%. Plus you'd think something would happen at some point. It's not an ideal structure and that's right. Carlton isn't a big position. But that discount is attractive. So at some point in time, there will be a catalyst. It could be quite a way off. That's why we don't have a big position. What was the second one?

Olivia Harris: Ophir

Geoff Wilson: Ophir was the trade. There was a large line of stock that we bought at a big discount around that $2.30 level. And we've just been trading it out making money. It's still trading at about a 13.7% discount. We just bought it at a bigger discount and it was just purely a trade. So eventually that won't be there, but we've made good money.

Olivia Harris: Thanks, Geoff. And some questions on two companies that I don't believe we hold, but if they're on your radar? One is DJW and Touch Ventures.

Geoff Wilson: Touch is really interesting. That's on the radar. Something is going to happen there, no doubt. DJW, we just like that that has traded, buys equities and does buy rights against equities. You get the market performance with a bit of protection, probably a little bit less than the market performance with a bit of protection. If they were trading at a big enough discount we'd buy it, but there's no natural catalyst, no-one's going to take it over. Touch could get taken over. It should get cleaned up. It looks cheap and we've been doing quite a lot of work on Touch.

Olivia Harris: Thanks Geoff. A question from Simon back on VG1. What do you think they should do to close their discount if you say the buyback isn't working?

Geoff Wilson: I was talking to them a little while ago. Phil and the Head of Sales. They're committed to get it pretty close to NTA. We have 11 people in shared engagement, communication and sales. VG1 doesn't have the structure we have, so they'd have to build that and it'll take them time to build. They've done well with the Regal Fund. That's the LIC, and they've just got to commit more resources and engage with shareholders. Do all the hard yards. That's right, communicate with you guys or communicate with their shareholders. It's really hand to hand combat in the end, because broadly it's very simple to say if you get every shareholder that's rusted on and is happy with what you're doing and understands what you're doing and is happy with what you're doing, then they won't sell. You just one shareholder to buy at NTA or premium and then it trades at NTA a premium.

The fact is, it's, very easy to say, it's very hard to do so effectively. You have to communicate with every shareholder. Everyone has to be aligned. It just takes an enormous amount of effort. The other guy was saying earlier, someone was saying, can you report on a monthly basis? It’s just the effort it takes is significant and you just don't know when the register is going to tighten up and then all of a sudden it's trading at NTA. Nothing much can change it. Just trades at NTA.

Olivia Harris: Thanks Geoff. The next question is from Simon. This is an interesting one, Australian LICs that trade in global equities have historically underperformed and often traded at discounts to NTA for extended periods compared to LICs that trade in Australian equities. Why does WAR have nearly 50% invested in LICs that involve global equities?

Geoff Wilson: OK. You go back to the underlying performance of the underlying funds. I'm not necessarily sure if that's correct. On an after tax basis because the companies, if they make profit, they pay tax. We know Magellan performed well last year but performed poorly the year before. The Platinum guys, I just don't know what their performance is at the moment. Anyway, what you had is probably about four or five years ago or maybe even longer, there was enormous demand for global equities and a whole lot of global LICs listed. What’s happened over the last little period, all those global LICs have gone to bigger discounts. The big discounts have been in the global LICs where the Australian LICs were trading at le lesser discounts. Global equities have performed a lot better in the last 12 months than Australian equities. Now, the global markets, what's it up? 24% or 21%? And the Australian market, what was that Jesse for calendar year? Was it up? 12%? Maybe a bit more. Domestic was up around 7.3?% Global equities have done a lot better over the same time.

Jesse: Global did 24.7%

Geoff Wilson: That’s where the opportunity has been. The bigger discounts and the good thing is we have a bit of performance and that's probably one of the reasons why the last six months we've performed reasonably well. Now we're getting a bit of a free kick from the global guys.

Olivia Harris: Thanks Geoff. Jesse, this next one is for you. It's from George a follow up to his previous question about the profits reserve and franking account. He says, if your profit reserve includes unrealised profits, then only dividends to the amount of realised gains can be paid. Is it possible to advise shareholders how much of your profit reserve is realised and unrealised? So that they can determine if you have, say, three years of dividend coverage, they know how much is actually payable since your unrealised gains could disappear on a future market crash and hence your unrealised profit disappears?

Jesse Hamilton: I understand the logic of the question. Each period in terms of the ability to pay a fully franked dividend, a company needs to be able to point to profit. So back in 2012, the Corporations Act changed and there used to be a profit test built into the Corporations Act for companies to be able to pay a dividend. It changed and just said you have to have positive net assets. At that point in time, and Geoff, you might remember, more than me, a lot of listed investment companies went out and started paying these franked dividends and the tax office stepped in and went, hold on. You can't just pay it with positive net assets. Like all LICs, you have to be able to point to profits. And that's where the concept of the profits reserve came from. And because we more active trading, our profit includes the unrealised and realised.

So each period that profits reserve, what's there is payable in a franked dividend, but you only need to have the franking at the point of time that you sort of pay it within a 12 month time period. So when I say we've got a profits reserve of X right now, that is payable and a fully franked dividend. And if you were to declare a dividend, you just have to have the franking by 30 June each year. So you don't go into a negative franking account. So it's better to look at the profits reserve and then the franking levels of the company each period. So at 30 June, , we put our franking account out to the market in our annual report, but each month, we also disclose when we're paying tax. So if you keep a close eye on the NTA of each listed investment company, we're telling you when we pay tax and that comes out of the pre-tax NTA. So you'll see the pre-tax NTA fall when we're paying tax. We want to make that really clear for you. So you can see when we're paying tax along the way, we're topping up the franking account. And then you can see that the relationship between the profits reserve and franking account.

Another school of thought would be, if you have 12.3 cents away in the profits reserve, should we not have 12.3 cents locked away in franking? That is a possibility, but that does require a big redemption out of the portfolio in paying tax away to the ATO. So we like to manage it more strategically in terms of the dividends that we believe will be payable over the coming years. Make sure the Franking account is sustainable and we manage it more actively than just paying a huge chunk away each period off to the tax office.

Olivia Harris: Thanks Jesse. Geoff, the next question is from Danny. Do you have a view on Magellan's New CEO?

Geoff Wilson: Look, I don't know her but everyone I've spoken to that knows her and Dania who manages the alternative assets fund knows her well, says she's very good. It's all pretty positive. Big, big, big job for her, as in terms of what she needs to do. But it's probably close to the bottom In terms of their funds under management. I don't know if they'll lose too much more FUM.

Olivia Harris: Thanks Geoff. We are getting close to the end of the questions. The next one is from Patricia. Would you consider adding Pengana Private Equity Trust, which is trading at a discount?

Geoff Wilson: Potentially. The tough thing is, and one of the questions earlier was about TEK and the companies that had unlisted assets. PE1 has traded at a premium. It would have to trade at a pretty big discount because it's investing in unlisted assets. If you get a good diversified portfolio, and that's why when we went into that area, with WMA, WAM Alternative Assets, we went in with a very diversified portfolio. You can get exposure to things like water rights, etcetera, which you can't get anywhere else. Before we took it over, it was managed by Blue Sky when in the heyday it traded at a premium for quite a period of time. A diversified portfolio like that can trade at a premium.

PE1, I'm not sure. And, and in terms of raising capital, I think, they're probably a little bit strong on the raising of the capital. We could buy it but we haven't at the moment. The last capital raising we took some, and we sold them out and made a couple of cents on them. We'll trade it in the portfolio if we think we can make money, but right now at a, I think, 6 to 7% discount, quite a small discount and more recently traded at NTA. If it went to a maybe 20% plus discount have a look, if we thought we could make some money.

Olivia Harris: Thanks, Geoff. , the last question is from Jim. He's asked, what is your pick for the most undervalued top 100 stock at the moment or a small cap stock? So, what's your stock?

Geoff Wilson: Well, I'd go for Global Data Centres our rate. I think it was a $1.90, so it's only 5% higher. I'm pretty comfortable. We get a good return out of that.

Jesse Hamilton: And if the Air Trunk position does IPO, some analysts are forecasting upwards of $2.90 in terms of that look through value as well.

Olivia Harris: Thanks Geoff and Jesse. And we've just heard a comment from Garth come in. He said it's not a question, but he's very impressed with your willingness to stay connected and answer everybody's questions.

Geoff Wilson: You own a company. I texted my Board, they've been asking, where are you? when are you turning up to the board meeting? I said, well, hey, the shareholders have questions. You guys own the company. We do what we do because you allow us to do it. Thank you for that. Rest assured that we will get the share price to trade at NTA. When we get to a premium, then we'll all be a lot happier.

So look, thank you very much for your time. Thank you for your questions, please. Any ideas, any questions, please send them through. The only reason we announced the look through NTA is because a couple of shareholders asked us about it and we thought, what a great idea, we can communicate there. Any other thoughts, we're very happy to have a robust discussion. Or any feedback, any negative feedback you have or any positive feedback.

Thanks very much and a number of you, Tomasina, Tomi for short, will be calling. If you hear someone with an English accent, that's her. She's probably going to ring another couple of 100 odd shareholders for any feedback, any ideas, any thoughts. We appreciate you allowing us to manage this capital on your behalf. So, thank you, Olivia, and thank you, Jesse. And thanks everyone else.