



WAM Alternative Assets FY2024 Interim Results Webinar

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Speakers:

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Jonathan Lim – Managing Partner, Liverpool Partners

Zoe Landry – Corporate Affairs Advisor

Geoff Wilson: Hello, I am Geoff Wilson, welcome to the WAM Alternative Assets (ASX: WMA) webinar. I will be giving you an introduction and discussing the Company's recent interim results. Then I will pass over to Dania, who is the Portfolio Manager of the fund, and she take you through what is happening with the portfolio and the outlook.

We are very excited because we have one of our investment partners with us, Jonathan Lim from Liverpool Partners. Jonathan will give you a little bit of a window into the opportunities they are seeing and how they have their portfolio position.

Let us go back to the Company and the result. We are here because you allow us to be here. We are doing this presentation to keep shareholders informed. And so thank you, everyone. There has been many questions being sent in. We will summarise a few of them at the start and then we will open up for a Q&A. Today is for you all to understand a little bit more about how WMA performs by you being a shareholder in WMA or a potential shareholder in WMA, ensuring that your expectations are aligned with what we're trying to deliver. And if we can do that, then the share price will trade at net tangible asset (NTA). Transparently, not like it is now. It is at a good discount, which, if anyone is a buyer, then you obviously want to buy at a discount.

Zoe Landry, from our communications team, will be moderating any questions you send in. We will go for as long as you want in terms of questions. If any of your questions are not answered for some reason, then please contact us. Also, send us any ideas or suggestions.

In terms of the result that we have just announced, one of the highlights is the increase in dividend and the increase in profit reserve. When we took over WAM Alternative Assets, it was trading at a very big discount to NTA a number of years ago. It had very little in the profit reserve, and its ability to pay dividends challenged. The great thing is, under Dania's leadership, the profit reserve has been built up.

Since Dania has been managing the portfolio, we have really achieved very good results in terms of premiums to the value that they were carrying in the books, that is, at net asset value. To me, as an investor like yourselves, that is very pleasing. The increase in fully frank dividend now is giving a very respectable yield. On a grossed up basis, if you have your money in your self-managed super fund, that is a little over 7%. It is a good yield in terms of the portfolio. Dania will go through it in detail, but since we have been managing it, the investment portfolio has increased a little over 10%.



I am actually speaking to you today from New York, and I have been seeing a number of the big global players in terms of the Alternative Asset space. I went to see Apollo last week and I had a meeting with KKR. To me, the interesting part is just how the alternative asset space has grown significantly in terms of that people are looking for exposure to it. It was historically just an opportunity for the industry funds, the very big super funds, or the government to get access to. Now it is a lot more high net worth.

The KKR people were going through some statistics in terms of how they are going to grow. Since they floated 12 years ago, they have grown at 23% per annum. They are expecting to grow at 15% to 20% per annum for the next decade. There is a real tailwind.

The incredible thing is for a retail investor to get exposure to this alternative asset space. That is why I am so excited about WMA. I am surprised at the moment that it is trading at a discount. NTA, but that is not a long-term thing. Before we took it over, and when Blue Sky was involved with it, it actually traded at quite a good premium to NTA on average. It was about a 1% premium and it was on its knees when we took it over. It went to a 30% plus discount. Things went off the rails there, then we took it over and we have cleaned it up, and we are heading back towards NTA recently. The discount has increased a little bit. I thought I would wait until I do the webinar and then my plan is to buy a few more shares at this current discount if it persists.

WMA is the only way in Australia you can get really exposure to alternative assets from a retail perspective. It really has a very valuable place for investors. And to me that is one of the reasons I think in the near term you will see the share price fully reflecting the assets and trading probably above what the assets are worth.

I have pretty much covered off most of the things I wanted to cover off. I will pass over to Dania now. She will take you through the next part of the presentation and I will be back for Q&A and a later. Thank you.

Dania Zinurova: Thank you very much, Geoff, and good morning everyone. I would also add that based on the more recent engagement with the shareholders, I was pleased to see a better knowledge and understanding of those asset classes. I echo Geoff's comments about increasing relevance of alternative asset classes for retail and wholesale shareholders. And if I think about WMA, the way we see how this demand is reflected within WMA portfolio is that the number of our shareholders increased by over 20%.

Since we started managing this portfolio, on the current slide, you will see the portfolio split by various strategies and asset classes. And today I wanted to explain in more detail how investment returns are generated from this type of portfolio. Given that it has very different characteristics compared to other more traditional asset classes, a different risk return profile and different liquidity profile, the core strategies or income producing strategies within the portfolio, they have been delivering a stable yield as we have been expecting. The overall total return from this part of the portfolio has been solid compared to what has been happening in the market last year.

Where I do want to focus today is on the growth part of the portfolio. And the questions that I have been receiving ahead of the webinar indicated to me that it would be good to explain when we talk about the "exits". And when we talk about realising capital growth within the portfolio, we are talking about this growing exposure within WMA. When we talk about growth strategies, we are talking predominantly about



strategies within private equity. We are talking about some opportunistic strategies in real assets such as agriculture or real estate or infrastructure in terms of the return profile of the portfolio. This is where I expect we will continue generating excess returns. And when I talk about excess returns, I'm talking about 15% to 20% investment return. Or if we think about in terms of equity multiple or money multiple, we are talking about 2.5 to four times money invested. Those are significant returns that we can harvest.

We can realise these returns by investing patiently at attractive valuations, this is one of the key points. And also by partnering with investment teams such as Liverpool Partners, Crescent Capital, Adamantem, and others, in order to implement those strategies and deliver the growth of the underlying businesses.

The maturity of the underlying investments would differ strategy by strategy, sector by sector and by complexity. On average, the expectation is that maturity within that portfolio starts from three years up to five years. In rare cases in asset class like agriculture, up to seven years. Since inception, I have been exiting maturing growth investments within the portfolio, we will talk about the returns, what we have achieved so far, and I have been reinvesting realised capital into new opportunities with that return profile.

Last year, the investment performance has moderated within the portfolio. And I would like to explain why that happened and what we can expect in the future. If we compare last year to the 2022 calendar year or the 2021 calendar year, in terms of the exits, we only had one exit within that part of the portfolio. In 2022 we had eight exits. And the reason for that very slow environment in terms of the exits last year was that it was very much buyer's market. Jonathan can talk about this as well from his perspective. However, what we saw was a great opportunity to deploy or invest capital in new investments and that is what we have been doing. When we talk about the level of cash, I will explain how much we have deployed versus committed cash. However, that has been a very busy year for us in terms of deploying capital into existing commitments and making commitments to some large co-investments.

One of these commitments as we announced in December was Healthcare Australia (HCA) which was a large deal for the portfolio and it is the largest healthcare workforce supplier in the Australian market. So those were the opportunities that we wanted to pursue and we were very careful with exits because the valuations were not attractive for sellers. So the market environment for private equity investments was not attractive to exit and achieve those excess returns.

What will happen this year is that we are currently in a live transaction. We are exiting one of the large private equity investments in the portfolio. I am confident that it will deliver a strong return well above its existing carrying value, well above the NTA value. And throughout the year, I expect another two to three material exits within the portfolio. Those exits are likely to happen already from the new private equity investments that we made in 2020 and 2021. In other words, going forward, those excess returns will be delivered by three to four exits a year.

Additionally, what we will see within the portfolio is a gradual, stable capital growth from the core part of the portfolio and predictable stable income yield from those core strategies. However, the focus for me going forward is really on growing and expanding those private equity investments and assets within the portfolio.



In terms of the track record, we can show you that on the realised exits, the weighted average premium to NTA or premium to the carrying value that we achieved was over 26%. This is the type of investment when we talk about excess returns within WMA portfolio I want to highlight, as well that the quality of those investments. The types of those investments, they are not available to retail and wholesale markets. So the only way to get access to them is within WMA portfolio. And I explained in the past, the reasons one of them is often large ticket sizes. So as an example, when we co-invested in HCA, our ticket size was \$5 million. Our relationship with Liverpool Partners will develop in a similar way, where Jonathan and his team will provide access to us to attractive co investment opportunities. Now, Jonathan's business works only with large institutional clients and I'm very proud that we could bring such high quality investment capabilities to our shareholders.

I would like to talk as well about the cash level within the portfolio. So on the previous slide, we saw that com uncommitted cash was just over 12%. I looked at the numbers just before the webinar to see how we have been progressing with deploying the capital. Therefore, the uncommitted cash has now in decreased to about 11%. And this is what you will continue seeing within the portfolio going forward.

I would like to introduce Jonathan to you and I am very excited that about the case studies that he is going to share with you. Jonathan has a long experience in private equity investment and he built with other founding partners, a successful business that has been predominantly investing on behalf of large institutional investors in Australia and from overseas as well. Jonathan has experience in corporate advisory, equity capital markets and operational management and has a very unique approach to investing in private equity where it is a broader strategy looking across various sectors and looking across various opportunities. Over to you Jonathan and thank you very much for joining us today.

Jonathan Lim: Thank you Dania. I kind of need to reiterate that. I am so excited about this opportunity with WMA on providing access to an institutional quality product to retail investors. I think is a unique platform. We are delighted with the partnership opportunity.

A little bit about us, we are a private equity firm that focuses on a number of strategies across lower mid market buy out, which is fundamentally small to medium businesses, impact investing as well as real assets. We manage about a billion and a half of funds under management and I would love to give you a little bit of an insight about what we do and how we do it.

Any one time, we think about where the world is going, what are the future forward-looking industries, and how the world is changing. We seek to deploy capital to leverage behind that change. Some of those examples have been, we thought about long and hard about how to invest in the evolving technological landscape here in Australia. And we ended up a few years ago, investing into two businesses, which I like to talk about. One is a business called Orro, and it is a cybersecurity and network business. When we invested in that, in the middle of COVID, it was a \$30 million business, but it then started to pivot and lead the way in what they call today's software defined wide area network, which is really another way of alternative telco communications that lived in the software space. We partnered up with the team there when it was a \$30 million business and we embarked on a sustainable but aggressive growth project there. And today it is run rating about 200 plus of revenue and we have realised returns there in the order of 2.5x, money and money and we still own part of the business.



We invested in another business called Seisma, which again, had the same view around the migration to cloud and the evolving technology landscape around cybersecurity and data analytics. And we bought a division from a small capitalistic company and we have gone through a merger and acquisition (M&A) program to augment the capabilities of that late last year. We realised returns for investors in and around the 40% IRR mark over a three year journey. And so some of our investors are happy on that and we still own part of that

So we believe in the longevity of some of these assets on the healthcare side. About a year ago, we acquired a controlling stake in the largest IVF business in New South Wales called Genea Fertility. And Genea is largely recognised as the leading IVF business in Australia by results. And we have added on a lower cost offering to that called Adora because we believe in the democratisation of some of these services. It is early in the journey for us, but that business is traveling really well and we have added lots of doctors and launched that offering to multiple states. Therefore, those are the types of things that we do.

In adjunct to that, to give you the breadth of the dexterity of the kind of investment profiles we work on, we own one of the largest disability housing platforms in Australia where we have almost 150 homes. Not only the returns, but also the social impact that has on people who have not had housing is amazing to watch.

So hopefully, that gives you a feel of the type of opportunities that we would love for shareholders to participate in as we develop our relationship with Geoff and Dania and all of you.

Dania Zinurova: Jonathan, I am truly looking forward to our new deals this year and bringing it to the shareholders through the WMA. Thank you very much for your time. Jonathan. Thank you.

Jonathan Lim: Thank you. Thank you all for having me. I appreciate it.

Dania Zinurova: Well, thank you, Jonathan. Geoff, before opening to Q&A, we did want you to give an opportunity to talk about the premium target.

Geoff Wilson: Thanks. What we try to do is communicate with as many shareholders as we can. And you might have spoken to if you Dania or someone else from Wilson Asset Management. A few questions we have had from people is, "I have shares in WMA. I am very happy with what you are doing. I would like them to be trading at NTA if not a premium. Now they're a discount." Can we accept that? Maybe not, but we understand, well, the facts are they are at a discount. Therefore, if you are buying, you are excited, if you are selling, it is not a great deal.

A number of people have said, look, what is this, the premium target? The premium target is in the annual report. When we took over from Blue Sky, one of the things that a number of the shareholders asked us to put in was that if we could not get the share price to trade at a premium for more than three consecutive days over the over a five-year period, then we'd put it up to shareholders for a vote.

Now, if we do that, in terms of what happens with the Company going forward. A number of shareholders have mentioned to us they would like to buy some more, but they are a little concerned. Does it mean you might sell the assets? What is going to happen? That is not the plan. The plan is to continue to manage the portfolio as we have.



The vote will occur at the 2025 Annual General Meeting. It is obviously shareholders' decision. 75% of shareholders have to vote for selling the assets and giving the money back to shareholders, but pretty much the majority of the shareholders we've spoken to are very happy getting exposure to alternative assets, or in the US they call it private market assets. That is broadly our plan. It is really up to shareholders. However, as I said, the majority of shareholders that we have spoken to want Dania and her team to continue doing what they are doing.

As you heard from what Dania explained earlier, we have already had some really good results. The beautiful thing which we really have not focused on is when you are investing in alternative assets; you are actually getting a significantly different exposure than investing in the equity market. You're taking effectively less risk. You are hoping to get reasonable returns. The volatility, that is the risk in the portfolio, is something like 1/4 or 1/5 of the equity market.

Dania Zinurova: It is five times less than the equity market.

Geoff Wilson: You are taking significantly less risk, and you are getting solid returns. I mentioned, I caught up with KKR the other day and they were running off some statistics that individuals in the US last year, their portfolios were about 3% in private market alternatives. The endowment funds over here, the equivalent of our industry superannuation funds, they are upwards of 40% in alternative assets because they know the risk reward benefits. You say you are taking less risk and you are getting a better reward for the risk you are taking in alternate assets. And that doesn't mean equities don't have a position, of course, they have a position, but it's interesting how now the endowment guys over here, the smart guys, have significantly higher ratings and that's pretty much because the man in the street finds it very hard to get exposure. We are incredibly bullish about Dania and what we can achieve here.

Now, when, when everyone fully understands what we are trying to achieve, they are all happy with it, then you will see that the share price will move to NTA if not a premium. It just takes time to work through, to get everyone aligned in terms of everyone understanding what we are doing, why we are doing it, what we are trying to achieve. Therefore, that is the premium target. Y

We have spoken to some big advisors in Australia and some of them were saying, "I'd like to buy more but I'm concerned that if I buy more, that I don't want a situation where you're giving me the money back." So, it keeps a few people in limbo. And to me, the interesting thing is, we are at least a year and a half away from this. But what has surprised me is we have not brought it up, we have not been talking about it, but there has been many of the people bringing it up with us.

The share price is just a, a reflection of supply and demand, but maybe that is holding some demand back. Maybe when we get clear air, when we have gone to the AGM and that has been done and dusted, then everyone knows that the company will continue to grow and prosper, as it has been and, will not have to worry about that. Maybe that will be a positive. The uncertainty will be removed because we know markets do not like uncertainty. So that was that.

And Dania, another thing is a number of various people were asking about profit reserve, how that works. Do we keep the profit reserve in cash? The answer is no. You might have \$100 million portfolio and that \$100 million portfolio you are investing in the best opportunities. You can find the fact that of that \$100



million portfolio, \$10 million might be in the profit reserve. That is just an accounting entry. We are still investing that \$100 million portfolio. The profit reserve allows us to pay that out as a dividend. You have to have a profit to pay a dividend. And when we make a profit, whether it is realised or unrealised, we put that in the profit reserve. That covers that off.

Also, I think a few people have said, look, you have such a high profit reserve, why do not you pay out at all as a dividend. Well, the profit reserve allows us to pay effectively that profit out as a dividend. If we do that, then it will not be fully franked because you get the franking when you pay tax. One of the reasons why I think 65% of most of our listed investment companies are owned by self-managed super funds is because they like the consistent growing stream of fully franked dividends. As we pay tax, we get franking. When the portfolio goes up, the profit, realised and unrealised, goes into the profit reserve, but we only pay tax when the profit is realised. So then, the franking turns up and we pay it out as a fully franked dividend. So those are just a couple of things that we wanted to cover off upfront just to make it the questions as good as possible.

Dania Zinurova: This is this is a good overview, Geoff and I would like to highlight that the team has a sharp focus on working through the discount to NTA. So behind the scenes, there has been a lot of work in terms of engaging with the financial planners. Australia has a large number of financial planning groups that most of the time when I go and meet with those groups, their feedback is there is really nothing that they can put in their model portfolios for retail clients except WMA because liquidity is a big concern. So as Geoff was mentioning, those asset classes are difficult to access for retail investors in Australia. I think otherwise you, you have covered most of the general inquiries, Geoff. Thank you.

Geoff Wilson: Thanks. We now pass over to Zoe who will take us through the Q&A.

Zoe Landry: Yes, thank you. And thank you to our shareholders for joining us today and for sending in your questions. We will start with the first question from Hamish. He says, what is the underlying liquidity profile of the unlisted assets? And how long would you expect it to take for the portfolio to be realised?

Dania Zinurova: Thank you, Hamish. Great question and we have done recently this analysis at the overall portfolio level. Therefore, the liquidity profile of the current WMA portfolio is about 25% that is excluding cash. To put it into perspective, when we look at a private equity fund that includes co-investments and secondary's similar to WMA; their liquidity profile would be around 5%. And I am talking about larger portfolios who also that also have scale more scale than WMA. So in terms of the liquidity within the portfolio, that was one of the underlying ideas structuring the portfolio, the way it is structured now, in terms of if we look only at the growth part of the portfolio, predominantly private equity strategies. As I mentioned, the plan is to exit every year two, three, four investments from the underlying portfolios. And really, the construction of that portfolio is the key in achieving this liquidity profile.

And I know many shareholders have been sometimes impatient in terms of the slow deployment of cash, but this is really important not to deploy all cash available in one go. Because once we have a well-diversified portfolio by years of investing, the better liquidity profile and the more consistent return profile we can achieve. That is what I have been working on since 2020. So it's, it is looking much better than the initial portfolio that was launched.



Zoe Landry: Thank you, Dania. And we will stay with you. The next question is from Robert. He says in five years from now, what is the target asset mix? The portfolio has a lot of cash as well as some assets from the previous managers of the portfolio.

Dania Zinurova: A few questions in one. In terms of the cash, long term or even medium to long term, the idea is to have cash at about 10% and there might be periods when it will go slightly up and slightly down. We need to remember we are investing in unlisted assets. So they are not traded on a daily basis. Why I would like to have this level of cash within the portfolio because again, those opportunities, they come in quite a sporadic nature. So as an example, if tomorrow, Jonathan calls me and says, Dania, there is a great co-investment opportunity and we need to close the transaction within a month, I would like us to be in a position where we can participate in those opportunities. So for the nature of the portfolio, it is important to have that available cash in terms of the mix within the portfolio.

Private equity will remain a growing part of the portfolio. As I explained within private equity, there is this concept that I call recycling capital because investments will mature, we will realise them or exit and then reinvest the capital. However, given the return profile of those investments, inevitably, this will grow the allocation within the portfolio. So if I put a number and think in five years' time, I would expect above 35% at least within the portfolio would be invested in private equity, about 35% to 40%. Again, that might change depending on the market conditions; we would be invested in strategies such as water rights, real estate, infrastructure, private debt. And those are the strategies that are more stable in terms of the risk return profile. And we will pursue some opportunistic strategies as well within the growth part of the portfolio. Did I answer all questions or did that question, Zoe?

Zoe Landry: Yes, you have covered that question. Thank you, Dania. This next question is from Phil. He says the trading value of the fund has decreased by around 12% over the last year. He asked, what is the reason for this underperformance? And what is your plan to turn this around?

Dania Zinurova: Thank you, Zoe. Thank you very much, Phil for your question. Last year. It was a slow year for the portfolio in terms of the exits and realising capital gains. The reason for that was that the market conditions were not favourable to exit. That is one of the benefits of this type of the investments that because they are long term, investors can be patient. If you ask me, what is one of the most important skills when investing in alternative assets, I would name patience, one of the key ones because once markets are reacting to the overall uncertainty within the macroeconomic environment, the dynamic changes from sellers to buyers.

And so last year, what we saw was the adjustment of the valuations. In particular, in the space like private equity, we saw more attractive valuations to deploy capital than in 2022. In asset classes such as private equity, entry valuation is one of the keys to deliver excess returns because if we buy at the top valuation, then it is very unlikely we will achieve 2.5, 4 times money invested. Therefore, last year, we focused a lot on deploying committed capital but also pursuing new opportunities like co-investment opportunities.

In terms of the return profile this year, I expect some significant uplift on the exits that I plan to see within the portfolio. I am not at liberty talking about the transaction that we are currently working on because it is a live transaction. We will announce it in April and it will be material uplift in terms of the valuation on



exit for the business for the exits I would expect in 3rd and 4th quarter of this calendar year within the portfolio and these will be already exits from new investments that we made.

Actually, Zoe, I think one question I did not answer from the previous question was what is the percentage of the inherited investments in the portfolio? Therefore, we have approximately 25% within the portfolio from those inherited growth strategies. The rest has been exited and this 25% is quite concentrated in a few deals. So once we realise those exits, it will be just a small part of the portfolio.

Zoe Landry: Thank you for providing the extra detail there. Dania. Geoff, we will move to you. This is a question from Larry. He asks, what is your intention for reassessing WAM Alternative Assets' continuation if the premium target is not met?

Geoff Wilson: Well, it is actually not our opportunity to assess. It is our opportunity as shareholders just like you. We will put it to the 2025 annual general meeting. Whatever the shareholders' vote is, then that is final. 75% of shareholders need to vote for us to sell the assets. If 75% of the shareholders do not vote that way, then that has effectively done and dusted. It actually removes that potential uncertainty.

Dania mentioned a little while ago, we were talking to a financial planner that has a lot of money committed to the strategy was concerned about committing any more money because they didn't want to be in a situation where they had to find somewhere else to put their money in a couple of years' time. I think most of the people that are invested in this; you are looking for alternative assets. I own 2% or 3%, seven or eight million units. The reason I bought it was I was buying the assets cheaply at a discount. Secondly, I wanted exposure to those alternative assets or alternative markets. Therefore, that is what will happen. We as a manager, we do not get a choice. We are putting it up to shareholders. Shareholders will decide. It is democracy.

The beautiful thing is once we have had the vote, then it has removed the uncertainty. Some shareholders have said, look why you do not bring it forward to the next AGM, to remove uncertainty. Hey, if everyone's, who is on the call, there is many people on the call that want us to do that, then please email in. But the current plan is to put it as we agreed when we took over the management.

Another thing we agreed, the plan is not to change at this point in time, but when we put out our proposal to manage this pool of assets, we are competing with another fund manager. They wanted to charge a 1.5% management fee and a 7.5% performance fee. And we said, look, we are happy to manage it on a 1% management fee and no performance fee. And the whole idea from that was, to me, we were very excited about getting into this asset class. We thought if we perform incredibly well and that has still to happen, we have performed very solidly, then let us get through the next couple of AGMs and if it is trading at NTA or premium and people want to talk about changing the structure and create a performance fee, then we will talk about it then. But that is all off the table.

Zoe Landry: Thanks Geoff. This is a question from Steven. Can you please explain the difference between private debt and private equity? We are going to you Dania. Sure.

Dania Zinurova: Of course. Thank you, Steven. So I can I can explain it to you in a way where let's say you are an investor with \$10 million and Geoff comes to you and says I have a successful privately owned



business and there are opportunities for you to invest in this business and you have two options. One option is to buy from me 30% equity and this is what Liverpool Partners would do. Adamantem Capital, Allegro, Crescent Capital, etcetera, where you are buying equity stake in the business.

The second option that Geoff would offer you would be to privately lend to his business for 23 years, probably most likely with a floating interest rate and this would be private debt opportunity. So private debt strategy in general, private debt as an asset class, it's an asset class that does not deliver capital growth, it delivers yield because it's about non-bank or private lending to businesses and charging interest rates that are linked to RBA cash rates. Therefore, this type of strategy is very attractive in a higher interest rate environment because if the RBA decides to increase the cash rate, then the income return from your strategy should you invest in private debt or should you provide lending to Geoff's business will grow in line. This type of strategy would require different skills. It will have different risk characteristic.

Private equity focuses much more on capital growth or value growth within the business. So let's say if you put \$10 million and buy a which is taken in Geoff's business, Geoff will use this \$10 million to grow this business from let's say one business segment to 10 business segments. And then in three years' time, he will go and sell it to another large private owner delivering significant value appreciation on exit. I hope that helps to just give a bit of a flavour, how different they are.

Zoe Landry: Thank you, Dania. And we will stay with you. This next one is from Michael. He says, can you please explain the growth strategies with a 2.5 to four times equity, multiple? Thank you Michael.

Dania Zinurova: So growth strategies, we had quite a few examples within the portfolio over time to give you a more real life example. We had the investment in the portfolio that started with five GP clinics in South Australia. And over the period of four years, the business grew to over 30 clinics across various states in Australia. And the business owner and the private equity investor were approached by a large UK private equity group to buy this this platform of GP clinics. So on exit, we achieved 30 percent internal rate of return and we achieved over 3.7 times money invested.

So I might sometimes apologise for this. I might sometimes use some technical terms. So equity multiple, in simple terms, its times money invested. So let's say if you invest \$100 today, then in three years' time you hope to achieve or you hope to receive back \$200, that would be your two times money or two times equity multiple. That is how private equity investors measure the types of the returns. And I was just yesterday talking to someone about the WMA portfolio and about the private equity in Australia; we have many people investing in residential property. So if you think about this Australian residential property doubles in value every seven years. If we compare it to private equity, private equity would return four times your money in 5 to 7 years. We are talking about that return profile. Thank you.

Geoff Wilson: So, the property does double, two times your money and private equity does four times your money in the same period. Is that right?

Dania Zinurova: In even shorter periods in short based on historic performance.

Zoe Landry: Thank you. This next question is from Robert. He says, what are the combined management fees that we pay to Wilson Asset Management as well as the investment managers?



Dania Zinurova: Thank you, Robert. Our management expense ratio as of December was 1.3%. On top of that management expense ratio, we pay underlying fees to the managers, which is 0.8%. So in total, if we add management expense ratio, underlying fees, it is 2.1%.

To put it into perspective, if you are to go and invest in the private equity fund as a private investor, if you have \$5 million to \$10 million to invest, you would be paying 2.5% management fees on capital committed and invested and you will be paying 20% performance fee over 7% hurdle. And I see these types of structures, not only fee structures, not only in private equity, but also in asset classes like infrastructure, private debt.

So when I looked at those numbers, I did more analysis comparing us to other peers, most of the peers who operate in alternative asset space predominantly in private equity, real estate or private debt because none of them have those mixed portfolios. Their management expense ratio even when we include our underlying fees would be at least 20% to 30% higher than WMA.

I must add quickly. I know I am taking too much time on the questions, but I think those are really good questions. I'll add quickly. One of the key reasons for this is that when we see investments in WMA, when we invest in private equity or infrastructure in real assets, we invest in institutional offerings. Now, institutional offerings, these structures are very different from these structures that are offered to wholesale and retail investors unfortunately. And so to me, it's really a big point of investment returns within the portfolio, I look at net of fees, investment returns because I have seen in the past some unfavourable fee structures from the investors' perspective. Thank you.

Geoff Wilson: Well, I mean, you, you said you said unfortunately Dania, but that's not unfortunately for the retail investors in Australia.

Dania Zinurova: Exactly. Fortunately for us is we get the wholesale rate and, there's no performance fee.

Zoe Landry: Thank you, Geoff and Dania. This next question is from Gary. He says if the share price discount to NTA can't be closed, is there a consideration given to converting WMA to a listed investment trust (LIT) so shareholders can get in and out at NTA?

Geoff Wilson: That is an option in terms of the Board looking at capital management. That's one of the things they look at. One of the tough things is if you do turn it into a trust structure, then it's very difficult to invest in private assets. Because private assets, they tend to want patient capital, and it takes time for the private assets to mature. So one of the beauties of this structure is a closed end pool of capital. So it can take medium-to-long term views. Dania would have to totally change how she invested the money and it would only be invested in more short-term liquid things. So the returns you'd expect to get would be a lot lower. So to me, it doesn't necessarily make sense to do that. It might be good for short-term. We're managing money for the medium-to-long term.

And as I mentioned earlier, this entity spent all its life before Blue Sky went off the rails trading at a premium. It averaged about a 1% premium and we will get it back there. The tough thing is if you do let everyone get out of the NTA and sort of collapse the vehicle, then it's great for short-term. But you tend to find, you make a lot more money over the long-term.

I caught up with Bill Ackman who's probably one of the top hedge fund managers in the US the other week. He has a closed end fund which is listed in Europe. There was an activist on the register. I remember five years ago, looking at it and the talk was the activists would have liked to just let everyone get out of at NTA. Everyone could have got that little short-term sugar hit. Since then, the performance that he's delivered is 31% per annum over the last five years. People have well and truly made significant money and that's, as Dania said, if you take the medium-to-long term view of what the private equity or private markets or assets could do in terms of performance that gets delivered. But it needs to be delivered in a closed end pool of capital.

Zoe Landry: Thanks Geoff. This next question is from Rowan. He says, can you please define how you measure liquidity and over what period?

Dania Zinurova: So liquidity within the underlying portfolio is measured by maturity dates of the underlying investments first and also measured by redemption provisions that we have in place, including the terms when we invest in separate mandates. So in some of the strategies we have separate mandates in place with our investment partners where we coinvest alongside them and every separate mandate would have specific liquidity provision. So when we went through this analysis on the portfolio, we took into account all those factors and the result was 25% of the portfolio. Thank you, Sue.

Zoe Landry: Thank you. This next question is from Steve. He says you spoke about the premium to carrying value that you have realised in the past. When you exited these investments. Do you expect similar results on exits in the future? And when do you expect a significant number of exits to occur?

Dania Zinurova: Thank you, Steve. So the chart that we show to you with our track record on exits gives you a good sense on what to expect from private equity or growth investments. You would have seen there was one deal where we saw outsized returns, absolutely outsized returns and that was actually a partial exit. It was over 200% investment return. Very unusual on average. The expectation is that this part of the portfolio would be delivering 20% to 30% premium on carrying value and there are different factors there as well. You know, we talked a lot in the past, the skills and the experience on implementing those strategies, helping the businesses grow, restructure the businesses, et cetera. Those are essential technical skills that I expect to see from investors.

But what's really important as well is knowing the timing of when to invest. So entry valuations are really important. We want to invest when those valuations are attractive. Geoff would probably call me value investor for this. And then we also need to be aware of the timing of exit. So the fact that investment is getting close to the maturity date does not mean you have to rush and settle the transaction. So as an example, the current live transaction that is happening and that is expected to be closed in April, the plan was initially to start exiting it last year. Market conditions were not favourable. In order to achieve those excess returns, we need to be patient and wait when the buyers will be willing to pay more for our businesses, for our assets and this is what's been happening now. So our negotiations restarted and the expectation is that it will deliver significant premium to the portfolio as a result of that and that's going forward.



Can I guarantee to everyone that every single investment would deliver the same return? I cannot, that would be very unreasonable and unprofessional of me to make those guarantees. But I can confidently tell you that based on the quality of the new investments that they made within the portfolio, we will see solid investment returns going forward from growth investments.

Zoe Landry: Thank you, Dania. We'll stay with you and this is next questions from David. He says, will the proposed exit of individual private equity investments each year trigger high higher performance fees?

Dania Zinurova: So this might be quite a technical explanation, I'll try to keep it high level, but I'm happy to get back to David after the webinar to talk in more details on that. So, one of the mechanisms that are really important in private equity, also ensuring alignment of private equity investors with the investors who commit capital is the performance fee. Performance fees are there to motivate an investment team to deliver the results, they don't really get paid that much for management fees. And if we think about the type of teams that private equity would require even just to start investing \$100 million, you'd need to build a team of at least 15 people to make it work. So it's very different. It's very heavy on headcount, it's very heavy on cost transaction. Costs are very, very high in this asset class. So how do they get incentivised to really deliver on their strategies? This is the performance fee.

Best practice is when performance fees charged on NTA or on NAV. It does not ensure the alignment with the end result. It only ensures that values are inflated in the interim periods. We do not want to see it within the WMA portfolio. So all performance fees on the strategies where those are charged are structured in back and loaded fashion. What it means is that performance fee is only triggered on exit. And when we invest in pooled portfolios i.e. no single assets, those performance fees are calculated on the total performance of the portfolio within the separate mandates. When we do co-investments, we also have review periods usually rolling three years again, because of the nature of those businesses, it does not make sense to pay performance fee if the business is still growing and still in the development phase. So, a very important mechanism but also important to know how to use this mechanism to work for you.

Zoe Landry: Thank you, Dania. This next question is from Steven. He says, why do you include real estate in in your investment portfolio? He says this is the one asset class, which private investors can actually access.

Dania Zinurova: Absolutely. So private investors can access real estate. In fact, many Australians own residential real estate, residential real estate would be a very different sector compared to office, retail, industrial, logistics, student accommodation, healthcare, etcetera.

Now, can private investors buy an asset such as Gosford Private Hospital? Very unlikely. I do not think even the ones who would have capital to buy asset of that size, and we are talking of value over \$250 million, are very unlikely anyone would like to buy asset of that size. What I have seen in the past with private wholesale investors investing in commercial real estate most of the time, those are investments in one single asset. Now, this type of investing brings significant risk and I saw in the past when capital value is wiped out altogether within five years' time. So investing in real estate requires diversification across sectors across tenants across type of the assets.



For me, the investment in real estate within WMA portfolio plays a very particular role and we predominantly invest in healthcare real estate. Those are large assets valued starting from 30 million. And plus there are large public private hospitals, medical centres, diagnostic centres. And those are the assets that will continue being in high demand. Their value will continue appreciating and they also are delivering fairly stable income returns because leases on those assets exceed 10 years. Plus now, private investors can of course, look for opportunities to invest in health care real estate and there are some available for private wholesale investors, however, not of that quality and not of that size.

Why does it matters? It matters a lot because I can give you a sense. Last year healthcare real estate as a sector experienced quite a significant cap rate. Widening when we talk about cap rate widening, we are talking about valuations declining. Now to give you a sense of the difference between large-scale assets that we invest in and the assets that are available for private investors. Private investors experienced cap rates widening by 350 to 400 basis points just in 12 months within our portfolio. That cap rate widening was limited to 100 basis points. So I do think there is a big difference in terms of what private investors can access in that asset class, not declining, your statement that you can, you, you certainly can. It is all about the quality. Thank you.

Zoe Landry: Thanks Dania. And we have two questions come in from Clare. And the first one is for you, Dania. Were the investments, investment premiums gained from exits in investments made from WMA or from investments made in Blue Sky?

Dania Zinurova: A combination Clare. So we had few partial exits. Majority of the exits that you saw on the slides, they were inherited matured investments that were made by Blue Sky teams. Now, the Blue Sky teams they are, non-existent to some extent because the business went bankrupt. And when we have been transitioning WMA under the Wilson Asset Management agreement, we made sure we review all the assets and conduct independent valuations. That was the process conducted by the board and we supported the process, but also what we did, we renegotiated management agreements with all underlying investment teams ensuring there are attractive terms in place and we can have a voice and impact in terms of management of the underlying strategies and timing of exits as well.

Zoe Landry: Thanks Dania and Clare's second question is for you, Geoff. She is asking does your trip to New York, mean that WMA is seeking to invest in international funds?

Geoff Wilson: The answer to that is no.

Zoe Landry: Thank you, Geoff.

Geoff Wilson: No, I am here, multi factorial, just seeing what is happening over here. Obviously, a big driver of what happens is global. You learn a lot and I have seen some of the various players and I also caught up with the guys from Saba Capital, which is a new hedge fund over here that has positions in a number of listed investment companies in Australia.

Zoe Landry: Thanks Geoff. This next question is from Debbie, do you think a term deposit rate of 5% or more are holding back the share price and when interest rates drop later in the year, will people look to hold defensive assets again?



Dania Zinurova: David, very good. Very good question. I love those macroeconomic discussions and making certain predictions is always dangerous. Look, my personal and professional view is more on the cautious side. So I know many investors anticipated that RBA will be aggressively cutting cash rates this year. I was more on the cautious side because maybe I spent more time assessing macro and market fundamentals because that's part of the investment due diligence that I do on the assets. And what I saw from that assessment is that from the economic fundamentals perspective, we are not there yet when RBA can start loosening its monetary policy.

So what it means for us when we look at the current interest rate and think about historical levels of interest rates. To me, the current interest rate environment is more of a normalised environment having interest rates close to zero or as we saw in some countries globally negative is very far from a normalised environment from the economic perspective.

So when I think about the businesses that I invest in, it is more challenging for some of them, but it also teaches them to be more disciplined about the growth to be more disciplined on delivering stable profits, stable revenues, stable growth without expecting that growth projections will be 30% plus every year. And it also makes investors more disciplined with leverage. Basically leveraging businesses is much easier when interest rates are close to zero or at the lower level. And often it does drive investors up on the risk return curve. Forgetting often to think about the downside risk and forgetting often about managing those important factors. So look, I think this year will be more of a year to test in terms of the private businesses and how cash generative they are, how stable they are, how can they sustain their growth and financial metrics. Is it a good environment when interest rates go down? Definitely, it will help with exits because I would expect valuations would increase. I would be cautious, more cautious in that environment to make new investments.

These cycles within the alternative investment space, they are much longer than annual cycles. In addition, it does take time to see those adjustments and values and how monetary policies impact. Sorry if it was too long, it was very comprehensive.

Zoe Landry: Our next question is from Rowan in the last market update, you referred to valuation improvement in water in the water, right assets due to less rainfall. The latest BOM forecast shows a slight likelihood of La Nina from August 2024. Does this change your view?

Dania Zinurova: Yes, it does. And look, it was quite interesting to see anticipation of the market. And I am talking the market investors who invest in water rights, both private and institutional anticipation that after three consecutive years of increased rainfall, we will see finally dry conditions and it hasn't happened to the extent that investors were hoping. What it means for water rights and what it means for the WMA portfolio that yes, it does affect income return or yield from this strategy. On the positive front, capital values of water allocations of water rights have continued gradually increasing. They were a bit more stable last year but they continued increasing. And my expectation is on the back of the Commonwealth government announcement last year about the water buyback program, we will see further increase in values of water, water rights and water locations. Some anecdotal evidence already this year suggests that government has been buying smaller parcels of water rights in Victoria at 30% premium to the current market value. So



that will definitely continue driving the value income. Look, income will remain volatile in this asset class. It is highly dependent on weather conditions.

Zoe Landry: Thanks Dania. And we will stay with you. This question is from Nick, he says you have made many good investments. Can you explain some of your maybe not so good investments, if there are any?

Dania Zinurova: A not so good investment. I still think it is a good investment. But I think I understand where you are coming from. And I have one example, I was expecting to see a better performance from the start and it is taking time to see this happening. And I am talking about a very interesting business where we co-invested called Aged Care Decisions.

From the fundamentals perspective, a very successful business in terms of growth and in terms of the operational performance. What is really interesting with this type of businesses is that at the end of the day while they are businesses, we are in people's business. So it is extremely important to spend more time with management teams and also understand the dynamic between the CEO and COO. What we saw with that deal, once the transaction was closed, the senior management team got quite distracted from the growth projects. And so, it has not underperformed, but it has not met the targets yet that we were expecting to see. We are closely monitoring this business, and closely engaging on the deal.

Zoe Landry: Thanks Dania. This next question is from Lara, she says, can you please explain the valuation process for the holdings in the portfolio?

Dania Zinurova: Of course, thank you Lara. So, first of all, Geoff, Geoff did bring your attention to the low volatility of the underlying portfolio in WMA it is just over 3% volatility. One of the reasons, including the nature of the assets, is also the established valuation processes and valuation practices for privately held businesses or for private assets. So what is happening is that when we think about investments in infrastructure, real estate, or private equity, valuations happen with the frequency starting from quarterly, semi-annual and annual in asset classes such as private equity. It is most likely to see independent valuations conducted on the annual basis in real estate and infrastructure. It is most likely to see independent valuations conducted on the quarterly basis from my perspective.

As a portfolio manager, I work closely with our finance team to assess the valuations of all underlying assets in the portfolio every six months. So we do this process half yearly, starting at the end of December and finishing end of January. And then we do this at the end of the financial year. We have auditors involved in that process and we get good access to independent valuations reports, market insights and comparables in transactions both in private markets and also in listed markets. So these two months of the year are the busiest periods for our team in terms of the work that we do on the valuation assessment front.

Zoe Landry: Thanks Dania and we will stay with you. This next one's from Louise, she says, how do you think about inflation in regards to alternative investing inflation?

Dania Zinurova: I like saying that some of the alternative assets can serve as a good inflation hedge. What it means is that not all of the strategies, not all of the asset classes, but when we live in the environment



where inflation is growing or it is a high inflation environment. As an investor, you would like to see in your portfolio returns that would be linked to inflation and this is where alternative assets come in.

Strategies like health care real estate, why? Because lease agreements are have an annual inflation link. Every year as inflation goes up; your income return from these strategies will increase. Many infrastructure assets have long contractual revenues. Those revenues are also often linked to inflation. Asset classes such as agriculture and water rights have indirect link to inflation so it can serve well within that environment as well.

Zoe Landry: Thank you, Dania. This next question is from Brett, he asked, do you take a seat at the board of these private companies you invest in? And do you give advice on how to grow these businesses?

Dania Zinurova: We do not take a board seat on those companies, but we do exercise veto rights over investments where we co-invest. The reason we don't take Board positions it is that we partner with investment teams who have certain technical expertise across sectors and they will be well equipped to play the role on the boards within the companies in terms of how we work with the underlying portfolio companies we meet. As an example, we went last week to meet with the management team of the company called Linen Services Australia that we invested in with Adamantem Capital. We had an asset tour of one of their assets in Melbourne. And we asked some strategic questions to the senior management team in terms of the growth of the company and performance. We have really good access to the underlying companies and management teams which is a great way to engage and influence.

Zoe Landry: Thanks Dania. Are you considering a share purchase plan (SPP) to increase the investor amount and grow the fund or would you consider it?

Geoff Wilson: Are we thinking about an SPP? The share price is trading at a discount NTA. So therefore the plan isn't to do an SPP. We tend to like to raise money at NTA. The share price will trade at an NTA and a premium one day and then there'll be opportunities to grow the business or to grow the company and I expect that that will happen.

Zoe Landry: Thank you, Geoff. And this is a question from Larry. He says, who are the big sellers and who are the big buyers causing the recent share price decline in WAM Alternative Assets?

Geoff Wilson: We can see the buying and selling. There's been one buyer that is a reasonable buyer and I think they've been there since it was Blue Sky. It was just a matter of time before they had sold down. I think they halved their position. They were a substantial shareholder, they were playing the discount, they bought it at a, 30 odd or 40% discount. I they're selling at a 20% discount, they're still making good money. Otherwise, to me it's just the non-alignment of a number of people would have bought it very early on when we started managing it at a 30% plus discount, and then it trades at a lesser discount.

The equity market's been pretty strong at the moment. Last year, the market was 6% or 7% in December. There's been strong market this early part of the year and so then, people are saying, well, hey, I want leverage, so do I want alternative markets or get exposure to private markets? What they misunderstand is what Dania said earlier. What the endowment funds and, the Future Fund and all the big professional



investors know, is that over time you get fantastic performance from private markets. And one of the interesting things is, the private markets will continue to get bigger.

The KKR research that I was, reading after I saw them the other day, was talking about the contraction in the US market in terms of listed equities and the growth in private markets and that is happening everywhere around the world. It is just supply and demand. Therefore, if everyone who is a shareholder fully understands what the company does is happy with the company, then they are not selling. And then, when it trades at NTA or a pre then eventually you get a bit of buying it, trades at NTA if not a premium. Thanks Zoe.

Zoe Landry: Thank you. This next question is from Terence. He says, unfortunately, I bought my stocks at the mid to high end of its share price. Can you see this cycle reversing in the medium term, the medium to long term?

Geoff Wilson: Yes, yes, to both. You would have still bought it at a discount to NTA. Therefore, if it was trading at NTA, you would be making money. And the assets will perform over time, which Dania articulated earlier.

Zoe Landry: The last question is from Damien. At the end of February, the share price discount translated to a loss value for WMA of \$44 million in total assets of \$237 million. A persistent share price discount is a material business risk and prevents shareholders from being able to realise capital growth. Could you please advise if the share price discount risk is recognised within the Board's material risk register? And if yes, how has the board articulated its appetite or tolerance for this risk?

Geoff Wilson: For the first part of the question, unfortunately, no money has been lost, it is the assets. What the assets are and what the share price is now, effectively there is a gap. For the smart investor, they buy at that gap and they make that money over time in terms of the Company. The Company has a risk appetite statement that is set, reviewed and monitored by the Board of Directors regularly. Where the share price of the Company is trading relative to NTA is obviously part of the overall risk assessment process and is on the Company's risk register itself.

This company is investing in alternative assets. A lot of people that are on this call understand equities. There is a fair degree of risk and in terms of risk tolerance needed. In terms of assessing the risk and looking at steps to mitigate it, that comes back to the sectors that we operate in and the asset classes and the share price discount to NTA versus the listed investment company (LIC) sector versus global peers as well. One of the things we try to do to reduce that discount is our comprehensive shareholder engagement process. The answer is, the Board is, is aware of that. It is on the risk appetite statement.

Zoe Landry: Thank you, Geoff. That is all the questions so I will pass back to you for closing remarks.

Geoff Wilson: Thank you, everyone who called in. We have had a lot of questions. We try to keep this to an hour but it is gone for an hour and a half. Dania, I think you are doing a fantastic job myself as one of the largest shareholders. I am very happy with how you are performing. I am disappointed that every day when I look at the share price, it does not reflect the value of the assets. I am very confident that that will happen. It's, just a matter of time, and it just takes time for the share register to tighten up and, and we are already



in that process. Now, \ the number of shareholders has increased by about 20%. I actually think this entity deserves a premium, probably a reasonable premium, because it is impossible for you to get exposure, a retail investor to get exposure to these assets. It is just impossible. And it is impossible to get exposure at this price. Thank you all. If you do have any more, comments, suggestions, questions, remember, it is your Company. So please, send them in to us or, or give us a call. Thank you very much.