

# Annual General Meeting Chairman's Address

19 November 2019

## Introduction and welcome

Good afternoon and welcome to the twelfth WAM Active Limited Annual General Meeting (AGM). I would firstly like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past and present. I would also like to welcome all our shareholders – thank you for joining us and for your continued support of WAM Active.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Karina Kwan and Emma Ruggie-Price. Scott Whiddett, a representative from our auditor Pitcher Partners, will be available to address any questions relating to the Company's financial statements.

## FY2020 update

WAM Active has achieved a solid start to FY2020. Through our continued focus on market mispricing in the Australian equity market, the Company's investment portfolio has increased 6.7% in the financial year to 31 October 2019. In the calendar year to date, WAM Active's investment portfolio has increased 18.2% while holding on average 21.0% cash. As at 31 October 2019, the Company had 5.39 cents per share available in its profits reserve, after the payment of its fully franked FY2019 final dividend of 2.95 cents per share.

## FY2019 in review

### Equity market overview

The year began with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching. By January 2019, the US Federal Reserve executed one of its sharpest u-turns in recent memory, pausing interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new highs as interest rates fell.

Over the financial year, large-cap companies outperformed small-cap companies in most major global equity markets during a time of heightened volatility. The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year.

### Investment portfolio performance

Since listing in 2008, the Company has effectively applied an investment approach which provides investors with exposure to active trading strategies which aim to deliver positive returns in all market cycles. WAM Active has achieved an investment portfolio return of 12.1% per annum since inception in 2008, with less volatility than the market as measured by its standard deviation.

The WAM Active investment portfolio increased 3.6% in the 2019 financial year climbing 4.5% in the final quarter and rebounding 10.8% in the six months to 30 June 2019. The Bloomberg AusBond Bank Bill Index (Cash) rose by 2.0% for the year.

The highly active investment process saw the equity component of the investment portfolio turnover 3.1 times during the year with 218 individual companies traded. Over the 12-months we adjusted our cash levels continuously while averaging 31.2% throughout the period. During the year we participated in 30 initial public offerings and capital raisings open only to institutional investors and we deployed tactical positions in the information technology sector, trading 25 individual companies during the period.

The largest contributors to the investment portfolio's performance during the period included: financial technology business, Afterpay Touch Group (ASX: APT); artificial intelligence and machine learning specialist, Appen (ASX: APX); English language focused education provider, IDP Education (ASX: IEL); restaurant franchisee business, Collins Foods (ASX: CKF); and medical biodegradable polymers developer, Polynovo (ASX: PNV).

### Financial results and option issue

In 2019, the Company recorded an operating profit before tax of \$0.4 million (2018: \$4.4 million) and an operating profit after tax of \$0.7 million (2018: \$3.4 million). The after tax figure was boosted by a \$0.3 million income tax benefit delivered through franking credits received on franked dividend income from investee companies. The operating profit for the year is reflective of the investment portfolio performance and the growth in assets over the period.

On 11 August 2016, the Company announced a one-for-one bonus option issue to all shareholders at no cost. The Company raised \$11,224,125 during the term of the option issue, which expired on 17 September 2018. A total of 9,845,725 options were exercised, with the remaining options expiring.

The Board is committed to growing the Company to the benefit of all shareholders and the bonus option issue was an effective way to do so. As the Company's size increases, on market liquidity for the shares is expected to increase. It will also increase the Company's relevance in the market, improve the prospect of broker and research coverage, and gain interest from financial planners.

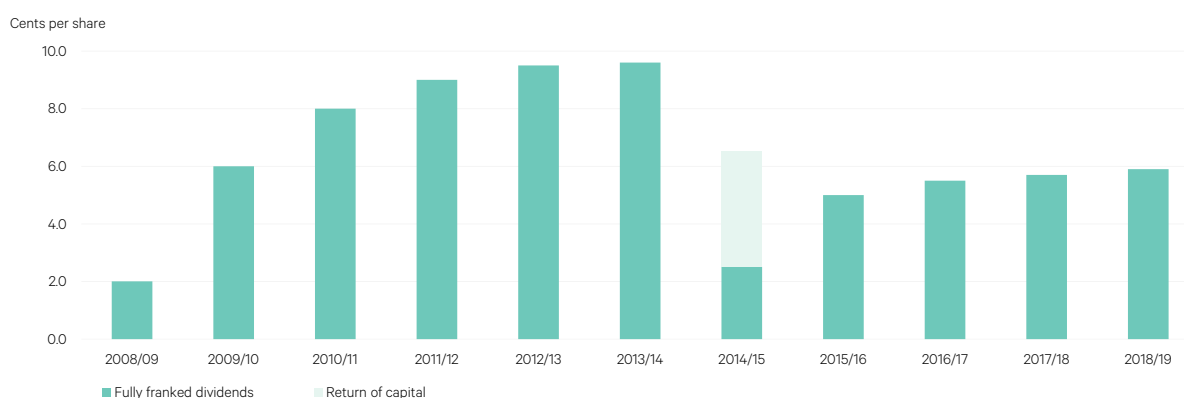
### Total shareholder return and share price premium to NTA

The total shareholder return (TSR) for WAM Active for the year to 30 June 2019 was impacted by the decline in the share price premium to net tangible asset (NTA) and resulting discount at the end of the period. As at 30 June 2019, the share price discount to NTA was 4.1% (2018: premium of 0.5%). This was offset by the positive investment portfolio performance, with TSR decreasing 4.8% for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends. On 18 November 2019, the share price traded at a 1.8% premium to NTA.

### Continued fully franked dividend growth

The Board continued to enhance shareholder returns through the payment of fully franked dividends in FY2019. The fully franked full year dividend increased to 5.9 cents per share, an increase of 3.5% on the previous year with the fully franked final dividend being 2.95 cents per share. Since inception, the Company has paid 68.70 cents per share in fully franked dividends to shareholders.

### Fully franked dividends and return of capital since inception



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## Company outlook

WAM Active entered the 2019 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. The preservation of shareholder capital is a key focus of our investment process. Despite our circumspect outlook, we are confident in our ability to continue to identify and act on mispricing opportunities in all market conditions, while taking the least risk possible.

## Public policy and advocacy

On behalf of our 80,000 shareholders of our six LICs as well as self-funded retirees and low-income earners throughout Australia, we advocated against the inequitable and illogical policy to remove refunds on franked dividend income that was announced on 13 March 2018. We were pleased to see the end of the proposal and thank our shareholders for their support.

## Shareholder engagement and communication

Shareholders are the owners of WAM Active. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We do this regularly in many ways, including:

- Weekly investor updates from our Lead Portfolio Managers;
- Regular investment insights and market updates;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- Monthly investment updates;
- Semi-annual conference calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and semi-annual profits announcements.

WAM Active shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We aim to provide valuable and insightful information to you and welcome all feedback on how we can improve our communication and engagement. Please contact our Head of Corporate Affairs James McNamara on (02) 9247 6755 or email us at [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au) with any questions or feedback.

## Making a difference

Wilson Asset Management, WAM Active's investment manager, is passionate about making a positive difference to our shareholders and the community. In the 2019 financial year the team worked towards this objective in a number of ways.

We continued our support of Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG), Australia's first philanthropic wealth creation vehicles with the dual purpose of creating shareholder wealth and investing in our future generation. FGX and FGG are actively making a difference with a significant stream of annual investments in high impact charities working to better the lives of young Australians. Wilson Asset Management's team gives ongoing pro bono support to these innovative companies, providing funds management, marketing, shareholder communications, company secretarial, administrative and support functions.

Wilson Asset Management is a signatory to Pledge 1% – a global corporate philanthropy movement that commits to donating 1% of product, 1% of equity, or 1% of employee time to improve communities around the world. We achieve this in a number of ways, including through a program that allows our staff to spend one day each month working in the non-profit sector.

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We are proud to provide significant support to various charities. In addition, every Wilson Asset Management team member is given \$10,000 per year to donate as they see fit to any one or multiple charities. All donations are made by the investment manager and not WAM Active.

Today, we announced our intention to raise up to \$1 million for Australians affected by drought and bushfires in New South Wales and Queensland. We will match funds donated to the Foundation for Rural and Regional Renewal (FRRR) by our shareholders and supporters. You can visit our website for details.

### Thank you

I would like to thank the entire Wilson Asset Management team. Every member of the team has worked tirelessly throughout the year for the shareholders of WAM Active. I would also like to thank my fellow Board members for their invaluable contributions to WAM Active. I am grateful for the Board's ongoing guidance and expertise. Finally, on behalf of the Board and Wilson Asset Management, thank you to our 1,810 loyal shareholders for your continued support and to new shareholders who joined WAM Active in the last year, welcome to the Wilson Asset Management family.