

Annual General Meeting Chairman's Address

29 November 2022

Introduction and welcome

Good afternoon and welcome to the 24th WAM Capital Limited Annual General Meeting (AGM). This is a hybrid meeting, held both online and in person here at Museum of Sydney. The hybrid meeting format allows those that cannot join us in person to participate.

I would like to acknowledge the Gadigal people of the Eora nation and pay my respects to Elders past and present. I also acknowledge the custodians of the land and waters on which our shareholders and fellow directors currently stand to view and listen to today's AGM. Wilson Asset Management supports the Uluru Statement from the Heart.

Wunya Ngulum. Welcome to all our shareholders – thank you for joining us and for your continued support of WAM Capital.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Dr Philippa Ryan, Lindsay Mann, James Chirnside and Matthew Pancino. Scott Whiddett, a representative from WAM Capital's auditor, Pitcher Partners, will be available to address any questions relating to the Company's financial statements. We are also joined by Ophelia Lam, who is the Finance Manager at Wilson Asset Management and will act in the capacity of moderator, assisting us to address any questions submitted during this meeting.

FY2023 update and outlook

Company update

After a challenging 2022, WAM Capital has achieved a strong start to FY2023. Through our continued focus on undervalued growth companies with a catalyst, the investment portfolio has increased 9.0%, outperforming the S&P/ASX All Ordinaries Accumulation Index by 2.5% in the financial year to 31 October 2022. The Company's ability to pay dividends results from the positive after tax performance of the investment portfolio growing the profits reserve. As at 31 October 2022, the Company had 10.3 cents per share available in its profits reserve, after the payment of its FY2022 fully franked final dividend of 7.75 cents per share on 28 October 2022. The current profits reserve represents 0.7 years of dividend coverage and is sufficient to cover one additional dividend of 7.75 cents per share. Following this the Company will have 2.5 cents per share available in its profits reserve. In FY2023, the Company's ability to continue paying fully franked dividends is dependent on generating additional profits reserves, through positive investment portfolio performance and franking credits. The ability to generate franking credits is reliant on the receipt of franked dividends from investee companies and the payment of tax on profit.

Outlook

The 2022 financial year was a volatile period for equity markets, impacted by coronavirus lockdowns and restrictions, geopolitical tensions in Eastern Europe and concerns surrounding rising inflation and interest rates. These factors proved to be a difficult investing environment for undervalued growth companies, with a sell-off in small-to-mid cap industrial companies unfolding as investors favoured larger companies in sectors such as financials and resources. The sell-off of the smaller, more cyclical end of the market, impacting the S&P/ASX Small Ordinaries Accumulation Index – a representation of the companies that WAM Capital's investment portfolio invests in – has created compelling long-term opportunities. We are seeing small cap valuations that are at 20-year lows relative to large cap companies, with strong catalysts that we believe will generate a re-rating of share prices over time.

In FY2023, despite continued volatility in equity markets and in particular smaller companies, we remain committed to our proven investment process and continue to favour businesses that have pricing power and can offset cost inflation, such as input costs and labour with price increases. In addition, we continue to favour companies with strong balance sheets and management teams that we believe will be able to successfully navigate what continues to be an uncertain environment. WAM Capital's gross assets were \$1,560.6 million at 31 October 2022 and the Company currently has 47,164 shareholders. The investment portfolio was comprised of 94 equity positions as at 31 October 2022.

FY2022 in review

Financial results

WAM Capital reported an operating loss before tax of \$425.9 million (FY2021: operating profit before tax of \$343.3 million) and an operating loss after tax of \$293.7 million (FY2021: operating profit after tax of \$266.6 million), predominantly due to the movement in the investment portfolio over the year. The after tax figure was boosted by a \$132.2 million income tax benefit, delivered through the tax benefit on the operating loss for the period and the franking credits received on franked dividend income from investee companies.

The 2022 financial year was a turbulent period for equity markets. The WAM Capital investment portfolio decreased 18.8% during the 12-month period to 30 June 2022, while the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX All Ordinaries Accumulation Index fell 19.5% and 7.4% respectively. The average cash weighting of the investment portfolio during this period was 13.7%. Since inception, WAM Capital has achieved an investment portfolio return of 14.7% per annum, outperforming the S&P/ASX All Ordinaries Accumulation Index by 6.7% per annum. This long-term investment portfolio outperformance has been achieved with WAM Capital's diligent and proven investment approach, which focuses on identifying undervalued growth companies with a catalyst. In these uncertain times, we remain committed to our proven investment process that has provided solid returns for over 20 years.

Takeover offers

Westoz Investment Company Limited (ASX: WIC)	Ozgrowth Limited (ASX: OZG)	PM Capital Asian Opportunities Fund Limited (ASX: PAF)
% OF SHARES ACQUIRED	% OF SHARES ACQUIRED	% OF SHARES ACQUIRED
100.0%	100.0%	100.0%
RETURN ON INVESTMENT*	RETURN ON INVESTMENT*	RETURN ON INVESTMENT*
21.0%	22.0%	16.0%

*Return on investment is calculated by reference to the underlying assets acquired and the value of WAM Capital's pre-tax NTA prior to the mergers and acquisitions.

During the year, the Company completed the acquisitions of PM Capital Asian Opportunities Fund Limited (ASX: PAF), Westoz Investment Company Limited (ASX: WIC), Ozgrowth Limited (ASX: OZG) and a \$36.3 million unlisted investment company. As a result of the PAF takeover offer, the WIC and OZG Schemes and the acquisition of the unlisted investment company, 199.8 million new WAM Capital shares were issued during the year. The shares were issued at a premium to the Company's pre-tax NTA to the benefit of all shareholders. The issue of new shares was accretive to the Company's pre-tax NTA by approximately 4.0% and generated over \$66.1 million in value for WAM Capital shareholders as a result. We welcomed over 2,000 shareholders to the Wilson Asset Management family as a result of the acquisitions. A secondary outcome of the transactions was the contribution of franking credits to the Company, which equates to a fully franked dividend of approximately 5.2 cents per share for WAM Capital shareholders.

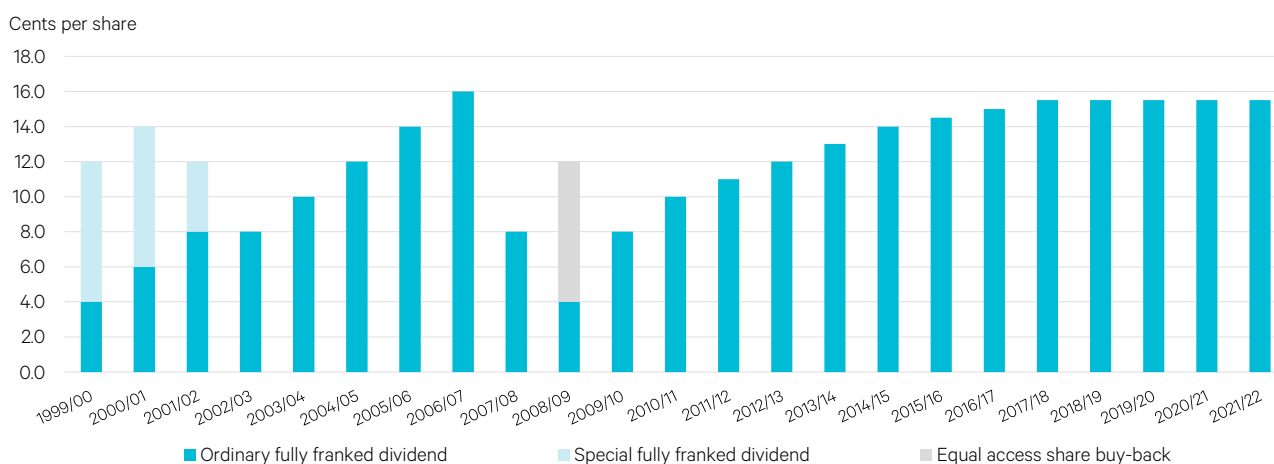
Total shareholder return (TSR) and share price premium to NTA

TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period, before the value of any franking credits distributed to shareholders through fully franked dividends. This measure shows the tangible return to shareholders, being the change in the share price together with dividends paid, assuming their reinvestment. The TSR for WAM Capital for the year to 30 June 2022 was impacted by the movement in the investment portfolio performance during a highly volatile period for equity markets, being partly offset by the increase in the share price premium to NTA. As at 30 June 2022, the share price premium to NTA was 22.1% (FY2021: 15.7%), with TSR decreasing 15.1% for the year. The S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX All Ordinaries Accumulation Index fell 19.5% and 7.4% respectively for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

On 28 November 2022, the share price premium to NTA was 20.9%. Throughout its 24-year history, the Company's share price has traded at both premiums and discounts to its NTA.

Fully franked dividends since inception

The Board declared a fully franked full year dividend of 15.5 cents per share, which represented a 9.0% dividend yield on the 30 June 2022 share price of \$1.72 per share. The Company was able to continue to pay a dividend in FY2022 as a result of the profits reserve available and the performance of the investment portfolio in previous years. The sustainability of the dividend at this level is dependent on the ability to continue to deliver a pre-tax, pre-fee return of 16.4% per annum. In the current environment this may be a challenge. Since inception, the Company has paid 285.0 cents per share in fully franked dividends to shareholders. As at 31 October 2022, the Company had 10.3 cents per share available in its profits reserve, after the payment of the fully franked final dividend of 7.75 cents per share on 28 October 2022.



Making a difference

Wilson Asset Management, WAM Capital's Investment Manager, is passionate about making a positive difference for our shareholders and the community. In the 2022 financial year, the team continued to make a difference through various philanthropic initiatives, advocacy and shareholder engagement.

Philanthropy

Wilson Asset Management created and is the lead supporter of Australia's first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Since listing in 2014 and 2015, the companies have invested \$65.2 million to young Australians who are at-risk or experiencing mental ill-health.

Wilson Asset Management is a member of the global philanthropic Pledge 1% movement, is a significant funder of many Australian charities and provides all team members with \$10,000 each year to donate to charities of their choice. During the year, Wilson Asset Management and Future Generation team members were proud to support over 50 charities across several cause areas. All philanthropic investments are made by the Investment Manager.

Advocacy

Our advocacy work on behalf of retail investors in the Australian equity market continues to be a priority. We firmly believe all shareholders, both retail and wholesale, should be treated equitably when investing in the Australian equity market.

Our dividend imputation system is in jeopardy once again, this time with a two-pronged policy attack by the current government that will weaken the Franking system by limiting the ability of companies to distribute franked credits to shareholders. The proposed legislation changes will stop Australian companies rewarding their Australian shareholders with fully franked dividends aligned to off-market share buybacks and capital raisings.

More so, the proposed changes will hurt each of the 17 million Australians with money in superannuation, Mum and Dad investors and self-funded retirees, not high-income earners. Designed by Paul Keating in 1987 to remove double taxation and support local investment, the system has supported three decades of recession-free economic growth in Australia by encouraging Australians and Australian companies to invest within Australia. The proposed changes will place these benefits at risk and have significant unintended consequences.

We are eager to work with the current government and our shareholders on how Franking can be maintained before the system and its enormous benefits are dismantled piece by piece beyond repair.

Submissions relating to the changes to off-market buy backs are now open and we will communicate shortly on how our shareholders can be involved. We are awaiting a response to our 5 October 2022 submission against removing the ability of companies to pay fully franked dividends linked to any capital raises.

You, our valued shareholders, have told us that you rely on fully franked dividends to support yourselves and your families and we will continue to advocate against these inequitable changes by actively engaging with policy makers to protect the dividend imputation system. We simply cannot afford to have the introduction of the “Retirement Tax 2.0.”

Shareholder engagement

Shareholders are the owners of WAM Capital and it is Wilson Asset Management’s responsibility to manage the Company on your behalf and report to you on a regular basis. Please visit our website, subscribe to receive our regular updates and call or email us with any questions or suggestions you have regarding WAM Capital or Wilson Asset Management.

Our next WAM Vault instalment will be released in December 2022. We encourage you to visit wilsonassetmanagement.com.au/vault to watch, read and listen to the engaging and insightful conversations of our team.

For more information

Further information on WAM Capital can be found in the [FY2022 annual report](#) and [website](#).

Thank you

Thank you for your support in what has been a challenging period and to our shareholders for entrusting us with their capital. I would also like to thank the Wilson Asset Management team, who have worked tirelessly for our shareholders, as well as my fellow Board members, whose guidance and expertise make an invaluable contribution.