

## Annual General Meeting Chairman's Address

19 November 2019

### Introduction and welcome

Good afternoon and welcome to the fourth WAM Leaders 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 Leaders.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Lindsay Mann and Melinda Snowden. Ross Finley is an apology. 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 Leaders has achieved a solid start to FY2020. Through our continued focus on undervalued growth opportunities in the large-cap Australian market, the Company has outperformed the S&P/ASX 200 Accumulation Index by 1.8%, increasing 3.8% in the financial year to 31 October 2019. In the calendar year to date, WAM Leaders has achieved a 23.9% increase in the investment portfolio.

Last week, the WAM Leaders Board announced its intention to deliver a FY2020 fully franked interim dividend of 3.0 cents per share, a 13.2% increase on the FY2019 fully franked interim dividend. This interim dividend would provide shareholders with an annualised fully franked dividend yield of 4.9% and a grossed up yield of 7.0%<sup>1</sup> on the 18 November 2019 share price of \$1.23.

WAM Leaders has a growing profits reserve of 13.35 cents per share (after the payment of its record fully franked FY2019 final dividend of 3.0 cents per share), a tightening share register and a narrowing share price discount to NTA. We are focused on communicating and engaging with the owners of the LICs we manage. We are currently calling WAM Leaders shareholders, asking for their feedback and discussing the outlook for the company.

### 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. Against this global background, the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year driven primarily by the record-low interest rate environment.

#### Investment portfolio performance

The WAM Leaders investment portfolio delivered a 10.9% increase in the 12-month period, climbing 7.2% in the final quarter and rebounding 19.4% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 10.3% throughout the period. The investment performance delivered these returns with less volatility than the market, as measured by standard deviation. The return on the equity portion of our portfolio was 12.0% and the return on the cash portion of the portfolio was 1.8% for the year. The WAM Leaders investment portfolio has increased 12.6% per annum since inception in May 2016.

We were highly active during the period, with the equity component of the investment portfolio turning over 3.6 times. We deployed tactical and opportunistic positions in infrastructure, gold companies and real estate investment

<sup>1</sup>Grossed up yield includes franking credits and is based on a tax rate of 30%.

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trusts to take advantage of loose monetary policy and spikes in volatility surrounding geopolitical tensions. We also invested in iron-ore focused companies to take advantage of supply restrictions that led to higher spot prices, and we actively traded the major banks throughout the banking Royal Commission.

Individual companies that significantly contributed to the absolute performance during the period included: Fortescue Metals Group (ASX: FMG), BHP Group (ASX: BHP), Commonwealth Bank of Australia (ASX: CBA) and Newcrest Mining (ASX: NCM). Detractors included Origin Energy (ASX: ORG), James Hardie Industries (ASX: JHX), Nufarm (ASX: NUF) and South32 (ASX: S32). We remain cautious about the direction of the Australian equity market, as the domestic economy continues to show signs of weakness and the Reserve Bank of Australia's stimulatory options are approaching exhaustion. The investment portfolio's cash level ended the year at 9.1% while holding highly liquid positions.

### **Financial results and capital management**

In 2019, the Company achieved strong growth with assets growing by 14.8% to \$992.3 million. WAM Leaders recorded an operating profit before tax of \$90.1 million (2018: \$100.5 million), paid tax of \$10.8 million and dividends of \$36.0 million (net of reinvestment) during the year. The growth in assets was achieved through the performance of the investment portfolio, which increased 10.9% for the year and the acquisition of a listed investment company, Century Australia Investments (CYA).

During the year, WAM Leaders successfully completed the Scheme of Arrangement (Scheme) with CYA on a pre-tax NTA basis. In accordance with the Scheme, CYA shareholders received 0.834 new WAM Leaders shares for every 1 CYA share held. WAM Leaders has a relevant interest in 100% of the shares in CYA, which delisted from the ASX on 6 March 2019. As a result of the merger, we welcomed 2,109 new shareholders and 78.6 million new WAM Leaders shares were issued on 5 March 2019.

### **Total shareholder return and share price discount to NTA**

The total shareholder return for WAM Leaders for the year to 30 June 2019 was impacted by the increase in the share price discount to NTA. As at 30 June 2019, the share price discount to NTA was 12.4% (2018: discount of 5.8%). This was offset by the investment portfolio performance, with TSR increasing 0.6% 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 discount to NTA was 1.8%.

### **Fully franked dividends**

The Board declared a 20.0% increase in the fully franked final dividend to 3.0 cents per share in FY2019. The final dividend brings the record fully franked full year dividend to 5.65 cents per share, an increase of 13.0% on the previous year. Since inception, the Company has paid 13.65 cents per share in fully franked dividends to shareholders.

### **Company outlook**

WAM Leaders entered the 2020 financial year with a conservative balance sheet, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. The Company will continue to seek opportunities irrespective of market conditions and we remain well positioned to capitalise on these as they emerge.

### **Board changes**

During the year the Board welcomed Ross Finley as a Director, following the Company's acquisition of Century Australia Investments, for which Ross served as a director. Ross has over 40 years of experience in the Australian financial markets with a focus on Australian Equities and Australian Property Management.

### **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.

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## Shareholder engagement and communication

Shareholders are the owners of WAM Leaders. 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 Leaders 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 myself or 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 Leader'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.

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 Leaders.

Today, we announced our plans 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 Leaders. I would also like to thank my fellow Board members for their invaluable contributions to WAM Leaders during a year of significant growth for the Company. Finally, on behalf of the Board and Wilson Asset Management, thank you to our 17,567 loyal shareholders for your continued support of WAM Leaders and to the 2,387 shareholders who joined WAM Leaders in the last year, welcome to the Wilson Asset Management family.