

Annual General Meeting Chairman's Address

29 November 2022

Introduction and welcome

Good afternoon and welcome to the fifth WAM Microcap 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 Microcap.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Jacqueline Sullivan and Adrian Siew. Scott Whiddett, a representative from WAM Microcap'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 Microcap has achieved a strong start to FY2023. Through our continued focus on undervalued micro-cap growth companies with a catalyst, the investment portfolio has increased 12.9%, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 6.9% in the financial year to 31 October 2022. As at 31 October 2022, the Company had 52.6 cents per share available in its profits reserve, after the payment of its FY2022 fully franked final dividend of 5.0 cents per share on 17 October 2022, representing 5.3 years of dividend coverage. 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 and challenging 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, 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 ongoing volatility in equity markets, impacting smaller companies in particular, we remain committed to our proven investment process and favour businesses that have pricing power and can offset cost inflation. We continue to focus on companies with strong balance sheets and management teams that will be able to successfully navigate this uncertain environment. WAM Microcap's gross assets were \$283.4 million at 31 October 2022 and the Company currently has 9,428 shareholders. The investment portfolio was comprised of 79 equity positions as at 31 October 2022.

FY2022 in review

Financial results

WAM Microcap reported an operating loss before tax of \$53.9 million (FY2021: operating profit before tax of \$107.0 million) and an operating loss after tax of \$36.1 million (FY2021: operating profit after tax of \$76.1 million), which was predominantly due to the movement in the investment portfolio over the year. The after tax figure was boosted by a \$17.8 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 Microcap investment portfolio decreased 16.8% during the 12-month period to 30 June 2022, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 2.7%. The S&P/ASX Small Ordinaries Accumulation Index fell 19.5% for the year. This outperformance was achieved with an average cash weighting of 11.8%. Since inception, WAM Microcap has achieved an investment portfolio return of 14.7% per annum, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 9.7% per annum. This investment portfolio outperformance has been achieved with WAM Microcap's diligent and proven investment approach, which focuses on identifying undervalued micro-cap growth companies with a catalyst. In these uncertain times, we remain committed to our proven investment process.

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 Microcap 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 offset by the significant increase in the share price premium to NTA. As at 30 June 2022, the share price premium to NTA was 30.7% (30 June 2021: 7.8%), with TSR decreasing 4.9% for the year. The S&P/ASX Small Ordinaries Accumulation Index fell 19.5% for the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

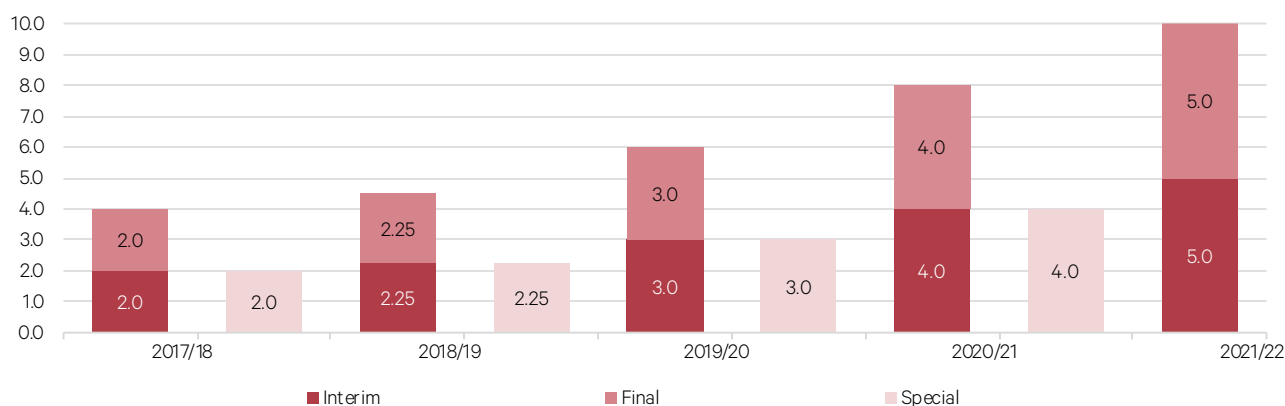
On 28 November 2022, the share price premium to NTA was 22.8%. Throughout its 5-year history, the Company's share price has traded at both premiums and discounts to its NTA.

Fully franked dividends since inception

The Board declared a fully franked full year dividend of 10.0 cents per share, which represented a 6.2% dividend yield on the 30 June 2022 share price of \$1.625 per share. Since inception, the Company has paid 43.75 cents per share in fully franked dividends to shareholders. As at 31 October 2022, the Company had 52.6 cents per share available in its profits reserve, after the payment of the fully franked final dividend of 5.0 cents per share on 17 October 2022.

In FY2022, the Board has not declared a special dividend due to the performance of the investment portfolio over the period. Since inception, as a result of the exceptional investment portfolio outperformance in the Company's first four years of operation, the Company has paid 11.25 cents per share in special fully franked dividends to shareholders.

Cents per share



Making a difference

Wilson Asset Management, WAM Microcap'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 buybacks 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 Microcap 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 Microcap 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 Microcap 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.