

# Annual General Meeting Chairman's Address

29 November 2022

## Introduction and welcome

Good morning and welcome to the inaugural WAM Strategic Value 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 Strategic Value.

I am Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley and Glenn Burge. Scott Whiddett, a representative from WAM Strategic Value'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 Strategic Value has achieved a solid start to FY2023. Through our continued focus on identifying and capitalising on share price discounts to underlying asset values of listed companies, primarily listed investment companies (LICs) and listed investment trusts (LITs), the investment portfolio has increased 4.8% in the financial year to 31 October 2022. As at 31 October 2022, the Company had 6.7 cents per share available in its profits reserve, after the payment of its inaugural fully franked final dividend of 2.0 cents per share on 28 October 2022. The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits and it is within prudent business practices.

### 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, with a sell-off in Australian LIC sector unfolding as retail shareholders sought to rotate into holdings with higher liquidity in the lead-up to the end of the financial year. Over this period, a number of operating companies traded at significant discounts to net tangible assets (NTA). We strategically invested when we believed the risk and reward balance was in our favour.

In FY2023, despite continued volatility in equity markets and in particular smaller companies, we remain committed to our proven investment process and continue to invest in discounted asset opportunities that we expect to benefit from as market volatility subsides and share price discounts of underlying investments narrow over time. WAM Strategic Value's gross assets were \$204.2 million at 31 October 2022 and the Company currently has 8,332 shareholders. The investment portfolio was comprised of 21 equity positions as at 31 October 2022.

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## FY2022 in review

### Inaugural financial results

WAM Strategic Value reported an operating loss before tax of \$23.3 million for the period from inception to 30 June 2022 and an operating loss after tax of \$14.5 million. The after tax figure was boosted by a \$8.8 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 Company commenced operations on 21 June 2021, following the successful oversubscribed initial public offering which raised \$225 million.

The 2022 financial year was a turbulent period for equity markets. The WAM Strategic Value investment portfolio decreased 9.3% for the period from inception to 30 June 2022, while holding an average cash weighting of 33.3%. The estimated look-through NTA of the underlying investments in LIC's and LIT's decreased by 3.7% over the period, while the widening of underlying share price discounts to NTA impacted the investment portfolio by 5.6%. The estimated look-through NTA of the WAM Strategic Value investment portfolio is calculated using the estimated or most recently available pre-tax NTA of the underlying investment portfolio which equated to \$1.26 per share at 30 June 2022.

### Total shareholder return (TSR) and share price discount 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 Strategic Value for the period from inception to 30 June 2022 was impacted by the decline in the investment portfolio performance during a highly volatile period for equity markets and the share price discount to NTA at the end of the period. As at 30 June 2022, the share price discount to NTA was 12.6%, with TSR decreasing 21.7% for the period from inception to 30 June 2022. 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 discount to NTA was 9.0%. Since inception, the Company's share price has traded at both premiums and discounts to its NTA.

### Fully franked dividends

The Board declared a fully franked full year dividend of 3.0 cents per share, with the inaugural fully franked final dividend being 2.0 cents per share, which represents a 100% increase on the inaugural fully franked interim dividend. The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits reserves and franking credits and it is within prudent business practices. As at 31 October 2022, the Company had 6.7 cents per share available in its profits reserve, after the payment of the inaugural fully franked final dividend of 2.0 cents per share on 28 October 2022.

## Making a difference

Wilson Asset Management, WAM Strategic Value'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.

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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 Strategic Value 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 Strategic Value or Wilson Asset Management.

Our next WAM Vault instalment will be released in December 2022. We encourage you to visit [wilsonassetmanagement.com.au/vault](https://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 Strategic Value can be found in the [2022 financial 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.