

Annual General Meeting Chairman's Address

21 November 2024
ASX announcement

Introduction and welcome

Good morning and welcome to the 26th WAM Capital Limited (ASX: WAM) Annual General Meeting (AGM). My name is Geoff Wilson, Chairman of the Board of Directors.

This is a hybrid meeting, held both online and in person here at the Museum of Sydney. The hybrid meeting format allows those that cannot join us in person to ask questions and actively participate. This is very important to us at Wilson Asset Management.

I acknowledge the Gadigal people of the Eora nation and pay my respects to Elders past and present.

Thank you for joining us and for your continued support of WAM Capital. I am joined today by my fellow Board members, Kate Thorley, Dr Philippa Ryan, James Chirnside, Matthew Pancino and Angus Barker and I acknowledge the retirement of Director Lindsay Mann.

On behalf of the Board and all our shareholders, I thank Mr Mann for his exceptional service and contribution to WAM Capital and its shareholders since his appointment in December 2012 following the scheme of arrangement with Premium Investors Limited. I have thoroughly enjoyed working with Lindsay over the past decade and value his unique insights, critical thinking and attention to detail.

Richard King, 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 Wilson Asset Management Head of Finance Ophelia Lam, who will moderate today's meeting, and assist in addressing any questions received online or in person during the meeting.

FY2024 in review

Financial results

The WAM Capital investment team delivered its strongest investment portfolio outperformance in FY2024, since the 2016 financial year.

The WAM Capital investment portfolio increased 26.4%, outperforming the S&P/ASX All Ordinaries Accumulation Index by 13.9% and the S&P/ASX Small Ordinaries Accumulation Index by 17.1%, allowing the Board to maintain the high full year dividend of 15.5 cents per share, 60% franked.

The strong investment portfolio performance added 20.8 cents per share to the profits reserve during the year. The profits reserve was 1.6 cents per share at the start of the year after the FY2023 final dividend, and ended the year at 14.7 cents per share, increasing to 18.8 cents per share at 31 July 2024. At the end of the 2023 calendar year, with 6.5 cents per share in the profits reserve, the Board was considering reducing the interim dividend by 50% before the strong performance of the investment portfolio in January and February 2024. This strong investment portfolio performance has allowed the Board to continue paying an extremely high dividend to shareholders which represents a dividend yield of 10.3% and a grossed-up dividend yield of 12.9%* when including the value of franking credits, on the pre-tax net tangible assets (NTA) at 30 June 2024.

The investment portfolio performance contributed to a 37.0% increase in the operating profit before tax of \$319.4 million (FY2023: \$233.2 million) and an operating profit after tax of \$229.2 million (FY2023: \$173.3 million) in the Company's 2024 full year results.

*Grossed-up dividend yield includes the benefits of franking credits and is based on a tax rate of 30.0%.

FY2025 update and outlook

Company update

The WAM Capital investment portfolio has increased 8.9% in the financial year to 31 October 2024, outperforming the S&P/ASX All Ordinaries Accumulation Index by 2.5%.

Through the positive investment portfolio performance, the Company has added to its profits reserve and has 15.7 cents per share available at 31 October 2024 for future dividend payments, after the payment of its FY2024 final dividend of 7.75 cents per share, partially franked at 60%. The WAM Capital Board of Directors expects the FY2025 full year dividend to also be partially franked at 60%, should the Company maintain the full year dividend of 15.5 cents per share.

For WAM Capital to continue to pay a full year dividend of 15.5 cents per share at the current net asset level, the investment portfolio performance needs to increase more than 16% per annum, grossed-up for expenses and fees. There is no certainty that such high returns can be maintained each year. The Company's ability to pay franked dividends is dependent on generating additional profits reserves, through positive investment portfolio performance, and franking credits. The ability to pay a franked dividend is reliant on the payment of tax on realised profits and the receipt of franked dividends from investee companies.

The Company has maintained an extremely high franked dividend yield over the past five years. WAM Capital is one of the highest yielding listed investment companies (LICs) in Australia. The return on any equity investment for shareholders can be made up of a combination of capital (i.e. movement in the Company's share price) and income (i.e. through franked or unfranked dividends paid to shareholders on a semi-annual basis). If the dividends paid to shareholders (including franking credits) exceeds the increase in assets during the year, then the NTA of the Company declines. Please refer to the WAM Capital Chairman's letter in the [2024 WAM Capital Annual Report](#) for further details.

Over the last five years, WAM Capital has paid shareholders an average grossed-up dividend yield on the pre-tax NTA of approximately 14%, which is much higher than the return on the equity market and the investment portfolio performance over this time. This meant shareholders received a high-income component to their returns versus a combination of income and capital growth. The S&P/ASX Small Ordinaries Accumulation Index rose 4.7% per annum and the S&P/ASX All Ordinaries Accumulation Index was up 8.5% per annum, while the WAM Capital investment portfolio increased 10.3% per annum, over the same period.

Over the past 10 years, WAM Capital has traded at an average premium to NTA of 16.0%. WAM Capital is currently trading at a 2.4% discount to NTA, at 31 October 2024, presenting a rare opportunity for investors.

Market outlook

The Australian economy is facing a challenging year due to high interest rates, cost of living pressures and geopolitical concerns. Markets are forward looking and the WAM Capital investment team are positive on the outlook for Australian small and mid-cap undervalued growth companies over the next 12-months.

The broader market tends to not perform well early in an interest rate cutting cycle, as expectations are already built into the market. In our experience, the only time that the market performs well in a declining interest rate environment is when earnings accelerate. The team strongly believe small-cap outperformance can occur in a stable or declining interest rate environment when earnings accelerate.

Over the past three years, Australian small companies have underperformed the broader market by 7.7% per annum. This underperformance has also been consistent in the United States as investors have preferred larger and more liquid companies in the financials, resources and technology sectors.

An estimated 36% of the investment universe of small cap companies relates to sectors such as financials, media, retail, building materials, automotive and real estate which are sensitive to movements in interest rates. These sectors are poised to benefit in the event we see interest rate cuts in 2025, and the team believe the past three years of underperformance will be returned to patient investors. In the United States and New Zealand where interest rates have recently been cut, small-cap companies have outperformed the broader market by 3.5% and 1.8% so far in FY2025, providing confidence that Australia should follow suit.

The WAM Capital investment portfolio is positioned to capitalise on these market opportunities, and it has continued to outperform the S&P/ASX All Ordinaries Accumulation Index in 2025. The investment portfolio maintains a flexible cash position of 12.6%, at 31 October 2024, to ensure it can invest in compelling undervalued growth opportunities with a catalyst.

Shareholder advocacy

Shareholder advocacy on behalf of retail investors remains a priority for Wilson Asset Management. We continue to consult shareholders on important issues in an attempt to allow Australian investors to be treated equitably. Current issues include the 'sophisticated investor test', the government's proposal to tax unrealised gains on super balances over \$3 million and the Australian Prudential Regulation Authority's proposal to phase out Bank Hybrids.

For more information

Further information on WAM Capital can be found in the FY2024 [Annual Report](#) and on our [website](#).

Thank you

Thank you for your support and entrusting us with your capital. I would also like to thank the Wilson Asset Management team and my fellow Board members.

About WAM Capital

WAM Capital Limited (ASX: WAM) is a listed investment company (LIC) managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of undervalued growth companies listed on the ASX, with a focus on small-to-medium sized businesses. WAM Capital also provides exposure to relative value arbitrage and market mispricing opportunities. The Company's investment objectives are to deliver a stream of fully franked dividends, provide capital growth and preserve capital.

All major platforms provide access to WAM Capital, including Asgard eWRAP Investment, BT Panorama, BT Wrap, Colonial First State FirstWrap, Hub24, IOOF Pursuit Select Investment Service, Macquarie Investment Manager / Consolidator, MLC Wrap IDPS and SMS, Netwealth Wrap and North Investment.

Listed August 1999



WAM Capital receives coverage from the following independent investment research providers:



This announcement has been authorised by the Board of WAM Capital Limited.

About Wilson Asset Management

Wilson Asset Management has a track record of making a difference for shareholders and the community for more than 25 years. As the Investment Manager for eight LICs – WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Global (ASX: WGB), WAM Microcap (ASX: WMI), WAM Alternative Assets (ASX: WMA), WAM Strategic Value (ASX: WAR), WAM Research (ASX: WAX) and WAM Active (ASX: WAA) – and the Wilson Asset Management Leaders Fund, Wilson Asset Management invests over \$5 billion on behalf of more than 130,000 retail investors.

Wilson Asset Management created and is the lead supporter of the first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and is a significant funder of many Australian charities, providing all team members with \$10,000 each year to donate to charities of their choice. All philanthropic investments are made by the Investment Manager.



>\$5 billion
in funds under management

>200 years
combined investment experience

>25 years
making a difference for shareholders

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Investment products

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