

WAM Strategic Value FY2025 Results Q&A Webinar

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Speakers:

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Geoff Wilson: Good afternoon and thank you everyone for joining the WAM Strategic Value (ASX: WAR) Full Year 2025 Q&A webinar. Today we have myself, as the Chairman of the company and also the Lead Portfolio Manager, Martyn McCathie, Investment Specialist who helps us on the portfolio construction, and Olivia Harris who's from our Communications area on the webinar. She'll be moderating your questions.

This is your company. We're in the very good position that we can manage this pool of capital on your behalf. And as it's your company, we have these webinars on a six monthly basis, so you can ask us any questions you want. If your question isn't answered to your satisfaction here, please contact us afterwards or if you have any other questions or comments or thoughts, please send them. One thing I do like about the WAM Strategic Value shareholders is they're always very good at asking questions, and they're high quality questions. The questions you've already sent in today are of that similar style. I'll go through the first part of the presentation, then I'll pass to Marty, and then we'll open it up for Q&A with Olivia at the end.

In terms of the last 12 months, what would I give WAM Strategic Value in terms of a result over the period. It was a solid performance. The portfolio was up a little over 8%. Now, we did have some positions that had turned into cash. Global Data Centre was a very successful investment for us and sometimes it takes a period of time to receive that cash. Then of course when we're sitting with high levels of cash, it takes a period of time to deploy that cash at the right price, buying a dollar of assets for 80 cents or less. In terms of how we're sitting at the moment and at the start of the 2026 financial year, we think we're really well positioned. We have nearly 20% cash. We are building positions and looking for opportunities. A few people have sent in some questions about a couple of the positions we have. There's been a bit of activity that we've been involved in, and we'll go through that in a little bit more detail in Q&A.

One of the interesting things which we put in the full year result, was even though the portfolio performance was less than the market over the period, adjusting for the cash it gets a lot closer to the market. The other interesting thing is how the portfolio performed in down periods. It is a very solid portfolio. We think it's taking on less risk than the market. Even so far month to date as the Australian market's down, we've been outperforming and the portfolio is up a little bit.

In terms of the actual net tangible assets (NTA), currently the share price is trading at a discount to NTA. Our view is that we will get it to NTA if not a premium and that just takes time, in terms of time to tighten up the share register. We can talk about that a little later in the Q&A.

If you look at the Look-Through NTA value of the portfolio, it was really from yourselves, shareholders, asking us if we can work that out for you and provide it to you more on a more regular basis. The look-through value of the portfolio, as of the end of July, is about \$1.52. So in theory, if all we were able to sell all our positions at the true value of what they're worth, then we'd have \$1.52 of assets. And that's where should the share price be medium-long-term. I think in between that \$1.26, that's the NTA at the end of July, in between that \$1.26 and the \$1.52. As more asset positions or more investment positions get realised then we'll take the money out and invest in additional undervalued opportunities.

Going through the portfolio in in detail , on the various slides we've given, we have the performance slide and that showed you how we performed in the market drawdowns. If we flip to the slide showing the list of investment companies, there's about 90 of them at the moment. But showing the premiums and discounts, to me, that's an interesting slide. Of our 9 Wilson Asset Management listed investment companies, four or five of them are trading at NTA if not premiums and the others we believe will trade at NTA over time.

One of our bigger positions in the portfolio was when we had a big position in Templeton Global. When it was taken over by WAM Global, we rolled into WAM Global. We had an option of taking cash or taking WAM Global shares. There was a 6% benefit by taking WAM Global shares. And as anyone who's been on one of these webinars before would know that because WAM Global is charging a management fee, we don't charge a management fee on that on that investment. You may or may not have seen we announced just a little earlier today that we are not a substantial shareholder. WAR has gone under 5% of WAM Global. Go back about a year ago, I was trading in WAM Global at about an 18% discount. Then our communications and engagement team had been working hard on that in terms of getting the story out. That share register had continued to tighten and now it's moved back to where it was. Effectively, it was trading at a premium to NTA when it made the bid for Templeton, and it's taken a few years for it to get back to NTA. The reason we've held on over that period of time is because we had confidence that we'll trade at NTA if not a premium. And in terms of WAM Strategic Value, that's one of our two LICs that are trading around that 10% discount. All the others are less of a discount if not premiums and we expect over time that we'll get that trading as I said before, at NTA if not a premium.

In terms of the chart that shows you the listed investment company sector, the ones that are trading at premiums and discounts, you find the larger LICs on average trade closer to NTA and the smaller LICs you'll see in that chart tend to trade at discounts. The function of that is probably they don't have the resources to clearly articulate their message and communicate with their shareholders and market to other shareholders. We have about 14 or 15 people, that costs us \$3 million to \$4 million to provide that for shareholders. The two largest LICs, AFIC and Argo, are trading at discounts, which is over time, a bit of an anomaly.

The various other slides we show you the growth in the LIC sector how many are there. It does go through periods of expansion and contraction, like any market. There's rationalisation and that's good for markets. What I might do is I might pass over to Marty now, who'll take you through the next part of the presentation, and then we'll come back to probably myself before we go to Olivia for Q&A. Thanks Marty.

Martyn McCathie: Thanks Geoff, and good afternoon everybody. Just jumping back a slide, we were touching on there the growth in the LIC sector. It has been pleasing to see the market capitalisation in the sector continue to trend up with performance, but also six new issuances in the LIC and LIT space over the last 12 months or calendar year to date. These were largely private debt products, and I'm sure private debt will be a question at some point in time, but it is nice seeing the closed-ended structure being utilised and new products coming to market.

If we jump onto the next slide, we are looking at our portfolio composition within the different asset classes within the LIC and LIT landscape and. Maybe just everybody will have seen this slide, but just kind of looking at it from a different angle. I was asked a question yesterday from a financial advisor: what is the optimal output here? What are we, when we're constructing the portfolio and looking at investment ideas, what do we want this slide to look like? And what is the makeup of the portfolio? For Geoff and the team, when we're looking at constructing the portfolio, it really is bottom up. We're really looking at the best ideas, discounts, what the catalyst is for those discounts, and how we think we'll extract value for investors. The output of that, which is this slide here, is really a byproduct of the opportunity set.

At the moment we're sitting with around about 55%, slightly less intra month, at the end of June we're about 55% in global LICs and LITs. And for us that was a happy hunting area a couple of years ago. Over the last couple of years we've had really strong performance from global equities. And we've also had a narrowing of share price discounts in some cases. Geoff's already touched on WAM Global being a beneficiary there.

Looking at the other sections, direct assets is a much smaller part of the portfolio. We often get questions on why do you have direct assets in the portfolio. Global Data Centre was a big piece of that. Direct assets was a much larger part of our portfolio if we go back 12 months ago, and GDC has been a great example of us investing in a portfolio that was a wind up. The manager was able to realise significantly more than carrying value, and given we bought the assets at a discount to NTA, we were able to get the uplift of assets as they were selling them in a favorable market but also the closing of that discount as capital was returned to shareholders. So a great example I think of why direct assets form part of the portfolio.

The other element there, cash, we're sitting on at the end of June, 15.8% cash. As we sit today live, slightly larger than that, we have been selling some of the investments that are at or close to NTA parity. We have still a small residual position in GDC which is effectively cash within the vehicle waiting to be returned. So, live cash is a lot closer to 20%. We are deploying capital selectively and I'm sure we'll talk on some of the opportunities that we see in the market, but with equity markets at all-time highs and markets showing a bit of weakness over the last little bit, we have been really rigid in our investment process and selective on the opportunities that we are taking.

If we touch on the next slide and jump on to the next one and look at some of those opportunities, Geoff's already touched on WAM Global. Kind of going from left to right, I might touch on Platinum Asia and then Geoff, I'll let you talk on Pengana and PMC.

So, with Platinum Asia, for us it was a modest position in the portfolio, but one that we were able to take and build our position as we got comfort in the catalyst of that discount narrowing. The catalyst was the board conducting a strategic review of sorts, and deciding that it was in shareholders' best interests to convert the listed company into an active ETF. What that allowed shareholders was the opportunity to convert their holding in the LIC at NTA parity into an ETF and subsequently, if they wanted to exit that investment on market with liquidity from a market maker. So that scheme of arrangement transaction occurred. In the last couple of weeks, last week. We were issued stock on the 26th of August, and we've subsequently sold that one. We made a reasonable return there and positive performance from the underlying manager in the period we held it. That discount was being eradicated through the scheme of arrangements. And Geoff, did you want to touch on maybe Pengana first and then Platinum? Just go through that order?

Geoff Wilson: Let's do Platinum first and just do them in the order that they've occurred. Probably the other one is the order in terms of size of the portfolio. Pengana's more important to the portfolio than Platinum. And, as Marty said both Platinum vehicles, the LICs, we had positions in them and at various points in time we do trade positions we're very happy to take a position and then if the discount disappears, sell it. Or, if it's more a trading opportunity take it at a big discount to NTA and then trade it out, and probably a few people might realise that we are a bit more active than it may appear on the surface. I know there's a question came in about Perpetual and I think Marty, you're going to talk about their equity LIC a little later.

And another one that we've been trading recently is Ophir. Someone that was looking for liquidity, had to sell stock. Now, we bought it at about a 3% discount to the actual share price, which was close to a 14% discount NTA and we've traded most of it out and made, I think we put in about, what was it about \$15 million? We made about a 6% return on that.

In terms of Platinum. Platinum Capital. The story there is, as Marty said, that the independent board had decided what was in the best interests of all shareholders was to give all shareholders a liquidity opportunity. You'd be aware that Platinum, the management company, is in the process of being taken over by another fund manager, L1. L1 ended up taking a strategic stake in Platinum Capital. They built that up to about 19% and they are saying that they want to keep it as a listed investment company and to manage it a certain way. We asked the company for a copy of their list of shareholders. And then we did some analysis on it and ran it through looking at our 130,000 shareholders of which were similar, and over 36% of our shareholders were already Platinum shareholders. So we thought, well, let's stand up for Platinum shareholders. So we contacted the board and communicated our displeasure about what was happening because broadly to me it's a little bit illogical. L1 has taken over the manager of Platinum. And they're trying to change the management agreement by an EGM of Platinum Capital. Now, they would, if, because they're taking over the manager, then by default, they would be managing the pool of capital at Platinum that

Platinum Capital have. Why do they want to change the management agreement? It could only be from our perspective to get significantly higher fees.

Now currently shareholders in Platinum Capital, they pay about a 1.1% management fee and they pay a performance fee, which is significantly underwater. It's nearly \$315 million underwater. And what L1's proposal is, is to charge a higher management fee, which is nearly 30% higher, and to wipe out that underperformance. So starting pay a performance fee from when they take over on any positive performance.

We thought, hey, look, we've just got to stand up for our shareholders here. So we put a proposal to the company, to the board and please, if you are a PMC shareholder, please vote against the L1 nominees and vote for our nominees. That's that EGM is coming up on October 1st. And the Pengana one's on October 10th. That's pretty much the logic. We said look, we'll come in and manage the portfolio and we'll manage it on the same terms that shareholders that have been long suffering shareholders in there, on the same terms. Effectively a 1.1% management fee we will accept. The significant underperformance, we will not, we will not. We will not get a performance fee until we make back that \$315 million of underperformance. That's significant underperformance because it's a less than a \$500 million company. That's our proposal there.

In terms of where it's trading at the moment, it's trading at about a 5% discount. We just have a very small position. We had a lot larger position. There was the opportunity to sell out at a good price, so we did that. If it ends up trading a lot closer to the pre-tax NTA then we'll have no concerns about selling out, but if you're staying on as a shareholder, please vote for us.

The other one is Pengana and I know it's come through with a number of questions, but let's deal with it here. That's a lot bigger position in the WAR portfolio. We've been shareholders in the company since it was Hunter Hall Global, back in the old days, if anyone remembers it, it was an ethical investor. I'm not sure, is it still ethical? It's got or has ethical filters. They don't market that very much, I don't think. Wo what happened there is well, back in 2017, 2018 when Peter Hall left, he sold the business to Pengana. We called an EGM and said, look, shareholders should get the opportunity to get out at close to NTA because the investment strategy is changing. Then Pengana were narrowly defeated at the AGM. Pengana then took over the management of it. They managed it in house, then the people managing the portfolio, I think they moved on. Then Pengana decided to outsource it to another manager, which is probably another reason they should have allowed people to get out of the NTA or close to NTA then which they didn't.

And now what they're doing is they're changing. They're putting another set of assets in there, and they're gearing those assets up. They're also going to monthly income payments, which are monthly dividends, which we think is positive. The negative part is they're changing the risk profile of all for all investors. The good thing is they're asking investors to vote on this. That vote's coming up as well. If you could vote against the change in how the money will be managed and also if you can vote against the director they have up for election. We have four directors up for election. Two, are at Wilson Asset Management, myself, and I'm up on the Platinum one as well. Myself and Jesse Hamilton with Pengana, and then 2 other independent directors. So things are happening. I think

both of them, let's see what happens at the at the shareholder meeting as I suppose like any election, every vote counts. We think what we're doing is in shareholders' interests in both instances.

The interesting thing is with Pengana, when we ran the numbers on the shareholder crossover it was over 44% of shareholders are similar to our shareholders. We think from our perspective, we're standing up for our shareholders like we've done back in 2017, 2018 on franking credits and more recently on taxing unrealised gains. Things that we think are not in everyone's interest. So Marty that that probably covers off that. Do we have much else to, or do we go to Olivia now for Q&A? I think let's go to Olivia.

Olivia Harris: Thanks Geoff, and thanks to everybody for sending in your questions. I want to start with a question we have from Derek, Rom, Alan, Brendan, Eric, and David, and that's about the share price currently trading below the listing price. What is planned to get the share price to at least the IPO price of \$1.25? Why has it remained that low, and would you consider giving shareholders back their money at NTA?

Geoff Wilson: Yeah. I mean, that's an option. The option is giving shareholders back their money at NTA, which is effectively \$1.26, the value of the assets that we own. It is as I mentioned earlier, well, at the end of July was \$1.52. That is always an option.

From our perspective, you've seen it as shareholders, you've seen it with WAM Global that has gone from an 18% discount to trading at NTA in a relatively short period of time, that is possible. Also, you'll see with, whether it's, WAM Capital (ASX: WAM), whether it's WAM Research (ASX: WAX) a number of the other WAM entities are trading at reasonable premiums to NTA. Probably the best one to use as an example is WAM Research, which took us the longest period of time to get that trading at NTA. It took us 7 years. Why does a LIC trade at NTA? NTA is equilibrium. When there's enough buying and enough selling for that to be reached. When it's trading at a discount to NTA, it's because shareholders aren't aligned with the strategy that the that the manager's adopting. So they're prepared to sell their assets below what they're worth. That's where we are with WAM Strategic Value.

In the early days, when we floated WAM Strategic Value, it went to I think a 10% premium very early. And I think what happened is part of it going to the premium is a function of why it's at a discount now. Because a lot of people bought shares expecting that after we floated, two or three of our investments were bid for, or decided to give the money back at NTA. So I think people thought that that was going to happen on an incredibly regular basis.

Anyone who's been investing in the closed end pool of capital markets knows that it takes quite a period of time. I think our Templeton Global position we built up over 15 years. Various other positions, I mentioned the Pengana position, which we've held for more than 8 or so years. So, in terms of holding positions for long periods of time, if you're buying them \$1 of assets a 80 cents or 85 cents, then it makes sense.

Back on how will this trade at NTA? Effectively, we need to continue to tighten up the share register. continue to communicate with shareholders and WAR and WMA are the two LICs on our list that are

trading at those 10% discounts. And so that's effectively the shareholder engagement marketing team's total focus is helping them trade at close to NTA if not at a premium.

And how does that happen? As the people that aren't happy sell and the people that understand what the company is doing and are happy with what the company is doing and want to get exposure to what the company is doing buy. It is supply demand. Very easy to say, very hard to do. You'll see the various WAM LICs have taken over 13 other LICs that have that have failed to eventually trade at NTA if not a premium. So thank you. I'm confident, as I said a little earlier, where should the share price be sitting? It should definitely be sitting at a premium to NTA because it's quite clear when you look at the look-through portfolio that the underlying assets a little over that \$1.50 mark.

Olivia Harris: Thanks Geoff and Marty, we'll go to you now. The next question is from Rodney. Why does WAR invest directly in companies such as Lark?

Martyn McCathie: It's the opportunity set. If we can pick up investments at a discount to NTA, that's our investment mandate. More commonly it's LICs and LITs, and the reason it's more commonly LICs and LITs is we feel that we've got a skill set there. We are an LIC specialist, that's what differentiates us as an investment manager, so we're utilising that skill to extract value for investors. The NTA of an LIC is quite clear. You have a lot of confidence on the valuation underpinning the investment.

In the case of direct discounts, including Lark, it's about 1.5%, 1.6% of the portfolio at the moment. So it's not a large part of the investment portfolio. When we had GDC in there, it was a lot larger and we've made a lot of money out of that. For us, if we can find good investments regardless of them being LICs or LITs, trading at a discount to an intrinsic value that we've got confidence in, we will look at the opportunity set.

When we look at Lark and where Lark is for us, there's a lot of research on there on Lark as a company. It is trading at a material discount to its whiskey portfolio and the whiskey under maturation. It was a good brand, a well regarded global brand with a portfolio of tangible, realisable whiskey. The dynamic and spirit sales has changed over the last few years. Whiskey is no longer the number one selling spirit so they have faced some headwinds. But with a new investment team and they are looking to turn that around and get the share price tracking the value, so we won't often see us take positions in operating companies unless we've got a high level of confidence on the underlying portfolio.

It's how we position those, how we size those positions when we take them. Lark is a very small position in the portfolio. It's less than 0.5%. If we had a clear catalyst to unlocking that value, and we thought the share price would re-rate, as it did with GDC, you'd see us building our investment up. We think it's an asymmetrical return. We think there's a lot more upside and a lot not a lot of downside, given the the NTA or asset backing underpinning your investment thesis, that small part of the portfolio, we would ratchet up if we saw a clear catalyst.

Geoff Wilson: Another one is AMP which we made money on. That was that's an operating business when assets become cheap. There are periods of time in cycles, they use an expression "the baby

gets thrown out with the bathwater.” There's some property plays that are discounts as well. I know there's a question on REITs that came in, maybe we answer that. We're happy to buy REITs. We're happy.

There's another question I think came in on AOF, how we fared there. I was just looking at it a minute ago. There's a REIT that decided to give all the assets back, I'm pretty sure we're made money. The question is, we haven't sold yet, the last asset they have, the person that agreed to buy it and pay the deposit has reneged. So I went and visited that asset last week. And Marty, I know you're in Brisbane today, did you visit it today?

Martyn McCathie: I'm staying a couple of doors up from it, so I'll go and visit this afternoon. 150 Charlotte Street.

Geoff Wilson: I met with some property people and we like to do a detailed due diligence and come up with our own conclusions. So we'll go back to questions there Olivia.

Olivia Harris: Yep, thanks Geoff and thanks Marty. Marty, sticking with the direct discount holding theme, a question from Trent is, is the low percentage of direct discount holdings in the portfolio indicative of a lack of opportunity or time and research needed to research these types of opportunities?

Martyn McCathie: I don't think it's either necessarily. Our confidence in the market, and taking market risk at this point in time, we're sitting on relatively high levels of cash, so the barrier to entry to get into the portfolio for new positions is a little bit higher given where markets are. We need a little bit more confidence, and it's really just the catalyst. So what we're looking for to size positions up is clear catalysts where we think we can unlock that intrinsic value. It's Geoff, Jesse and I looking after the WAR portfolio. We do have a broader team and the equity investment team has 19 investment professionals. When they're looking at small mid-cap companies, they fit into our portfolio or large cap companies from the WAM Leaders (ASX: WLE) team that fit into our portfolio there's a lot of information sharing, and then we're leveraging that wider investment team. It's not a lack of bandwidth within the team to do the research. It's not necessarily a lack of opportunity set, it's just the at this point in the cycle, the barrier to entry to get into the portfolio is a lot higher, and we really want a nice clear catalyst to unlock that value. There's just nothing at the moment that's ticking both of those boxes that we're willing to go in and size.

Olivia Harris: Thank you, Marty. Sticking with you, the next question is from George. Could you please provide an update on the CD1, CD2 and CD3 investments, including what you think the state of, of the private equity market is at present in terms of the CD partner funds looking to sell their underlying investments?

Martyn McCathie: The engagement with the team at CD has been limited, the collectively, the three positions still a really small percentage of the WAR portfolio. I was just looking at the numbers. It's collectively about 1% of our portfolio. It's not a big position. For us, discounts are attractive, but liquidity is problematic. Getting size and getting liquidity is difficult. The state of the private equity market more broadly, the CD guys have done well. Their investment track record has been strong.

Looking at WAM Alternative Assets (ASX: WMA), which I'm a lot closer with Nick sitting with us and in Brisbane with me today, what we're seeing in the private equity market in Australia is a lot more deal flow, and a lot more transactions. We're seeing that in the Aussie market with capital commitments that we've made being called. Investments being made and I guess the flip side to that is investors are exiting investments as well. It has been a bit of a subdued market in private equity. What we're seeing now is increased deal flow. I would expect that CD 1, 2, and 3 will start to see exits after a period of which being relatively benign on that front. As we see exits, we'll get capital return to shareholders.

All three of those vehicles, for anybody that doesn't know, are in wind down mode. As they exit investments, they are looking to return capital to investors. Small part of our portfolio, but there are green shoots coming out of that private equity market, and increased transaction and increased velocity.

Olivia Harris: Thanks Marty. Geoff, we'll go back to you. We have a question from Jeremy and Roger on dividends. Does WAM have any plans to either move to paying monthly distributions or increase the overall returns to investors?

Geoff Wilson: In terms of the dividend to shareholders, it's a fully franked yield of a little over 5%, which is probably 7.5% on a pre-tax basis, which means in a 12 month period to pay that out. And to get a bit of capital growth, then you probably need the portfolio going up the 11% or 12%. With a 1% management fee, and so therefore, there's a bit of capital growth and a bit of income.

One of the problems and we found that with WAM Capital, when we're paying such a high yield that with WAM Capital, it was at one stage about 10% of assets. If it's fully franked, then that's close to a 13% increase in the value of the portfolio to just pay out that dividend. Effectively you don't get any capital gain. You want a bit of a combination of the two. The board's very cognisant of not pushing the dividend too hard. I think they've done a good job in terms of moving it up as the value of the assets have moved up. That's the dividend. What was the other question? Monthly, whether we'd go to monthly or not.

Well, there's a couple of companies, couple of LICs out there. Sandon's announced they're going to monthly. The Pengana guys are going to monthly, and to me, the Pengana team going to monthly, that would be positive. I think there is definitely demand for monthly income. When you're looking at the money in hybrids, there's billions, well, \$5 billion a year till probably 2032, coming out of hybrids and looking for a home. So consistent income is important.

Now, even going to monthly, people have to realise, well, with equity exposure, they're taking equity risk. With WAM Income Maximiser, it's sort of 40, 50% debt, 60, 70% equities. That's probably a different proposition. We could do that. In the UK you'll see with closed end funds, probably half of them went from 2 dividends a year to quarterly dividends. That occurred in Australia, and a number of LICs or Listed Investment Trusts went to quarterly dividends. That really didn't change, it didn't help the discount at all.

The big question is, it's been positive initially for wealth, WAM Income Maximiser. I think that's been positive because people are looking for the money that is coming out of hybrids, they're looking at a

low risk exposure. That's why there's been a lot of money going into WAM Income Maximiser. It has pretty much traded a premium since it listed. To me, we're aware of it, we're watching it closely and it could be something we consider if we believe that it is in shareholders' interests.

It costs more money. It probably costs an extra \$60,000 or \$70,000 a year. There has to be a benefit on the other side.

Olivia Harris: Thanks very much, Geoff, and sticking with you, Joe has asked for our views on VG1. VG1 has recently changed who oversees the portfolio from Phil King to Paul Moore. As a substantial shareholder, will you be pushing for a PGF in VG1 merger?

Geoff Wilson: OK, it's, it's RG8, I think that's changed to Paul Moore. The listed investment company in the Regal Group that's moved to Paul Moore, we see that as a catalyst in terms of Paul. There's the PM Capital LIC that's already trading at a premium. Paul Moore focusing on another one of the LICs in the Regal camp, I think will be positive. For us, that's a catalyst. We're very tempted to buy some more, but we have a reasonable shareholding there. We think that'll be a catalyst.

One of the other positive things and with VG1 is that the performance has turned around. You notice the buyback, I think they're going for approval to get the buyback going again. The thing is, the buybacks with closed in funds don't really work unless you have a lot of marketing communication at the same time. One of the positives is I know the performance since April has bounced back for that group. And you have Phil King who effectively has his full concentration on that. It's not split the other funds under, now under Paul Moore's wing. Could they all merge? There's theory to say that you put all the three together. You'd have a stronger voice on pushing that thesis if AFIC and Argo which historically because of their size has implied a premium. BUT that's not the case at the moment.

So from our perspective, any short-term catalysts, we understand what they're doing, we're in constant communication with them and we are happy shareholders. Well, maybe that's a bit extreme to say we're happy shareholders, we'd be a lot happier if they were trading at NTA if not premiums, and we could have sold out and weren't shareholders. And then we could use the capital elsewhere.

Olivia Harris: Thanks very much Geoff, and the next question is from Richard. Why does the portfolio hold so much cash?

Geoff Wilson: Marty sort of touched on that. Equity markets are at record highs. It takes time for us to build positions. In terms of the hurdle, I think Marty mentioned, the hurdle to get into the portfolio with where equity markets are is a lot higher for us now because we're taking a long-term view and it takes time to build those positions. That's why we're holding cash.

Olivia Harris: Thanks very much Geoff, and the next question is from David. Do you have any exposure to US stocks?

Geoff Wilson: We definitely have exposure to US stocks. I think Marty mentioned earlier, Marty, was it 55% of the portfolio's global equities? Yes. Then then you look at the global equities by the global indices, you're talking about another 60% to 65% of that portfolio is in US equities.

Olivia Harris: Thanks very much Geoff, and we have a couple of questions on AOF. How has war fared in its AOF investment? And do you have any insight into how they intend to offload their remaking property now that the buyer has defaulted?

Geoff Wilson: I'll update you on the bar and then Marty while I'm doing that, you might be able to get the answer to the second part of the question, or the first part of the question. In terms of AOF, there's one asset. They've sold all the assets and they've sold them at reasonable prices. When we bought in to AOF, we were buying the assets at a discount. The last asset that's left, that was going to be used, it's 150 Charlotte Street. It's in Brisbane. I think they call it the Golden Triangle in terms of the positioning. It's just up from Eagle Street. I think it's near where the new station is. That was going to be used for student accommodation. That was the plan.

The choices are to sell it. Unfortunately, the deal of the sale was they wanted vacant possession, so I think it's 96% vacant and so the choice is, is do you try to sell it sort of fire sale around this price and you probably get around close to the current valuation? The company's announced that. Or, do you commit some resources which is a cost, whether it's \$20 to \$25 million and lease it, and then it's not a \$50 odd million dollar asset. It's a \$90 to \$100 million dollar asset. So that's the dilemma for the current board and as a sizable shareholder for us to think through.

Martyn McCathie: How WAR has fared on the investment? We're slightly ahead on the investment sitting around a share price of 42 cents today. We have had some distributions along the way. We've had capital returned to us from our initial investment and the NTA that the company published based on a midpoint valuation at the end of last week was 47 cents. Call it another 10% or 11% upside from here. Should we be able to realise NTA? As Geoff said, with a bit of work, we hope we can get a little bit more than that. Based on current share price, we broadly break even. We made a little bit of money, but there is still intrinsic value in the investment, so we can kind of see that position, which is about a 10% uplift from here. On a base case scenario and then on a more favorable scenario, working through the asset, rolling their sleeves up and getting involved, potentially a little bit more upside for investors.

Olivia Harris: Thanks, Marty, and the next question is from Brian. What is the selection criteria for WAR? Maybe you can talk through the investment process a little bit.

Geoff Wilson: What we initially focus on is other closed in funds, and that's listed investment companies or listed investment trusts listed in Australia. We do have flexibility. We can look to New Zealand or we can look offshore. That's what we've focused pretty much here.

What we're trying to do is focus on buying assets cheaply when we can see a catalyst that's going to change the valuation and make those assets not be cheap anymore, by the share price moving up to the asset value. That can be listed investment companies, listed investment trusts, REITs property plays, operating businesses, so effectively 2000 plus listed companies in Australia, and effectively globally. As we do not have the resources globally, we focus we focus on Australia.

Olivia Harris: Thanks very much Geoff and the next question we will ask is from Eric. Why does WAR continue to hold back paying the full earnings as dividends? Can you talk through the profits reserve process a bit there?

Geoff Wilson: Let's put the profit reserve aside. If we did equal earnings as dividends, then we'd cut the dividend this year. Oh, no, no we wouldn't, well it would just be it would just be covered, this current dividend. The profit reserve is a combination of realised and unrealised profits and not netting off Realised and unrealised losses, so the profit reserves is an accounting mechanism that allows you to pay dividends. If you have franking, it allows you to pay fully frank dividends.

Olivia, was the question about profit reserve?

Olivia Harris: Yes, it was. He said, "fund managers seem keen to build up the profits reserve, which reflects in the yield to shareholders."

Geoff Wilson: OK. So you can understand the profit reserve, the best for me to do is give you an example. Say you have \$100 million of assets at June 30, and they go up by 50% between June 30 and December. Then your balance sheet will be \$100 million of assets, plus \$50 million of profit. Now, you can put that in a profit reserve if you want, that's what we do. Then if the portfolio between December and June comes back to \$100 million, that \$50 million stays in the profit reserves, but the drop from \$150 million to \$100 million of assets creates a loss of retained earnings of \$50 million. So your balance sheet becomes, at the start of the year, was \$100 million of assets. At the end of the year, you've still got \$100 million of assets, but it's made up of \$100 million of assets, \$50 million in the profit reserve, and \$50 million retained losses.

So you'd say, well, hold it, you have a \$50 million profit reserve, but you've made no money. You have to net off from the profit reserve any retained losses. The profit reserve is just an accounting function which allows you to pay dividends. So please, when you look at listed investment companies or any companies, you have to net the retained earnings or losses out of the profit reserve. That's what the real profit is that's left. Then also you find, if you've made a profit, and in that example I gave you, in theory you have a \$50 million profit, so you can pay a \$50 million dividend.

The fact is, if you've paid no tax because you've paid no money, you have no franking. So there tends to be a lag. The profit has to be made and it has to be realised, so there's a lag in terms of when the when the franking or when the tax is paid and the franking comes in. As directors, we try to juggle all that and provide shareholders a growing stream of fully frank dividends.

Olivia Harris: Thanks Geoff, and the next question is from Mehdi. What is your view on SB2 and what's the purpose of our investment there?

Geoff Wilson: SB2 we think is cheap. Yeah, Marty, what are we, what percentage of the company do we have at the moment? I can't remember what the last substantial was one last week. About 15% of the company? Yeah and a lot of the selling, a lot of the sellings come from how they structured the initial investment. Are they, what are they sieves, are they? Yeah.

So, with that one, I think the headline discount at the moment is 36%, 37%. Small caps have had a good run financial year to date, so the NTA has grown, share prices lagged, the discount has widened. About 15% of the portfolio is unlisted investments and I think we always had a bit of a question mark around the valuation, not that there's anything wrong with it, just could they realise it given they were unlisted. We've done a little bit of work on those investments and they have a bit

more comfort around them, which, while unnatural selling is coming to us, we're very confident in a 35% discount based on the valuation of the unlisted and the liquidity in the listed part of the portfolio. Again, when we're talking about barrier to entry for names in the portfolio. It's 1 out of 35% discount. There's a fair margin for error. One that we're happy to take, and we think regardless of what happens, we'll be able to make profit for investors. There was a change of substantial bias in the last couple of weeks. As we as we picked up some more stock there.

Geoff Wilson: Just while we're talking about change of substantial you'll see that we mentioned earlier today that WAR has sold some WAM Global (ASX: WGB) shares. I have been removed from being involved in the WAR portfolio for this holding as I'm a director of WAM Global. We don't have to continually lodge a substantial, so I have nothing to do with the trading in WAM Global going forward and so therefore, I've announced a 3Y saying that I've ceased to be involved or associated with that pool of shares. In terms of my WAM Global shares, the ones I owned yesterday, I still own. It's just I'm not associated with the ones in WAR anymore. You'll see on the ASX, it's Geoff Wilson Appendix 3Y. I just noticed it flipped up on the ASX. And we try to explain it on the first page, but it's not simple.

Martyn McCathie: As you said, Geoff, the purpose of spinning that out of the Investment Management Agreement (IMA), the asset is being managed by an independent board committee of the independent directors from WAM Strategic Value. And the reason we've spun that investment out of the standard IMA is to remove any potential perceived conflicts of interest as WAM Strategic Value has been trading WAM Global. The rest of the portfolio goes on as normal. That one investment is the independent board committee managing that one outside of the Wilson Asset Management team.

Olivia Harris: Thanks Marty and Geoff. The next question is from Nava, looking for your views on a couple of companies. Why do we not invest in Clime capital, Cadence Capital, Australian United or Diversified Unified?

Geoff Wilson: OK, we we did have a big position in Australian United. We don't at the moment, in terms of trying to find the catalyst Clime Capital. I was on the board there and I helped get established, so I have a revenue stream from that entity. That would be a conflict of interest from our perspective, so we're not that keen on getting involved in there.

It's interesting, Cadence Capital's trading at about a 16% discount. I know that's a similar one to Clime. What was the 4th stock?

Olivia Harris: Diversified Unified. DUI.

Geoff Wilson: The bigger thing with AUI and DUI, it's trying to find the catalysts. We want to buy discounted assets. We can buy AFIC or Argo, we can buy AUI or DUI. It's trying to understand the catalyst. When we end up buying the position in AUI, historically, that was a trading position where we could buy the stock very, very cheaply. Marty, you may just want to talk about one of our larger, the Perpetual position. I know a question came in on that.

Martyn McCathie: I might have covered it. I touched it earlier, but I didn't cover it. Yeah, we touched on it and we said we'd speak about it and then we never did, so good to circle back to that one. As

Geoff said, Perpetual. Shareholders have seen it in our top 20 quite consistently. I think what doesn't come across from the top 20 is how active we have been behind the scenes. It's one where the share price discount has oscillated quite materially in short periods of time. It has tended to get out to a 10%, in some cases 11, 12% discount. Then it's narrowed in quite considerably, today live, it's about 3.5%. In the last couple of weeks it was trading as close to as a 2% discount to NTA. One that we're very active on as the discount got to low teens kind of 11, 12%, 6 months ago we were sitting at 4.9% of the company, and it was about 10% of the WAR investment portfolio, and we're just below that change of substantial. Then liquidity dried up a little bit. The discount came in and more recently we've been a seller of that one. We have been trimming our position. It's about 8% of our portfolio today, but it's a really good one where you do get those opportunities as the discount widens. There is investor support at points in time and buying does come, and the discount narrows. So it definitely oscillates a lot more than something like AUI or a DUI where it feels like the discounts they are a little bit entrenched. And the catalyst is a little bit less clear, as Geoff said.

Olivia Harris: Thanks Marty and Geoff, and Geoff, this next question is for you. An interesting one from Trent. On smaller LICs, there are some unique smaller LICs that you own in your tail. How do you view these smaller LICs with their lower liquidity and big discounts? How do you recommend that they play their hand?

Geoff Wilson: What they have to do is commit resources in terms of communicating with shareholders, shareholder engagement, communication and marketing. If you go all the way back, probably 26, 27 years ago when I floated WAM Capital, the we raised a little over \$20 million and for the first couple of years, I think the first year we paid out it was 12 cents a share fully franked on a \$1 issue price. The next year was 14 cents a share fully franked on a dollar issue price. Even after two years, we were trading at a 20% discount. Then we moved to a premium in the 3rd year and that was really after a lot of shareholder engagement and communications. What I learned in those first couple of years, the brokers that helped us raise the money, I was going around visiting them, talking about WAM Capital, and what I realised is, it was the shareholders that support us. They are the ones that were buying.

Then we became more internally focused on making sure we communicate clearly to our shareholders. Because broadly, think of it logically, if everyone who's a shareholder is happy with the investment, then there's no selling. Then all you need is a little bit of buying for them to trade at NTA or if not a premium. So, that's what they have to do, those small guys. Now, it's a lot of time and effort, but they have to do that. Otherwise they'll end up getting taken over by ourselves or someone else, or end up giving the money back.

Olivia Harris: Thanks Geoff. Marty, the next question is for you from Stuart. Is there any interest in investing in private debt trading below NTA?

Martyn McCathie: It's a really good question. There isn't a lot of open-ended or closed-ended vehicles with private debt trading at discount. The opportunity set is not huge there. We've seen 6 new LICs come to market this year, outside of WAM Income Maximiser, the others have been private debt, and they're all trading at or close to NTA parity, if not a premium. So the opportunity set's not huge there. Interesting on the private debt space, I think we're very cautious of the private debt

space in particular real estate residential property. Finance lending, it's interesting, having Nick is a great resource for the broader business. Nick joined us from Willis Tower Watson, when he first allocated capital to private debt, here is a stat that that just blew my mind. There were 3 private debt managers in Australia. Today there's over 300. The growth in private debt managers, the growth in capital that's being allocated to private debt strategies, all that capital can't have been committed with the same rigor. A lot of these firms don't have the same level of workout experience as one another, as things go wrong, and we haven't really gone through a credit cycle in the Australian market. I think the private credit market is due for a bit of a shakeup at some point in time. What that means is it will, it will present opportunities, and especially in closed-end products. I think we'll see private debt or private credit, private debt at a discount at a point in time. Maybe if valuations or the discounts are wide enough, we'll step into them. But at the moment there isn't a huge opportunity set of discounts, and I think there's probably a bit of pain in that sector to come. That would be my assessment.

Olivia Harris: Thanks Marty. Sticking with you, we have a question from David. Will the collapse of the US bond market affect WAR shares at all?

Martyn McCathie: Good question, thank you. Geoff might want to jump in on this one. What's happened in the US bond market is influencing investor sentiment. We've seen equity markets react to that today, and equity markets sell off today. The indirect implication is investor confidence, investor sentiment that'll flow into equity markets as well. We could see shareholder sentiment change, see selling, and with selling and volatility comes opportunities. For us, we're quite conservatively positioned at the moment, sitting on 20% cash. We're looking for a shake out in the market and opportunities. If we see that, we will look to take advantage of it. Geoff, did you hear anything you wanted to add on that one and kind of your views for the volatility over the last day or so?

Geoff Wilson: No. That's a fair point. The problem is that I've been around too long, so I have a lot of scars on my back in terms of the '87 crash, the Asian crisis etc. etc. What we do know is you can't time the market, and over time equity markets go up. From an investment perspective, what we're trying to do is maximise the time when we commit capital. That's probably all I can add.

Olivia Harris: Thanks Geoff, sticking with you, the next question is from Gary. In the annual report, the performance fees paid was \$3 million. Should Wilson Asset Management charge performance fees when the share price is trading at a discount to NTA?

Geoff Wilson: Look, I mean a fair question Gary. It's difficult to work out. Well, it's not difficult to work anything out, but in terms of the performance fee, it's paid on the underlying performance of the portfolio, which are the assets of the company. There have been listed investment companies since I've been investing in the market, which pay their management fee and performance fee on the share prices. The tough thing about a share price is, I mentioned earlier, we had a situation where with WAM Research which traded a discount for 7 years, so there would have been not much or much less fees, and then it went to a 58% premium. To me that would be as illogical as the other way. If the company was unlisted sorry, if it was a trust structure, which was unlisted, you get paid on the value of the assets. The risky part is if you're paid on the share price, then I think it brings it

changes the incentive for the manager, which mightn't be in shareholders' best interest. Because in the end, and you'll see at one stage there were close to 120 listed investment companies, and a number of them being taken over, what do they get taken over at? They get taken over at NTA and what the value of the assets are worth. Or, if they turn into ETFs or something like that, you're getting out at the value of the assets. We're very confident that this will trade at NTA if not a premium. I know it's challenging look. I've got a big shareholding. Anyone else who's got a shareholding and more, you don't feel as though there's \$1.26 of assets, which there are, or there's \$1.52 cents of underlying assets, which there are when the share price is trading at \$1.12. I clearly hear you.

Olivia Harris: Thanks Geoff. The next question is from Eric. If the funds represent good value, would management be buying shares? It would send a positive sign to the rest of the market.

Geoff Wilson: From time to time I do buy shares. I totally agree.

Martyn McCathie: I think there as well, just adding to that, Geoff, is as directors, we have to disclose directors' holdings and there's been changing through broader management, we don't have to disclose. So the investment from the broader Wilson Asset Management team isn't disclosed. There is significant investment from the broader team along with Geoff. There is support, it's just not disclosed through the ASX because it's not a listing rule requirement.

Olivia Harris: Thanks Marty. The next question is from Trent. The top 5 investments seem to be around 60% of the fund. Can you talk through the concentration risk and how you're thinking about this?

Martyn McCathie: Yeah. WAM Global is the largest one. It's about 20% in the portfolio, and as investors would have seen and as Geoff's touched on the changes substantial today, we have been trimming that position, so that is coming down. With the top 5, top 6 being 60% of the portfolio 3 or 4 of them are global LICs but within the positions, they're very diversified portfolios. WAM Global is an example of the largest. There's 50 to 60 underlying stocks within that portfolio. Although it's one holding for us on a look-through level with any LIC or most LICs, you're getting a very diversified portfolio. If you look at the global managers we have, there are very different styles, and a very different investment process and investment philosophy, and very different underlying portfolios. So there would be limited crossover between a WAM Global, a Pengana, and a VG1, for example, being our top three holdings. Our investors are getting a significant look through diversification there, albeit it looks a little bit more concentrated on a LIC holding level.

Olivia Harris: Thanks, Marty and the next question is from Dennis. This one's a little bit general, do you have any views on what triggered the negative moves in the ASX today?

Geoff Wilson: Yeah, the Dow was down a little bit overnight, but then we had the GDP figure that came out, which showed that the economy was stronger. Now, everyone's thinking how we were hoping that it would be more interest rate for cuts, maybe that's off the table. That that's sort of my reading of it. Marty, did you have a different reading of it?

Martyn McCathie: No, it's the same. I guess it was triggered by the bond market sell-off on the back of that GDP print so the bond market sell off which has leaked into the equity markets today.

Olivia Harris: Thanks very much. We are just getting to the tail end of our questions. The next one is from James. Does it make sense to you that the 20% PMC buyback is being targeted at a discount to post-tax NTA? The PIXX conversion would have effectively delivered pre-tax NTA.

Geoff Wilson: It's a bit confusing to me because we saw PMC was trading at a 0.75% discount to after tax NTA and a 5.2% discount to pre-tax NTA. The difference between the two is whether the tax that's paid and the franking that comes from that tax is of any value. And I know for our shareholders about 65% of our shareholders are self-managed super funds, so if we're investing on their behalf, then, they believe that franking is of value to them. There's a lot of arguments about that. A lot of people say you have to look at after tax. I believe you should look at pre-tax, agreed.

Olivia Harris: Thanks very much, Geoff. Marty, this next question is for you, it's our last one. Future Generation Global (ASX: FGG) has been accumulating Morphic. Could WAR join in to bring about a catalyst?

Martyn McCathie: I think the short answer to that one is no. I think Future Generation Global announced the changes substantial yesterday at 19.6% of Morphic. As the question said it has been accumulating discounts about 13%, they had a holding and I think the board of Morphic's been pretty clear about the outlook for the company going forward and the ability to aggressively buy back shares and return capital to shareholder at a point in time. I think given Geoff's association with Future Generation and in WAR we'd be considered associates which means at 19.9%, WAR couldn't then jump on and buy another 19.9%, for example. So unable to buy under the Corps Act once you get to 19.9% collectively. You either have to stop buying or make a takeover offer. WAR is blocked out of that one and FGG has been accumulating that one.

Olivia Harris: Thanks very much Geoff and Marty. We did just get one final question from Nava, why are you invested in LSF?

Geoff Wilson: Because it's a LIC trading at a discount. When it was trading at a bigger discount, we had a big position in it. Then it got to a premium NTA. We sold out. Then it went back to a discount and we bought back in, similar to the Perpetual LIC which did have a big, nearly had 5% of it at one stage, when it was trading at a bit bigger discount. It went to NTA, we sold out then it went to a discount again and we bought back in.

Olivia Harris: Thanks very much Geoff and Marty, that's all of the questions. Thanks to everybody for sending them in. A very dynamic Q&A session today. Geoff, I'll send over to you for closing words.

Geoff Wilson: Thank you very much, Olivia, thanks Marty, and thank you all shareholders for your interest. If there are any additional questions, please send them in to us. It's better that you understand how we're managing the money on your behalf and then you can either decide whether you want to stay as a shareholder or buy more or sell. Once we get equilibrium in terms of the buying and the selling then we're more likely to be trading at NTA and then to go to a premium to NTA. Again, thank you very much. Looking forward to seeing you soon at the regional roadshow coming up in October and the national roadshows next year. Thanks very much for all your support and good luck investing. Thanks.