

WAM Income Maximiser (ASX: WMX) | Webinar “Rates, income and opportunity: positioning for the next phase of markets”

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Speakers

Matthew Haupt – Lead Portfolio Manager

Damien Boey – Portfolio Strategist

Tomasina East – Investor Relations Associate

Tomasina East:

Welcome. Thank you all for joining us today for the WAM Income Maximiser webinar “Rates, income and opportunity: positioning for the next phase of markets.” My name is Tomasina East and I am today joined by WAM Income Maximiser Lead Portfolio manager Matthew Haupt and portfolio strategist Damien Boey. Now, before we begin, a disclaimer is displayed on the screen for you. What we will discuss today is general in nature only and is not financial advice.

Shortly I’ll pass over to Matt and Damien who will provide a brief update on the investment portfolio performance and the Q3 2026 fully franked dividends before we then move into a market update and then we’ll take your questions at the latter part of the webinar. Over to you.

Matthew Haupt:

Thank you Tomasina and welcome everyone and thanks for joining us today. What we’ll do is, I’ll cover off the first part which will run through the performance how the portfolio is positioned and then also how we’re positioning it for the future. And then Damien will dive into the detail around some of the thesis behind that. So thankfully, first financial year for WMX, we met all our goals, actually exceeded our goals.

Probably the most pleasing part is the capital growth we’ve been able to achieve. So when we came to market, we were saying this product is different for those that are new to the product. It’s really, really a combination of equity and debt and we have the flexibility to move the portfolio where opportunities present themselves. And the most pleasing thing has been that return we’ve delivered for the financial year. So it’s sitting around 18% capital growth which is 13% above our benchmark. So it really demonstrates what we talked about, the ability not only just to hunt income but capital growth as well, which was a key thing of this product.

It’s just not stuck into generating income, but we do have the levers to lean on that if need be and we have the opportunity to invest in the equity side in a more heavy way to generate that capital return. So really good performance both on the income and capital growth and probably the most pleasing thing as well is the volatility of those returns is much lower than an equity only portfolio. So in these uncertain times we’ve delivered and delivered it with less volatility than the overall market.

So again, looking back, it's been a fantastic start for the product WMX, WAM Income Maximiser. If we flip through to the next slide around the dividend, so part of the journey of starting a new listed investment Company and I thank everyone for their patience, is building up the profit reserve and the franking credit. We came to market, said we would take 12 months, we actually exceeded that and as you can see on the slide there, on slide four, ever since we started dividends have been increasing and we plan to keep on increasing those. So for us it took time but we did say it would take time.

But pleasingly again we've outperformed and we're ahead of schedule on that dividend ramp up profile. So again, maybe for some people initially they were worried about the dividend getting up to that full run rate. We're there now and we can build on that. So again, when you start a product it just takes time and now we're there so it's very pleasing to be in a position. And that profit reserve again generating over 18% capital growth puts us in a very strong position even if there was a market downturn, we have that flexibility now with profit reserves. So again, very strong position going forward for that dividend stream even if there was any dislocation in markets on the portfolio. So, on slide 5 we have the investment portfolio, how it sits today, as you can see there, I categorise it as quite neutral. We are around 60% equities, 40% debt, let's call it.

On the equity side, we have been hunting for capital growth so we have been overweight equities but we've been paring that back as you would have seen with markets rallying after the Iran conflict, they're pushing to new all time highs. There's been a little bit of a wobble. There's always a bit of financial tightness in June as well which is causing a few issues. Also, we've had some recent developments. The FOMC, which Damien and I we're up at 4 o'clock this morning to watch, which we can cover off a bit later, was quite big news. I'd say probably the bark is louder than the actual bite but we'll see.

But again we can touch on that later in the conversation. But for us I think a neutral position is warranted. We've tilted towards more interest rate sensitive names. Again, one of our big calls we're making at the moment is around interest rates in Australia we're a little bit different than the street. Although the street has come towards us in interest rate expectations. It was pricing on a few hikes and now it's sort of almost half a hike I'd say this year. So again, the market has come back towards us. So, what we've done is gone over weight rates and also some other beneficiaries in consumer discretionary. So, a little bit early, but generally you get these inflection points and you can make a lot of money on the turn.

So we're positioning a bit early, but we can see the finish line now on that inflection point.

Now on the debt side, I'd categorise the debt side as long duration. So, what does that mean is we've gone out to market, we've changed the portfolio from largely floating to fixed. And what that gives you is fixed rate notes benefit when interest rates fall. And we've been getting that tailwind coming through now where we, we went out on a bit of a limb during the Iran conflict. Rate expectations blew out.

We saw that as an opportunity to move from floating to fixed. We've done that now and we're benefiting from the interest rate expectations falling and we think there is another leg of this to

come. It might be a little bit delayed with the developments from the FOMC, the US Federal Reserve (the Fed), but we still think that opportunity exists. And we're waiting for the incoming data which we're getting from anecdotal feedback, which the Reserve Bank of Australia (RBA) don't have yet, which they will get shortly.

In the hard data we think they will turn quite dramatically and they're starting to pivot already. But for us on the debt side it's investment grade. You will know all the names and we can actually touch on that on slide 6. On the debt side there, it's tier 2 investment grade. The major banks, as you can see are the biggest exposures that we have. We're getting really compelling rates from Commonwealth Bank of Australia (ASX: CBA) which we can highlight later. We were getting around 6.6% fixed during the Iran conflict at the height and also Westpac. So we're looking at maturities around 2045 and 2046. So we were really going out the curve, seeing that opportunity and going for it while we had that chance.

And now it's starting to pay dividends on performance. So you get also, you get the coupon but you also get a repricing of these long duration assets. And then on the equity side, so we've put it in the top 10 holdings here. They have moved around a bit, so I'll just highlight there. JB Hi-Fi Ltd (ASX: JBH) - we're gone a little bit early there as well, hoping for the pivot in interest rates to pick up the very weak consumer sentiment surveys we're getting at the moment.

But again, when we talk to JB Hi-Fi Ltd (ASX: JBH), you know, they see, week by week it's always a battle to get sales in but they are trading quite well we think through this period, and again, we'd expect some sort of kick towards the end of the year in this name and quite often these discretionary names run ahead of time as well. So once there is a pivot with the Reserve Bank of Australia (RBA) everyone was scared of interest rate hikes. The Stock has fallen 40, 50 again we think there'll be an inflection point over the next six months in this stock.

A couple of other ones we highlight. We have reduced our mining exposure, so BHP and Rio have come down. They're still in the top 10, but a much reduced weight. Now, the commodity complex has been running very, very hard, predominantly linked to the momentum trades we're seeing globally, and also to the AI and tech space, which is hard to believe a BHP would be, but everyone wants copper exposure at the moment and BHP is a proxy for that. And we're seeing global money hit BHP, and we think the valuation is extended. It reminds us very much of CPA about two years ago, where global money was hitting it, valuation didn't really make much sense, but anyway the stock ran, and so we've been following that. So we've been overweight for a period of time, and now we're pulling back to underweight.

So in the top 10, you can see it's really dominated as well by real estate investment trusts, which, there's really two classes of real estate investment trusts: ones that benefit from the short-end interest rates moving, which are the residential developers like Stockland (ASX: SGP) and Mirvac Group (ASX: MGR) and then the discount play is really around valuations and capitalisation rates. So we have a nice blend of the two.

We're starting to get a little bit heavier in the residential developers like Stockland (ASX: SGP) and Mirvac Group (ASX: MGR). But again, there's going to be a bit of a digestion period as serviceability is starting to hit with interest rate hikes and APRA, I don't think they'll have to do

macro approved like try and control flow because it's actually slowed a lot now. But we expect some sort of development here which will be really forcing the Reserve Bank of Australia (RBA) hand as well as housing is such a crucial component of household wealth as well. So, the wealth effect might kick in and force some sort of reflection from the RBA as well.

But you can see here it's quite a well-balanced portfolio, very concentrated on the debt side but again we're talking investment grade implicit government guarantees. It's basically as safe as you get in Australia. And then on slide seven, we're putting a slide here just to show you the options we have in WMX, WAM Income Maximiser, we have multiple options how we can put money to work in Commonwealth Bank of Australia (ASX: CBA). And you can see here the lowest returning and the highest risk is the share price, which is the equity component, which is the far right bar graph. There you can see investing the equity gets you a gross up dividend yield of 4.4%. But you do have the capital issue around. Do you get your money back at what price can you sell? A whole range of issues there.

Whereas you look across the debt stack and you can. You've got multiple options there where we were investing. And I'll call out the 6.38% rate, which is where we put a lot of money to work in that 2046 maturity fixed rate note in Commonwealth Bank of Australia (ASX: CBA). So, for us it's just highlighting that in WMX we have the optionality to hunt for the best return rather than just sticking in the equity. And we've gone quite heavy in that 2046 Commonwealth bank note. With that, I'll hand over to Damien who can dive into the detail and then we can go to the Q&A.

Damien Boey:

Cool. Thanks, Matt. And thanks everyone for dialing in. So, as Matt highlighted, we have or have had a slightly different view to the market for some time that we thought rates in Australia would fall and we are seeing the market come to us now. We actually think that the Reserve Bank of Australia (RBA) has gone on the verge of overdoing it with the rate hikes. And that's particularly the case after you factor in a lot of the changes that have happened up with the war and then the budget.

So, they're all compounding each other. They're having a big and negative impact on the private sector. So, we actually read the Reserve Bank of Australia (RBA) as being pretty much done. The only scenario where they're really considering hikes is if inflation materially surprises to the upside of their forecasts. That's pretty unlikely given the lack of pricing power. So, they're basically saying they're done. They're reluctant to talk about rate cuts in 2027.

But in the most recent meeting where Michele Bullock (Australian economist) gave a press conference, she did highlight that she acknowledges what the street is actually thinking about that in forecasting cuts. So, they're reluctant to say it, but we think that it is coming. So, we expect interest rates to fall through 2027. Now to position for that, we want two things really, as Matt's highlighted, we want interest rate sensitive exposures within the equity market like real estate investment trusts.

And we also want long-term fixed rate debt of the highest quality, highest quality to be able to withstand whatever happens to the cycle and long term to be able to get the repricing the

capital growth as interest rates fall. So that explains where our portfolio is kind of at. And what I'll do is go through that in a little bit more detail now. We still see upside to bonds and stocks, certainly now more so than we see for commodities and credit.

The only caveat that we have there is that while we think that bonds can rally, we're a little bit concerned that there's a bit of crowding in some pockets of the equity market, particularly when you're talking about growth type names. That's not really the case in Australia, but it is kind of the case globally. And so, one of the things that we're thinking very deeply about is how do you play the next leg of equities going higher while also broadening out beyond the very concentrated sectors that we see now? Obviously, everybody talks a lot about artificial intelligence.

It's a very powerful theme and it's also a very crowded theme. And to be honest, I think that investors and central bankers are very confused as to where we're at. Are we in the phase where artificial intelligence and the build out is inflationary warranting rate hikes or are we on the other side of the rainbow where we're talking about the productivity growth and the job losses and things like that, that might actually bring down inflation?

It's a bit hard to know. We're all sort of mulling around in the dark on that. What is clear though is that while we are kind of moving around a longer-term inflection point, we have a lot of uncertainty and a lot of crowding that we've got to navigate. And so, I'll talk to those themes. If we go to slide 9, what we've got there a whole lot of charts that basically tell you in a forward looking sense what do we think the returns will be across the major asset classes on a one year horizon.

There are lots of things that go into this, but we do like to sort of take that top down approach and look at the assets and the styles that we think will actually work best and then use that as our sort of anchor for the way that we want to invest and pick stocks and securities. The top left hand chart there and the bottom left hand chart show you the return outlook for bonds and it might be a bit hard to see across the two charts, but we're kind of looking at returns on global equities and global bonds that are more or less on par, maybe equities slightly ahead if you're in the right ones.

Hence the 6040 asset allocation that we have is actually quite appropriate at the moment. The only thing is that you can see that relative to the baselines that we're tracing out, relative to those light blue lines, actually equities right now are overshooting. And a lot of that's got to do with the growth complex globally. But we do like bonds, we do like stocks. We just worry about how you play lower rates within the stock complex.

And for commodities and credit, we're actually moving to a situation now where you might actually see a bit of fragility, where whether you're talking about the IPOs that are happening and the issuance that's going on in the US or whether you're talking about the risks to emerging markets from dollar strength and so on and so forth, there are a number of things that actually could work together here to take the sting out of commodities.

Hence, we're kind of dialing back a little bit on the equity front. But suffice to say, we like bonds and stocks. We just want to play the right stocks in the market to be able to profit from a lower rate environment. Now if I go to slide 10 and just zoom in a little bit more on the equity space. As we've highlighted before, within equities there are lots of different investors with different styles and each one will have their turn at the right time.

So, momentum investors buy what's hot and they sell what's not. They buy on the up and they sell what's going down. Growth investors basically invest for the long-term future. They don't care about valuation. Value investors, on the other hand, care a lot about the starting point, more so than anything else. And quality investors are always concerned. Is there some sort of unexpected slowdown or downgrade risk around the corner that we need to protect ourselves against?

We've got some math and some charts which basically give us a rough idea as to what each of these individual styles are doing. The top left-hand chart I've highlighted in red is actually the signal for going long momentum. So, continuing to pile into the winners from yesterday, may be a bit more riskier strategy than it was in the last little while. The outlook for growth stocks is kind of similar. And notice with the yellow line, the yellow circle on the bottom left-hand chart. Growth stocks are actually driving a lot of outperformance, but they're actually overshooting where the fundamentals are suggesting, consistent with the overshoot that we see in the broader equity market. But what is positive actually is there is a little bit more impetus on value and there's a little bit more impetus on quality. So, we think that we're sort of navigating a bit of an inflection point and we do have to be wary of the risks to hot stocks that are in the growth space.

Now, if I go to slide 11, what I've got on the top left-hand chart, there is a graph of corporate cash flow in America. So, what they earn less, what they spend plus what they raise, that's the light blue line. And you'll find it's a very powerful leading indicator as to the capital expenditure cycle. And because cash flow is so strong as a result of the capital raisings that you're seeing at the moment, actually there is a lot of upside to the Capex story and obviously that benefits a lot of names globally.

The issue is that as companies are harvesting cash from abroad and within, they're also reducing their payout ratios, whether you're talking about dividends or whether you're talking about buybacks. And history tells you that when you start to reduce your payout, you're actually signalling less confidence in the future, not more. So, this is something that we do need to be wary of. Again, the AI cycle is fluid.

It's unsure where we are at. But mind you, there is an inflection point coming. The bottom right-hand chart is probably the most interesting one. What it shows you is the risk or the volatility levels of two different sets of markets. One is the US market, the S&P 500, and the other one is the emerging market space. And what you'll see there is that right now people are saying that the emerging market space is almost at record high levels of volatility and risk relative to the developed markets in the US and if we were to drill down a little bit further, that's actually almost entirely due to Korea and Taiwan.

And those are names where basically you have a lot of AI capex type plays, chips concentrated in a few companies. So, I guess all we're saying here is that there is an inflection point and there is a lot of uncertainty. So, we do need to be a bit wary about the crowding that's going into this space. Now if I go to the domestic outlook on slide 12, the top left-hand chart attempts to show where the domestic cycle is right now, it's not really forecasting, it's just sort of now casting.

And that's not looking particularly healthy at the moment. As highlighted by the dip that you see at the end highlighted in red. If we go longer term to the bottom left-hand chart, that's a longer term leading indicator. That's also pointing to slowdown, which is not so great. So, we think that a slowdown is pretty much baked into Australia. There's not really much you can do about that in the next little while.

And if you are talking about rate cuts, you're looking to revive the cycle in 27 or 28. The top right-hand chart shows you a pulse of inflation right now. And the good news is that actually after the shock that we saw in March with petrol prices now inflation pressures are moderating. And that's very consistent with what companies are telling us about the fact that the consumer is so soft that there actually isn't much pricing power.

And then finally, the bottom right-hand chart shows you a framework where we model the Reserve Bank of Australia (RBA) cash rate relative to five fundamentals. And one of those fundamentals is the amount of capacity utilisation that's in the economy. And what we're seeing is that capacity utilisation is dropping. It's dropping because demand growth is slowing and it's dropping against the expectations that the Reserve Bank of Australia (RBA) had, that there'd be supply chain disruptions that caused tightening.

So, for what it's worth, when we run the numbers, actually there's probably about 50 basis points of Reserve Bank of Australia (RBA) rate cuts that could be justified right now, but they'll be a bit slower and we think that in 27 they will deliver those cuts. Finally, if we go to slide 13, what we've done there is we've split the world into four different regimes where basically interest rates are rising or falling, and different parts of the interest rate curve are rising or falling.

We actually think that we're in one of the last two columns here and we've been in the two left hand columns last year, so there's a bit of a transition. The green highlighted sectors are basically the ones that we would expect to be the winners. The red ones are the ones that would be expected to underperform and notice the reversal. Whereas last year we were very long on resources.

Actually, as we go into a lower rates environment, you have to start to ask questions about the higher beta resources sectors. You might not be completely negative on them, but we have to ask the questions at the same time. What we have coming up to the top sectors like real estate, which we're very much overweight, and some of the more defensive type sectors, maybe a few sectors that would benefit from lower rates.

So, we are seeing the cycle shift just as we're seeing the rates outlook shift and we're positioning accordingly. Yeah, well, with that, I might hand it over to Matt and Tomasina.

Matthew Haupt:

Yeah, well, I'm just going to just add. Probably we'll cover off the Reserve Bank of Australia (RBA) and The US Federal reserve (the Fed) meetings. Obviously, central banks are having a big influence on markets because of just where they are.

But I guess our take from the Reserve Bank of Australia (RBA) and the Fed meeting: the RBA, we think, delivered a hawkish statement, but what we think they're trying to do is manage expectations, not letting the second order effects kick in, where they don't really believe what they're saying, but they're just trying to give the illusion of being tough still. So you don't get the second order effects, because the impulse of inflation is actually slowing, as we're seeing with the end of the Iran conflict, the oil price reduction, which was the very reason why rates were elevated for a period of time.

Yes, inflation was running hot before the conflict, but we think the confidence hit, and the hit of the higher oil prices actually hit demand pretty badly.

And then you've got some of the government policies as well, which have created more uncertainty. So, I guess our take from the Reserve Bank of Australia (RBA) is we're looking through the statements, and very much like the Fed as well, like Kevin Warsh (new chair of the US Federal Reserve) was, this is the first meeting of Warsh in the U.S., the new Fed chair. He delivered a very, very, I'd say, hawkish statement, but again, we think he's just buying time, just to make sure expectations are anchored and they don't get carried away while they navigate the impulse slowing.

So, we think we're almost at peak inflation, but the central banks are still fighting the messaging, just to make sure that those second order effects aren't going to kick in and keep the curve elevated. So, everyone stays a bit tight, but we think that's going to develop over the next few months. So, it's going to be a key driver of volatility as the market grapples with: are we on a continuous hiking cycle, or are we pausing, or are we cutting?

So there's going to be real tension here, and that's why we've got a little bit more cautious on the equity side. We've been running around 75% equities for a period of time, running above our neutral point because the environment was conducive. But now you've got tension, like Damian said as well, with AI, you've seen the market shift between value and momentum.

And value has very short periods of time where it works, and it had a period of, I think, three to five days, and then it's flipped back, even with the Fed meeting. Like, obviously, the Fed meeting this morning sent stocks down, but when the futures opened again in the morning, everything

bounced back because we've gone back to this very narrow crowding trade, which Damien described perfectly around the Korean stock market, the Nasdaq, the tech.

Every time there's uncertainty, the market pivots back. So the conclusion is the market doesn't want to sell equities, it wants to rotate still. So we'll keep our equity ratio where it is until we get a clear trigger that money is going to leave equities and buy bonds.

But when there's tension with hiking cycles, people don't really want to buy duration. So equities, we've gone back to the crowding trade. So you've got to stick with momentum until it breaks now, we think.

Tomasina East:

Great, well thank you for that. We have had quite a few questions come through, so thank you for sending through your questions. We'll start with Milton. He's asked how bad is the state of the US Bond market?

Damien Boey:

Yeah, okay, great. Maybe a way of putting it, without being glib about it, is to say that the US bond market's so bad that it's good. Now what I mean by that is there's a lot of issuance that's going out there, because you've got war, you've got fiscal policy, so there's a lot of issuance, a lot of supply. Usually what that means is that the price of the bonds goes down, because you've got an oversupply and the yields are a little bit higher.

Now, who's buying this stuff is really the question. Historically, the major buyers of U.S. Treasuries have been Asian central banks, whether Japanese or the Chinese in particular. Some of the oil-producing nations have also recycled a lot of the proceeds of their exports back into US Treasuries. And then for a while, of course, when everything was easy, we had the Fed itself buying a lot of bonds.

Now, if I look at all of those categories of bond buyers, they are massive in terms of quantum, in terms of holdings, and in terms of what they're buying at the margin. And each one of those has got an issue.

So Asian central banks are not buying as many US Treasuries. So China, for example, is diversifying away from bonds, they're buying other things. Japan is struggling to buy their own bonds, let alone the bonds of other countries, so they're not really as active as they used to be. The OPEC countries, obviously, with war and everything like that, have had less money to actually go out and recycle into Treasuries, so that's been a bit of an issue.

And obviously the Fed, it's kind of buying bonds, but it's not buying bonds like it did during the Quantitative Easing days, so it's not as powerful a buyer.

So you put those dynamics together and you ask yourself, well, there looks like there are more suppliers and sellers of bonds than there are buyers. Wouldn't that mean that bond prices go down and that yields go up? And that's a very good point, except what the Americans have engineered, almost by accident, is another solution.

And that solution basically says this: we will get the hedge fund community, as tiny as they might be with their actual physical capital, and we will make the financial conditions so conducive to them leveraging up that they can borrow 50 to 100 times. And by growing their small pool of capital 50 to 100 times, that can replace all those missing physical buyers that I just described.

So in other words, for as long as the plumbing of the system is intact, yes, the marginal buyer of bonds is a very, very leveraged buyer. And yes, that doesn't sound good in the long term. As long as the plumbing holds, actually the plumbing holds and the system is still stable.

That's the sense in which the outlook for bonds is so bad that it's actually good, because it's forced the Fed to find that alternative buyer and engineer that alternative buyer.

Matthew Haupt:

And also the treasury changing the capital rules to facilitate this. Yes, it's all very, as Damian said, coordinated.

Damien Boey:

Yes.

Matthew Haupt:

And you can't break it now. If you break it, it's very, very bad.

Damien Boey:

Yes.

Matthew Haupt:

And you actually can't break this system now. So, they're a little bit caught in a circular reference now. It's so fragile, it's so protected that it's good.

Damien Boey:

That's right. And the incoming Fed chair, Kevin. Kevin Walsh, before he became the Fed chair, was actually very, very vocal about the idea that he didn't want to be sponsoring so much leverage and so much liquidity in the system to support that leverage. His very first meeting, he's back on track with the rest of the crowd in saying, "yep, we just have to keep doing what we need to do

to grease the wheels of this system. I'll run an inquiry and a review as to how we can do it better, but that will take a long, long time."

Tomasina East:

Great, thank you. Colin has asked, what is the rate of return on the WMX portfolio? So the turnover of the portfolio.

Matthew Haupt:

I'd say probably the most constructive way of looking at it is around the equity portion, because the debt is really around those inflection points between switching between floating and fixed. But we also recycle a little bit with on-the-run issues.

So, I mean, just if we do a snapshot on the debt side, it would be over 100% turnover for the last period because we've done a lot of switching. I'd say it'd be around 150% for the debt side.

And then on the equity side, again, we've had some big inflection points. There's been a— if we look back at the year, I mean, the many events we've had, the turnover would be running at around 3.55 to 4 times on the equity side.

So quite high, and again, a reflection of the opportunities and the moves we've had in the overall markets.

Tomasina East:

Thank you. Rob has asked, now that WMX has accrued 12 months in operation, will future performance reports revert to current pricing as a basis or continue to refer back to IPO pricing?

Damien Boey:

Yeah. So, the way we look at it is not to benchmark everything to the IPO, because obviously we've moved on from that. Instead, what we're going to be doing to calculate our dividend yield, or to quote our dividend yield, is to take a 12-month moving average of NTAs that we've had. That will be the basis for reporting dividends from now on.

Tomasina East:

So annualising that monthly dividend on an average.

Damien Boey:

That's right, yeah.

Tomasina East:

So, Colin has asked, what is the annual percentage management cost for WMX?

Matthew Haupt:

The management fee is 0.88%.

Tomasina East:

Yes.

Matthew Haupt:

Yes.

Tomasina East:

Plus GST.

Matthew Haupt:

Yes, correct.

Tomasina East:

Rod has asked, please elaborate on merits and disadvantages of WMX versus bank hybrids.

Damien Boey:

Yeah. Cool.

Matthew Haupt:

Yeah. I mean, we both can chip in here, I'd say, but I mean the biggest one is capital growth. A bank hybrid will not- well, it can move around the capital, but not like - I mean, the return we had for this financial year is around 18%. You're not going to get that from your hybrid.

So, the beauty of our model is we can adjust to suit the environment. Also, when interest rates fall, you're in a floating rate vehicle as well with a bank hybrid. So, what we've done is actually switched out our exposure to go all fixed.

So again, it's that flexibility, asset allocation, interest rates. We will try and give you a dividend no matter what the environment, because we've got many, many levers. Whereas a hybrid will just give you, let's call it, flat capital growth and then a floating rate exposure.

Damien Boey:

Yeah. And I mean, if you think about trying to reverse engineer a hybrid with the things that we have, what you would be doing is essentially buying a little bit of equity to get a bit of the franking and to capture the added risk of a hybrid or convertible note that eventually converts to

stock anyway, and then you take one of the tier 2 debt notes and you kind of mash them together.

But if I did that for Commonwealth Bank of Australia (ASX: CBA), for example, I'd be buying CBA stock and CBA bonds in some proportion.

But notice in that, that you're entirely getting CBA, right. So, if I wanted the benefit of CBA safety and liquidity profile, but maybe I wasn't so convinced about the equity, well, I'd actually get more diversification to swap CBA shares and buy something else instead. And that's exactly what WMX can do. So, in that way, it actually enhances a hybrid because it gives you that added layer of diversification.

Tomasina East:

So those dividends- we've had a couple of questions. And so, Anthony's asked, what do you expect the dividend to be able to grow to, and is this automatically affected by the cash rate? And I'll just also team in what Kenneth has asked, do you think that the dividend amounts will taper off in the future, or climb at the current rate?

Matthew Haupt:

By nature, they will taper off because of the ramp-up profile we've had. So, we're coming from zero, so obviously the speed is different. This is not- obviously the board sets the dividend, but internally we don't care where the cash rate is. We hope to pay the dividend no matter what the environment. Going back to the levers we have, if interest rates fall from here, we're going to have huge capital growth on our fixed portfolio, and also equities, at a point, will start to perform and give you capital growth.

Going back to the hybrid question, we have these levers where we can perform, in theory, in any market. So, it doesn't bother us, and that gives us some clarity around the dividend. We think we can pay the dividend in whatever environment we face.

As far as the level of a dividend, like we've got that cash rate 250, which is just the underlying running yield we hope to generate. But again, you can see this year, like, you know, we've been getting a yield of five and a half, 6%, let's call it, and 18% capital growth, like the potential to pay a dividend on that is huge.

So it will be up to the board, but they're in the position where they can increase it with a degree of certainty around what's in the profit reserve.

The way I look at it, I think this should yield between 7 and 10% per annum, fully franked. That's the investment side, that's what we think we can do. Then obviously it's up to the board to decide where they think it's appropriate.

Tomasina East:

That sort of leads nicely onto this next question from Ashish who said, given the capital growth, are there any plans to issue special dividends in the near term?

Matthew Haupt:

Kind of to your point, I think - again, speaking on behalf of the board, which I can't really do, but I will try and guide you here - that, and I think this is more Wilson Asset Management house view, is special dividends have sort of been lost and forgotten, and they take away your buffer in case there is a downturn.

I get the point of view, like if there's a big profit reserve, do you give out more? But again, it'll be up to the board. But throughout my history here, we've done them occasionally, and they're generally a bit of a sugar hit, and then they're forgotten.

So, we think having the flexibility is more beneficial. So, I'd say a special is a low probability, but again, it's totally up to the board.

Tomasina East:

Now we have had quite a few questions from shareholders regarding the CGT legislation, so if you could just briefly kind of discuss the potential impact that this could have on the portfolio. Questions have come through from Dave, Stan and Michael.

Matthew Haupt:

I mean, I can start off and Damien can add, but like when we speak to the major banks, it's caused huge uncertainty and inaction now. So, when we were talking to some of the banks, some of the applications are down 20 to 25% across the network. So, it's created a huge vacuum in activity, and you start to see in-house pricing; house prices now are rolling over. So, the immediate effects are uncertainty, and when you create uncertainty, you create a lack of action.

So that's been the immediate effects. Again, it's a working - is it going to get passed in its current form? We don't know. We have to assume it will.

And that leads us back to the rates we're invested in, Stockland and Mirvac, which are new homes, which are exempt from some of these changes. So, from us, it's more of an economic handbrake to the economy, and that actually informs us on our interest rate view too. It's like we were a bit negative anyway, but then this has added negativity. Again, it creates uncertainty.

Damien Boey:

Yes, no, absolutely. So as Matt said, the changes are what they are, we have to kind of roll with the punches for what they are. Obviously, we have to assess the probability of these things happening, but they are what they are.

So therefore, we look at it largely from a cyclical perspective and what it might actually do to styles of investment. So at a high level, if you're talking about all of these changes to CGT and all of that, then you're incentivizing people to go for a little bit more income than actual capital growth.

That creates a lot of issues for the economy from an incentive perspective. Where are you going to get investment and new ideas and innovation? Be that as it may, the natural tendency is to go for income over capital growth.

And then when that happens, what you'll find is that the yield on income-producing assets will go down as their prices go up. And as that happens, you probably are talking about a lower interest rate environment.

And if you are talking about lower interest rates, at some point interest rates fall to a level to meaningfully boost the valuations of other stocks. So it's a bit of a process, it depends on the starting point and when the taxes actually hit, but it's a journey, and so you just play it accordingly.

Tomasina East:

That leads on nicely too. Colin has asked how do you anticipate inflation will change over the next 12 months in Australia? And I know you've touched on this already, but if you'd like to just expand.

Damien Boey:

Yeah, absolutely. So we put in the pack there on slide 12 a chart of sort of the pulse of inflation as we see it right now, and that's definitely coming down. But we have longer-term views, and those longer-term views are looking at things like longer-term inflation expectations, what's happening with the currency, what's happening with labour costs and things like that.

When we put those things together, and we allow for the fact that the economy is likely to slow, you actually have a risk, and this might sound really strange from this starting point, you actually have a risk that inflation will undershoot 2% in a year's time.

That might sound like a very strange thing to say, but that is in fact the balance of risks. Now, there was a paper done by the Reserve Bank of Australia (RBA) that was sort of championed by the chief economist of the RBA, Sarah Hunter, and she basically talked about the pandemic

experience, how firms set their profit margins in certain conditions and why we should learn from that experience to raise interest rates faster.

Actually, if you take that paper and you look at the conclusions properly, and you don't just apply pandemic conditions but you update them for what's actually happening now, it implies the opposite conclusion.

So even the Reserve Bank of Australia's (RBA) work is pointing to undershooting of inflation, they're just not saying it.

Matthew Haupt:

And probably the other key point is, last year and even earlier this year, we had a Fed which had interest rate cuts priced into the curve. So all the other central banks had to do heavy lifting because the Fed was deemed easy.

I mean, that's just been flipped now. So the heavy lifting from the Reserve Bank of Australia (RBA), the Bank of England (BoE), the European Central Bank (ECB), the Bank of Canada has been lifted now because the Fed are tightening.

So, I mean, that's going to help us on our inflation too.

Damien Boey:

Yes, and I should add that inflation's got a really, really short memory, right. Like, just because inflation falls doesn't mean that the cost of goods that you go out to the grocery store and buy - they don't come down, they're still going up, they're just going up at a slower pace.

Because when we measure inflation, we only look at inflation, the change in the price of goods over the last six months to a year.

So I might have the pandemic experience, but then after a year's time, that's completely dropped out of the memory of the calculation of inflation. And as unsatisfactory as that is— and it is a very unsatisfactory thing to have - to quote Kevin Walsh, the issue here is that that's what central banks respond to. That's their job, and we invest accordingly.

Tomasina East:

Great. Sam has asked, could WMX's combination of equities and debt be replicated on a global level? For instance, PLATO recently listed their Global Shares Income Fund, PGI2, which pays monthly dividends.

Matthew Haupt:

Yeah, I mean, I mean it could. Just trying to think of the diversification benefits might, might be there. In Australia, we're quite lucky with the Tier 2 paper we can buy. So I think from the debt side, you know, in WMX, we can actually participate in some of the offshore issuance, mainly through Australian issuers that are doing offshore bonds.

But we have been in HSBC and Barclays paper a few times, so we can actually put in a little bit of global where we think it makes sense.

But we're quite lucky on the Tier 2 debt side in Australia, we think it's a really good hunting ground for yield pickup and very good credit quality. And then on the equity side, I mean again, we could. And again, we do have flexibility in WHAM Income Maximiser. When we can't find a stock within Australia that makes sense, we can venture overseas to buy them. But we do that in a little way where, I mean, the main example is around copper.

Copper is really hard to get exposure within Australia, so we had a couple of Canadian copper stocks in there just so we had exposure. So I'm 100% it could. Is it on the cards? No, because we do have that flexibility and we think we've got a pretty good hunting ground at the moment.

But yeah, maybe it's a product for the future.

Damien Boey:

Yeah. And you know, when we're talking about interest rate movements like we mentioned here, a lot about the Reserve Bank of Australia (RBA), but the reality is Aussie bonds are 50% driven by what the RBA does and pretty much 50% driven by what global rates are doing.

So in order to invest in Australia, we already have had to have a view and some analysis of what's happening globally. So yes, in theory, you could actually quite easily replicate this, but that's not what the product is currently scoped out for.

Matthew Haupt:

Yeah, I mean last night, perfect example with the Fed decision and commentary, the two year rate in the US was up 15, 16 basis points (bps) and then the Aussie three year rate was up 6 or 7 bps. So like Damien said, we analyse every market in the world anyway because actually Australia is a very open economy so global impacts have a big impact on Australia. So yeah, 100%.

Damien Boey:

Yeah. And just one last thing to add to that is when you're talking about diversified products, so diversification, some things go up, some things go down, but on average you win and you're looking to do that in any market. Inevitably that comes down to a question not just of how

volatile the individual asset classes are, but how they're all correlated or co moving the degree of co movement between any two given asset classes, that's almost exclusively driven by global factors. So our process is very, very aware of that.

Tomasina East:

Fantastic. So Tom and Alan have asked, what do you think your competitive advantage is over other income funds?

Damien Boey:

Okay.

Matthew Haupt:

Right. I'd say the informational advantage, talking to two sides of the capital stack in companies, gives us a great lead on what's going to happen, and we have that optionality. So I'd say a lot of it is structure.

And then I don't want to pat ourselves on the back, but I'd say commitment. Like, to win in this game, you need commitment and passion, and Damien and I both have that. So our competitive advantage is the work we put in. I mean, to succeed in anything, you've got to put in the work, and, you know, we work as hard as anyone.

So I'd say we have the structure, and then it's the commitment to this job to deliver returns. And we don't really stop trying to do that.

Damien Boey:

And just to add to Matt's point about structure as well, our competitors obviously have very good skill sets and great products. We don't want to take away from that in any way, shape or form. But you've got to consider the universe that any income manager can actually invest in.

So one of the things - one of the environments where income funds tend to do very badly - is when you get a credit event. Like, you can demonstrate that for almost any income fund in history, and particularly the equity income funds.

The reason for that is that if you're an income fund and you're only operating in equities, you're typically just looking at the list of stocks from high dividend yield to lowest, with a few tweaks, taking into account the earnings outlook, and you're just buying the highest and you're selling the lowest, to an approximation.

The trouble is that when you go into a deleveraging slowdown environment, the dividends that you think are there may not actually be there. And if companies are geared, they're levered, then what might actually happen is that the cycle could hit them so badly that either they have to refinance or cut their dividend, particularly if they're doing what they were doing in 2008, borrowing money to pay dividends. It's actually a very, very dangerous thing.

And so I guess what we're saying is that in the event that the market does face that, where do you go to if you're stuck only in equities?

Whereas if you have the fixed income, the debt, and the bond options, you know that high-quality bonds - high-quality corporate bonds, or even government bonds - will do very well in the event of a recession, you actually have an option, a way out.

So the short summary is, with the product that we have, we're an income fund, but we're not stuck with value traps, right. We have a lot, a lot of options apart from that, and having the optionality makes a massive difference.

Matthew Haupt:

That's an important point. You could hold a stock and it's giving you money and then one day it's actually asking you for money. And if you don't take up the rights issue, you get diluted and your shareholder gets diluted very badly. So it goes from giving money, to asking for money and you basically have to give it, otherwise the dilution kicks in. So it's a vicious cycle; one we don't have to participate in.

Tomasina East:

Great. So Christopher and Andrew have asked, are you considering a capital raising in the new financial year?

Matthew Haupt:

That's got nothing to do with us, we just manage the money. So we're happy with where we're going and that's totally up to the board; anything to do with capital management.

Tomasina East:

Great. So Richard has said congratulations to the team who've had a great year in performance. I second that. Since you significantly achieved the target. Is this because the target was too low or is this just a one off, positive result?

Matthew Haupt:

That's a good question. Yeah, like, and that's exactly what you should be thinking. We'd like to say we could do it every year, but again, like, we start every year with a clean slate. We have opportunities throughout the year.

I mean, there were a couple of big opportunities we had this year around different events - you know, a private credit event, I think it was around October, November - like there was a shake-up, which we weren't that scared of.

Iran war was another significant opportunity for us. So volatility creates opportunities. So, you know, we start every year thinking we can outperform, but this seemed like an exceptional year,

and there were some exceptional events. But every year, you start thinking there won't be these events, but they do present themselves.

So - and we can see them now, like the groundwork for the next trades, whereas the battle with the Fed, the battle with the Reserve Bank of Australia (RBA). Yes, we already know where— what the battle will be, and we think we've got the right call.

So, you know, that outperformance of 13% is a tough hurdle. A really tough hurdle. I won't dismiss it, we can't do it again. But yeah, we do need events for it to happen.

Damien Boey:

Yeah. And you might have noticed before, we put up a whole lot of what we call risk premier charts which basically tell you that if you were quantitative and systematic, not that we are, but if you were to use such a process, what sort of returns would you be expecting? Across different assets and different buckets of stocks. Now when you run that sort of backtest, typically you're going to get some right, you're going to get some wrong, but you'll get some diversification throughout that.

And if you look at the return profile, just looking at the asset allocation level, typically the average returns that you get, again this is purely on paper. This is not trying to guide to anything except just to quantify things. You're kind of looking at 10% per annum returns with some dispersion around that and then if you are stock picking as well, you can kind of add another 10% with some dispersion around that.

So, if a systematic manager can do that consistently through time and if you've got actually great market feel, better information and a better process, then you should be optimistic that you can actually hit runs in this space. Again, we're not saying that we'll do that every year but the data and the back testing tells us that the opportunity set is very great.

Tomasina East:

So Joseph has asked, could you please take us through your analysis of NextDC (ASX: NXT) debt? The sector appears to be heating.

Matthew Haupt:

Yeah, I mean, for us, we were sold down a little bit of that holding, 50% of the holding. The reason why we took it; obviously the yield was very attractive, because it was the first time they've come to market, so they had to pay a very healthy spread, which we deemed - because we knew, I followed the company since the IPO. I actually can't remember how many years ago that was, but ever since they had their first data centre - it was in Brisbane, it was called B1 - it was an office refit with some racks in it. So we know the company extremely well.

The reason why we put money into it was because it was this huge spread, and we think there's probably a credit upgrade for NEXTDC, because it was an unrated piece of paper. But we were comfortable with the underlying business of NEXTDC and the momentum they had in signing contracts.

And when we talked to the CFO, he was talking about further deals, like ABS - asset-backed security issuances - that they can do. And because they've got T1 investment-grade clients, we think they can do some more issuance. And as the debt market gets comfortable with them, the spread will tighten and we'll actually make money on the overall holding, which we've made money already, but we just sold down 50%.

Because as you described, the space is incredibly heated, and we're looking for a pickup in spread over the next, I'd say, three to six months, and then we'd probably reassess that holding, because we pointed out the momentum - there are signs of cracking.

It really gave a glimpse about a week ago, but then it's bounced back again. So it's just a bit of a watching brief on the space, but it's really around the security of knowing the business, knowing the cash flows, knowing the end clients, and the ability - it was opportunistic, because the debt market generally didn't know them.

So they had to go out with a very widespread to attract funds in, which we participated in.

Tomasina East:

Great. So James has asked if you can comment on the similarities and differences between the equity component of WMX on one hand and WLE on the other hand.

Matthew Haupt:

Yeah, I mean, they all - the weightings are all different. The stocks, there's quite a lot of crossover, but the weightings are different, and then there's quite a few stocks that aren't in WLE.

The WAM Leaders portfolio, so we can do up to the ASX 300- so we have a wider mandate for stocks, and the crossover varies quite a bit. But again, it's very dynamic, so it's not a replication of the WLE portfolio. It's really its own unique portfolio.

But there is, naturally, if you're hunting in the ASX 200 or ASX 300, and through our filtering process we narrow that down to maybe 70 stocks, so you get quite a bit of crossover. But the risk profile is totally different and the weights are different.

Damien Boey:

Yeah, I mean, when you're constrained to equities only but yet you're macro aware, you will see opportunities to go out there and buy government bonds or credit or commodities or something which is not in equities, but you'll see the macro theme.

But if you're stuck only in equities, you actually have very limited ways of expressing that, and so your portfolio weightings will reflect that. Whereas if you like bonds, you don't have to go and necessarily chalk up on all the bond proxies within the equity space. You just go out and buy bonds and do something else with the equities if you so choose.

So the weightings are very different because you've got additional levers. Also, there's a very big difference between sort of investing as a long-only manager and long-only equities versus sort of a long-short or asset allocation-type model. They're very, very different, because again, there are certain things that you have to have in when you're a long-only manager, and there are certain things that you don't when you're a multi-asset manager.

Tomasina East:

And now, following on from James, William has actually asked, I have \$300,000, do I place it with WLE or WMX? And where does this choice stand? At 30 June 2027.

Matthew Haupt:

I'll give the Kevin Walsh answer. You will be very unsatisfied with my response. We can't help you there, unfortunately. The only thing I'd point to is looking at discounts to NTA and then making your assessment based off that. We like to buy things at discounts, and it makes sense to buy things at discounts.

So normally we point you towards the NTAs, and then have a look at what product you want, and then the discount to NTA, and then you can make sure it fits your own personal circumstances, whether it makes sense. But we can't give advice.

Damien Boey:

The other point of distinction is that WLE is almost kind of agnostic as to where returns come from. So whether it's coming from dividends or capital growth doesn't matter. In fact, a lot of franking and dividends are left on the table in WLE because of the fact that it's looking for prioritising capital growth, whereas WMX, it does generate capital growth, but it's more balanced in terms of its priorities.

And one of the goals is also to sort of lower volatility. So it also depends on your risk preferences and how much you need the stability of income.

Yeah, if I thought the market was going to fall, I'd probably be in WMX. If I was bullish on the market, I'd maybe tilt towards WLE, but that's my personal thing, it's not financial advice.

Tomasina East:

Absolutely. So Danny has asked, would you ever consider buying bond ETFs to further broaden the bond exposures in the portfolio? And if not, why not?

Matthew Haupt:

It's an interesting question, and just shooting off from the hip here, I don't think the diversification benefits are there buying a bond ETF for us, because they all basically move the same, and we're in the Tier 2 space, which gives you a premium above secured and government bonds.

So there's not much to be cited for diversification within the Tier 2 space. So yeah, I can't see us using that. Maybe if there was a levered one, I don't know, like a long duration or something. But yeah, no, it's not something we actively consider because we're quite happy.

I mean, we do have the tools in WMX to manage duration as well. We have the ability to change the risk profile by using overlays. If we want, we can take duration out or add duration and risk manage. So for us, you know, we're much more comfortable doing it ourselves.

Damien Boey:

Yeah, no, I mean, that sort of structure wouldn't be additive to what we already have, I think. No."

Matthew Haupt:

Yeah, okay, great.

Tomasina East:

Now you touched on this earlier, but Bill has asked under what circumstances would WMX invest in commodities and credit. I know that you mentioned copper in particular earlier.

Matthew Haupt:

Yeah, yeah, well, I mean, in the very short term we're just a little bit concerned because of the stronger US dollar from the implied hawkish Fed. So we're just waiting to see how that pans out.

But also, we're in a real dilemma now with the easing of the Iran conflict. It's like before we were going into the conflict, we were actually going into a cyclical recovery. It was like we were actually thinking this is good, but you had the trade wars. So in April, the Liberation Day, huge amount of uncertainty, and everyone was winding back inventories and trade was slow.

And then we're starting 2026, we're thinking, oh, cyclical upturn, and then Iran conflict. So it's how do we exit this? And so far it's been reasonably okay. We're just trying to work out, with the easing of the conflict, how much damage has been done, and we're not quite sure yet.

So far, it looks pretty resilient. But the things we're watching at the moment - might as well lay them down on the table - you've got a huge flattening of the US yield curve. So we're like, that's not healthy for a cyclical uptick. And if you've got a Fed that are really going to lean into this, that's obviously going to put pressure on the global financial conditions.

So it's a real tug of war at the moment. And the beauty of our process is it's very dynamic, so we can lean either way. But at the moment, we are negative on commodities in the very short term.

And then on credit. Credit's incredibly tight. You don't get paid for taking on going up the risk curve.

So for us, credit looks expensive. There was a bit of movement in Triple Cs last night in the US, like the really low-grade, call it junk debt. But credit is pretty flat across the curve, and you don't get paid for credit risk at the moment.

So there is no need to go up the credit spectrum. In our view, we're happy to sit where we are. So I think the commodities and credit, short term for us, we don't see a play.

Damien Boey:

If I think about this structurally Matt said before that T2s we're actually quite privileged to be able to participate in them and they really are a gift because they offer you a premium but they're credit instruments, they're not government debt. But they're almost as good as government debt because they're not going to fall over and suddenly Commonwealth Bank of Australia (ASX: CBA) and it's not there anymore. That's just not going to happen.

Even though they're effectively government guaranteed, they do pay you, say, a 1 to 1.2% spread at the moment over the government bond yield. So you're picking up almost risk-free money doing that. So it's very hard to get that sort of thing around the world. You don't have protected species like our Tier 2 bank debt market.

Then with commodities, we know that commodities are a really powerful diversifier, and most asset allocators would say, look, in a portfolio of multi-asset, you need to have some equity, some commodities, and some bonds.

And let's suppose that you're special in Australia and we've got the very best bonds that you could buy— corporate bonds— so we don't have to consider the credit issue just yet. So commodities, would we actually invest directly in commodities? Well, the thing is, our index has such a heavy weight to commodities anyway, it's a natural diversifier, and we also, on top of that,

have companies that are offshore earners, so you know they would benefit if the Aussie dollar falls.

So actually, embedded within the Aussie index are a lot of different asset allocation tools anyway, it's just that you've got to unpack them. But the benefit here is that we actually have access to a very special corporate bond market, which gives you a disproportional reward for the risk that you're taking, particularly versus global peers. That's why the opportunity set here is so attractive.

Tomasina East:

Great. Gordon has asked was the board happy with the take up of the share purchase plan participation?

Matthew Haupt:

Very happy. I mean both on the when we did the placement/SPP (share purchase plan) we were oversubscribed so I mean a huge influx of demand which was very pleasing. So yeah, very happy.

Tomasina East:

Great. Now Rob has asked how many equity holdings are there in total? And I have the answer here. It's 69 at the end of May.

Matthew Haupt:

Yeah it's quite large at the moment because of the risk environment we're in so we'll spread it quite wide. As we discussed before we're trying to work out we've got our interest rate view but the trajectory of this recovery, which way to go. Either the momentum way or the value way and at the moment the market's moved back to momentum but we're not quite convinced of that but we're just going to watch that. So I mean 69 is a lot of stocks but yeah, expect that to tighten up over the next month or two, you know probably between 40 and 45 I'd say would be normal.

Tomasina East:

Great. Now David has asked, will you be quoting profits reserved for WMX on a monthly basis and that is exactly the kind of feedback that informs our NTA? So we can pass that on to the team and thank you for that feedback. We have another question here from Kate who has asked, could you talk a bit more about the equities in WLE and are they the same equities in WMX and how is that side of the WMX portfolio the same or different?

Matthew Haupt:

I think we touched on that before. So the way we look at it is two separate pools of money, and when we think about allocation, there are two hats. What purpose does it serve?

And in WMX, obviously, like Damien suggested, we have various options. So every time we think about the allocation, we always go through the different buckets we can invest in. So I don't want to say they're totally different, but the thought process is totally different.

But naturally, if you're going to hunt in the same area, you come across the same stocks, which makes sense. So from a macro view, a lot of the top-down makes sense, but then, as Damian said, in WLE, I think the way we view it is we go higher up the risk curve, like with trading stocks and, you know, some of the really expensive high-growth stocks we can trade around in more, whereas WMX, we just— we don't bother with that component.

So I'd say the real big distinction is around some of the hunting ground is a little bit more, say, risky in WLE, because we've got a bigger pool of equities and we can manage it on the overall risk. Whereas WMX, the equities differ and weightings differ because we have multiple tools we can use.

Damien Boey:

Yeah. Just to add some colour to that and some previous comments as well. Like if we look at Commonwealth Bank of Australia (ASX: CBA), for example, there was a time actually in Leaders where we didn't have CBA stock at all, but in WMX - had WMX been around at that time - we probably would have had a lot of the CBA debt.

Right now, actually, CBA is our biggest holding, but just on the debt side, not the equity side. So it's kind of interesting, isn't it, that you know that the company's a quality company, you know that push come to shove, it's going to be a bit of a safe haven.

But you also know that the equity side is just not very attractive in the macro environment, but the debt side is actually very well protected. So you want the exposure, but you can't do it on the equity side. So we just have a different expression which is much more satisfactory.

And because WAM Income Maximiser - the first priority is to kind of try to lock in a bit of income - that means to go into the debt markets and get them at an attractive yield. That's almost like a no-brainer.

Whereas if you're doing that in equities, you actually have to make a decision about style. I'm going for high-dividend stocks, but is dividend yield in vogue, or is growth in vogue, or is value in vogue, or is momentum or quality? There's a lot more layers to that decision.

Whereas if you just buy, for example, CBA notes and fix them, you know that that's going to be a very resilient holding, provided the Reserve Bank of Australia (RBA) doesn't hike rates too aggressively, or even cuts them.

So that's sort of the decision-making. Like, when you have that income focus, it forces you to think about style, whether it's appropriate. If you have an expanded universe, suddenly you're a lot more free to think about how you want to construct that portfolio.

Matthew Haupt:

Yeah. A good example as well is in WAM Leaders we have all the major banks at the moment.

In WMX, we have no major Australian banks. We've just got the debt. The reason why it's in WLE, WAM Leaders, is because of the move from active management to passive management. There's all these transition flows.

So in WLE, we're a little bit more reactive to flows. So we've actually - we hedged out a whole lot of Australian banks on the basis of passive money. So again, a huge part of the index.

In WMX, we have zero Australian banks. In WAM Leaders, it's sitting around 15% of the portfolio. So, a very big difference.

Tomasina East:

Fantastic. We have just had one more that's come through. What is the one thing Matt and Damien each most look forward to in their roles and what gives them the motivation to keep doing what you do?

Matthew Haupt:

Yeah, I mean, this is very dry but economic data releases. It's the greatest test of your forecasting ability, but then also interpreting what the market reads into it too. I mean, it's fascinating.

I mean, it's the thing I find most exciting. Like Damien and myself, I mean, I think the most recent one- let's say it's actually quite better now- in the US, the big data releases are at 10:30. Now the time zones, the daylight savings move, but they used to be at 12:30.

And we try and stay out for all these data releases. So, I mean, the other night was US retail sales, and we got all the information that it was going to be a hot print- so a beat it was- and then just watching the market reaction.

So for me, it's these economic releases, and then, you know, it's this constant game of trying to be on top of information and whether you're seeing it correctly, and then the feedback loop of the market. I mean, it's incredibly stimulating.

Damien Boey:

Yeah, I look forward to regime changes as they unfold in real time. By that I mean, are we going high interest rate, low interest rate regime? Are we going to highly uncertain, low uncertainty

regime? Because all of those things have implications for how you would invest and construct a portfolio.

Sometimes they catch you by surprise. When they catch you by surprise, then you have to kind of get on your bike and pedal real fast to try to make sure that your framework is actually able to keep up with that, and that's a great intellectual challenge, particularly if you're systematically minded.

But then there's also, obviously, the ones that you kind of had a feeling or an inkling that actually you would go into that regime, and you're starting to get the confirmation of that.

And the second thing that I look forward to is, in the context of the regime change, then actually getting to speak to policymakers and central bankers to see whether they're actually on the same page or not, what information we have or what information they have that we don't have, the asymmetry.

That's a fascinating area to be in.

Tomasina East:

Great. Now, we have had lots of congratulations that have come through, through the course of the webinar, so thank you for sending them through. And the share price has actually also increased during the course of the webinar. We're now trading at \$1.71. The latest NTA is \$1.68, so that's pleasing to see.

Thank you for answering all of those questions, and thank you to everyone who did send in questions. To stay informed with our latest investment insights, join our community of 100,000 subscribers.

You can also follow us on LinkedIn, Twitter, and Facebook, and visit our website for any more information. A recording of this call will be available on the website shortly.

I will pass back to Matt for any closing remarks.

Matthew Haupt:

Just like to say thank you to all the shareholders and all the supporters over the 12 months. It's great to see you here today and not only deliver, but exceed expectations of where we started.

So it's going to be a great journey for this product. Like Damien and I are incredibly excited, and we just think this is the start of many good things to come. So excited to go on this journey, and onwards and upwards.

So thank you very much.

Damien Boey:

Thank you.