WAM Active (ASX: WAA) | FY2026 Full Year Results Q&A Webinar: Outperformance in Action

22 July 2026

Speakers

Oscar Oberg – Lead Portfolio Manager

Shaun Weick – Portfolio Manager

April Lowis – Senior Investor Relations Advisor

April Lowis:

Good morning and thank you everyone for joining us today for the WAM Active (ASX: WAA) Full Year 2026 results webinar. We're pleased to have the opportunity to answer your questions. I'm April Lowis from our investor relations team at Wilson Asset Management and today I'm joined by Oscar Oberg, Lead Portfolio manager and Shaun Weick, Portfolio Manager. Before we begin, there is a disclaimer on the screen, so please have a read in terms of the plan today. So, Oscar and Shaun will run through the FY2026 year and the outlook on the portfolio, followed by some question time.

So please submit your questions throughout the webinar. I'll now pass over to Oscar.

Oscar Oberg:

Thank you, April, and good morning to everyone and thanks very much for dialing to this morning's call. Shaun and I are both here and we're the portfolio managers for WAM Active (ASX: WAA) and of course the portfolio managers across the four other small cap listed investment companies that we manage. Look, April's done the intro, so I don't need to do that. But I guess I will go back to January where we last spoke to you.

This is when we talked about WAM Active having been separated from the other funds around three years ago. And at that point in time, we outperformed by just over 40% for the first six months. I'm pleased to say, that performance has carried on and more for the remainder of the 2026 Financial Year with Shaun and the team delivering over 70% outperformance. And I think the portfolio was up 75%, I think on an absolute basis for the year.

Now, to put that into context, that's WAM Active's best ever year and I think it's the second best ever year for any WAM fund over our history since 1997. So that is an unbelievable effort. It's an extraordinary performance. And Shaun, who's led the funds over the last three years, has just done a tremendous job. And that has also culminated in the fact that Shaun has been recently promoted as a portfolio manager.

But if we go back a step and go, why do we make WAM Active independent? That was a decision we made three years ago. And a lot of it came from feedback from our investors frustrated at the size of WAM Active. It had been small and I remember there was a roadshow where someone called it the ugly duckling. And so, we took it upon ourselves with the board and asked ourselves a number of questions and whether we were actually running the portfolio for what it was meant to be; how it was meant to be run in. In other words, to be more active.

And Shaun had done a tremendous job with us since joining in 2020 across all the funds, all the small cap funds, and we gave him the opportunity to run the portfolio by himself. And it's not just last year with the 75% outperformance, it's the two years prior to that. And he's done an amazing job. And so, look, we see tremendous opportunity with the fund, we think we can grow it further. There's lots of opportunities out there in the market.

And as you can see, we're pleased to announce that the share price has risen just over 30% for the last 12 months. Dividends are up. I think it's a 6.4 cent dividend for the full year. And we've also announced a 2 cent special dividend and a 1 cent special dividend back in the half. So the final thing I'd like to say is like to thank all our shareholders for supporting us for the capital raise that we did back in January.

And as I said before, we do see great opportunity for this fund, we do see the ability to grow it over time. And with Sean as the portfolio manager and dedicated to growing this fund, yeah, we're really positive on this longer term now. So with that in mind, I'll pass it on to Sean. He'll talk about the year that was and the outlook for 2027.

Shaun Weick:

Thanks, mate. Yeah, good morning, everyone, and obviously thanks so much for tuning in. Really appreciate all your support. So, yeah, I guess let's talk a bit about FY26, the year that was, and sort of follow that into the outlook. So I guess to set the stage, entering the year, the market was effectively pricing in a series of five interest rate cuts. So we felt as though the setup, particularly in that first quarter of the year, was very positive for the small industrial sector.

And pleasingly, we did see that sort of carry through. But then as we got through to October, there was a rapid shift in the thinking around interest rates as a result of what was a relatively hot inflation point. And as a result of that, the market effectively flipped from pricing in those five rate cuts over the next 12 months to actually three rate increases. And obviously to date we've seen two rate increases and live pricing is suggesting that we may get one more. So we're either at or approaching a peak. So that was one of the key sort of, I guess, rotation points or pivot points within the portfolio. Over the last 12 months, back in October, we were really trying to move the portfolio aggressively away from those domestically exposed, more cyclical aspects of the economy that we felt would come under pressure because of rising interest rates.

If we go to the next slide here, we've just provided a recap of the performance of the small cap sector over the past 12 months. So, the key point to call out here is really the outperformance of the small resources sector. And that was really where we rotated more aggressively towards back in October when we felt as though the macro tailwinds there were very supportive. The gold space did particularly well for us through to March. Unfortunately, the onset of the Iran war has created some weakness but we think opportunity there more near term.

And then the other sort of, I suppose key pivot point that we saw throughout the year which is weighed on the industrial sector was really the emergence of AI. And we saw that come aggressively to the forefront in the market initially throughout that sort of November, December period. But it really started to enter investors minds through late January when you saw the emergence of Claude Code and Cowork which effectively not only bled within the software sector which obviously came under quite a bit of pressure where investors are essentially questioning the terminal value and how much disruption is going to occur in that space, but then also bled more broadly out into various industrial sectors, insurance brokers, travel, et cetera, where we've seen some of the share prices more than halve in those sectors over the last four to six months, which we now think is creating opportunities as the dust starts to settle.

So, if we go over to the next slide. So yeah, where are we seeing things today? The small industrials are at their largest discount in years. You can see here they're trading at around about a 22% discount versus the large or mid-cap industrials. So, we think some really good opportunities are emerging here. And partly we think this has been driven by the fact that you've seen such substantial growth in the passive investor and then also I guess the repatriation of funds from industry super funds away from active managers back to effectively benchmark hugging within the industry funds. So that we think is distorting the market.

You can see here the ASX 20 as a percentage of the All Ordinaries Index has rose dramatically over the last few years and the level of money that's being managed by active managers has continued to decline. So, for active managers like us, we think that's creating really good opportunities as we believe we're approaching I guess a peak in interest rates here. Domestically we think the outlook for the small industrial is getting incrementally more positive.

I'd say in the very short term we're probably expecting the August reporting season to continue to be tough as I guess the lag effects of the rise in interest rates, the impact of oil prices and then you know, I'd say more broadly some of the recent changes to tax policy around Capital Gains Tax (CGT) and whatnot. We do think that is going to have a depressing effect on the economy here domestically. So, we're watchful. But yeah, at the very least, we think interest rates have peaked. We think they're done because of those pressures, despite one more rise being priced in. So the outlook, particularly towards the back half of this year, is looking much more favourable.

Just on to the next slide. Yeah, so a bit of an update I suppose on what we're seeing more recently. July has been the most volatile month that we've seen in quite some time in terms of rotation between various pockets and sectors within the market. If you use the Goldman Sachs Momentum Index, which is effectively a proxy for winners within the stock market, that's fallen 32% over the last month. That's the fastest drawdown in winners in over 30 years.

We think this is creating some really compelling opportunities in stocks that have strong catalysts. Pleasingly, over the last couple of days we've started to see this I guess normalise a little bit. This index has bounced around 11% and the early signs from the US reporting season are suggesting that the market is going to reward earnings upgrades, which is what we want to see as fundamental stock pickers.

To that point, over the past 12 months, equity market leadership has very much been concentrated within the beneficiaries of artificial intelligence and the booming capex that we're seeing in that sector. So we're looking at anything from the semiconductor chips and memory through to electrical services, data center construction, power delivery systems and the commodities that are required for that infrastructure build out, such as lithium and copper and the like.

You can see on this chart here, the level of capex is still forecast to grow another 33% into 2027 and over a billion, sorry, over a trillion US dollars. And that's just looking at the public hyperscalers as well, ignoring what the private large emerging players are doing. Our view at the moment is we are seeing that evidence of the buy the dip mentality following a very aggressive sell-off in what we call the AI or AI derivatives.

And you are seeing fund managers start to buy the dip, dip the toes back in and we're watchful. Is this a sustained rotation or not? But at this point our base case is it's just more of a speed bump or a wobble as opposed to a broad shift in the market. So as a result of that, we think there's really good buying opportunities out there right now. And just to highlight, I suppose, the fundamentals that are underpinning the market, this is essentially looking at the Ford EPS estimates for, you know, the S&P 500 index in the US and you can see here that the earnings growth that's being forecast into 2027 and 2026 with the current year we're in, it's incredibly strong and AI is really the powerhouse that's driving this. So, given our thoughts and our perspective around that, and the fact that you're still seeing really strong fundamental earnings growth, our view is that it's too early to call the end of the AI capex cycle and the beneficiaries of that. And I suppose, just contrasting that domestically, you can see here the S&P/ASX 300 Index. Domestically, earnings growth is still relatively subdued and obviously is a function of some of those headwinds we spoke about earlier, and also the fact that there are relatively limited ways to directly play the AI thematic here.

Looking forward, we're optimistic that you see, I suppose through the August reporting season perhaps another cleansing or rebasing of earnings expectations which are generally too high and there's more cyclical, economically sensitive pockets of the market. And then that starts to set up a much cleaner view for us looking into AGMs and into the back half of the year.

Just a quick update I suppose on the portfolio positioning and sector weightings. Broadly, the fund's still maintaining a good level exposure to the material sector. We like the copper space. The rare earth space is another area which we think more broadly around this critical mineral sand will continue to perform well within those pockets that have catalysts that are present and we think can drive big RE (Research Entity) ratings in share prices. Outside of that, the fund is still maintaining overweight towards the technology and industrial spaces as well.

We touched on the consumer discretionary and the more interest rate sensitive aspects. We're starting to selectively pick up some exposure there where we think earnings have been rebased. But yeah, we think it does very much remain a stock pickers market within that part of the market. If you look at the portfolio turnover as well, it's turning over around ten times a year. So, this highlights the fact that it really is very actively managed and we are sizing both the size of the positions within the fund and then also the cash levels in the fund in response to the catalyst that we're seeing both in an individual stock level, but then also across the broader market.

So there are periods in which we had cash levels at 40% through the year because we felt as though the market might have run too far or the early onset of the Iran war, the tariff sort of tantrum. Last year there were periods where we saw cash levels go as high as 40% just given the way that the market tends to overreact and shoot lower early. You've got to try and get ahead of that as quick as you can, we think.

And then, from a capital markets point of view, we participated in 87 capital raises this year, which is sort of double what we saw last year. So, we are seeing a healthy market in terms of secondary activity. The IPO market does still remain pretty subdued, but we're hopeful, based on some recently well-performing IPOs like FDC, which is trading around 20% above issue, that we are going to see more opportunities continue to emerge over the coming six to 12 months.

So, just rolling into, I suppose, a summary of how the portfolio is positioned. The July pullback has been sharp and painful. We talked about what we saw there in terms of the factor-driven sell-off, the selling of winners and whatnot. But we are pleased to see that some stabilisation appears to be emerging, and we're still bullish on the overall market. You're seeing pockets of capitulation selling. You're certainly seeing good signs, I think, that hedge funds have had to de-gross, which again suggests to us that, based on the fundamentals we're seeing, the sell-off has really been driven by positioning as opposed to any deterioration there.

The early results we're seeing in the US reporting season and the share price responses that we're seeing too, that does suggest to us that the market is still right with good opportunities. So, looking at the fund and the key themes and sectors, we certainly remain very positive on the artificial intelligence space, both directly within that ecosystem. We've got Firmus Technologies of 4% holding in the fund at the moment.

Megaport Ltd (ASX: MP1) continues to be an attractive one for us, and we think they are really well positioned to continue driving material contract wins as they broaden out their capabilities. Looking at the electrification infrastructure build-out, we're still very positive there. On Maas Group Holdings Ltd (ASX: MGH) and Southern Cross Electrical Engineering Ltd (ASX: SXE), we think they are well placed to continue to win some material contracts. They have great balance sheets and are trying to undertake accretive M&A. Then a smaller one, Dxn Ltd (ASX: DXN), that's building modular data centres, has just been awarded an initial $200 million contract, which we think opens the door significantly for them to pick up other contracts with neoclouds and whatnot that are looking to build out capacity not only domestically but throughout Asia as well.

The AI, MedTech and platform beneficiaries of AI, we continue to remain very positive on. Adherium Ltd (ASX: ADR), EchoIQ Ltd (ASX: EIQ) and the US consumer. Recent bank reports and the reporting season suggest that Ai sector remains in good health, so we like Zip Co Ltd (ASX: ZIP) in that space. The critical minerals theme we're still positive on. We think the West will continue to try and build resilience in supply chains and reduce China's grip across various commodities. So the rare earths and copper areas are the ones we like, particularly at the moment. In the precious metals space, we still think gold looks to be finding a base around this $4,000 level, which is obviously pleasing, and we're really looking for those ideas that are bottom-up, catalyst-rich, and that we think can outperform irrespective of what the broader gold price is doing.

And then finally the domestic, I guess rate sensitives, I've got to suppose a few stocks within that sector at the moment, the likes of SkinKandy Ltd (ASX: SK1), Flight Centre Travel Group

Ltd (ASX: FLT) and FDC Consolidated Holdings Limited (ASX: FDC) where we think earnings expectations are realistic and there's potential upside. So just selectively dipping our toes back in there. As you know we see that peak in interest rates sort of play out, hopefully earnings rebase and then you know, sets up a cleaner run from here.

So I've touched on a few of these but just a few key stock picks within the fund at the moment. So yeah, we remain high conviction on Lindian Resources Ltd (ASX: LIN). It's an emerging rare earth play based out of Malawi. This is one of the next large-scale assets globally into production within the West. The only other two that are comparable MP Materials Corp (NYSE: MP) and Lynas Rare Earths Ltd (ASX: LYC) which is listed here in Australia. We think they're entering production in the fourth quarter of this year in a really strong position to deliver on some offtake arrangements and then also deliver further value enhancement down the supply chain as they continue to partner with those within rare earths separation oxidisation.

So, we think the company can generate north of $1 billion in EBITDA versus a $1.3 billion market cap currently. You look at its listed peers, which are trading on around 20x EBITDA on average. We think, as they execute on these contracts and the market gains some visibility around the offtake arrangements, that the share price can double at a minimum.

If we look at Maas Group Holdings Ltd (ASX: MGH) and Firmus, I'll address these two together as they have become quite intertwined. Clearly, Maas Group Holdings Ltd (ASX: MGH) is benefiting from an incredibly strong pipeline with Firmus. They've got 3.3 gigawatts flagged here domestically and another 365 megawatts recently within the Batam facility over in Indonesia.

If you apply the economics that they've announced for the initial contracts where you effectively $2 million revenue per megawatt, we're talking over a $6 billion pipeline at what we think are 15 to 20% EBIT margins. You put that on a 15 times multiple that the other electrical contractors are on. We think the share price more than doubles from here. And then that's not to mention that you've got about a $1 per share investment within firm is sitting in at Maas Group Holdings Ltd (ASX: MGH) at the moment and still over 7,800 million dollars in net cash to deploy. So collectively we're still very positive on both at Maas Group Holdings Ltd (ASX: MGH) and Firmus. On Firmus specifically, pleased to say they've just done another capital raising recently at $230 per share.

Our investment is being held at $1.45 at the moment. So we're sitting on around 3.5% to 3.6% of performance uplift from that alone. And we're hearing industry feedback at the moment that suggests there could be another capital raising at materially higher levels. The important thing to note with that last valuation is that it did not include the Batam facility, which has effectively tripled the earnings run rate.

So, we think there's still plenty of upside in the Firmus story and remain really positive on it. And then just a couple more. EchoIQ Ltd (ASX: EIQ) is effectively an AI-based diagnostic platform that's being used on echocardiograms in the US. They've got FDA approval for their initial aortic stenosis algorithm. We think approval for the heart failure algorithm is imminent. And we've seen some really encouraging news just this week, where CMS in the US is looking at funding tools that would effectively shift towards funding software as a medical service, which for these guys would dramatically increase the level of funding they receive and also broaden their reach as they continue to roll out different disease modalities. We don't think they're stopping at these first two. We think there's a pipeline of 10 to 15.

They've just raised $100 million of cash, so the balance sheet's in great shape and they're really well positioned, we think, to execute on that go-to-market strategy within the US. We're also obviously pleased to see the investment from Pro Medicus Ltd (ASX: PME), who we think will be a really important partner in accelerating the go-to-market effort in the US.

Then, just finally on Zip Co Ltd (ASX: ZIP) , the recent US bank reporting season is suggesting that the US consumer remains strong and that credit quality is in good shape.

We think management has done a really good job of listening to the market and managing the level of TTV growth against the level of bad debts being generated to deliver that growth. We think there's upside to consensus earnings expectations, particularly into FY27. And based on the growth rates, we think it's trading on a PEG ratio of 0.5x, or less than 0.5x, which for a business growing at over 50% is very attractive. It has a very long growth runway, the balance sheet is in great shape, and they're buying back stock. So yeah, we think Zip looks good here too.

That’s all from me. We’ll move over to the Q and A.

April Lowis:

Thanks very much Oscar and Shaun and thanks everyone for submitting questions. We’ve got quite a few come through. Please continue to submit questions throughout the rest of the session. James has asked, can you please shed light on how you deployed the capital that was raised earlier this year and if there is potential to grow the fund further given the strong performance?

Shaun Weick:

Yeah, thanks, James. So, in terms of how we deployed it initially, it was right around that reporting season period. So, it was rolling off the back of that. Really, the deployment was just sticking to the process, which is bottom-up fundamental research, trying to pick stocks where we can see a catalyst for a re-rate. So, there was nothing really strange or unique, I suppose, in the way that we deployed it.

And is there potential to grow the fund? Absolutely. We're still seeing really good opportunities in the market and, as I highlighted before, I think the recent sell-off in particular has created a really good opportunity to deploy capital, given what remain really strong fundamentals.

April Lowis:

And Mary has asked Oscar, so Shaun has shared some of his stock picks. Can you please give us a few of yours going into this financial year?

Oscar Oberg:

All right. Well, Shaun went through so many that I'm not sure I can keep up with that overlap there.

Well, we've got plenty, but there is some crossover between the funds I manage. We manage, I should say, as well. Off the top, Shaun mentioned FDC Consolidated Holdings Limited (ASX: FDC). I really like FDC Consolidated Holdings Limited (ASX: FDC). That was an initial public offering that listed about a month ago. It's a founder-led business that came to market on a valuation of around 12 times earnings. The business has grown revenue by around 10% per annum for the last 15 years. One of the key drivers is that they're winning a lot of data centre work, which should flow through to their order book.

They're also growing the office fit-out part of their business. There's a company called SHAPE Australia Corp Ltd (ASX: SHA) listed on the ASX that trades on a price-to-earnings multiple of around 16 times. We were able to participate in the IPO of FDC Consolidated Holdings Limited at 12 times. So we see the potential that, assuming the company can come in and beat earnings expectations, it re-rates to that 16 times level.

And if that's the case, we think the share price could be $4.50 to $5.00 in no time. So that's probably my key pick at present.

April Lowis:

Great. And so, Glenn has asked how do you decide stock weighting, what makes you more confident and then when do you sell?

Shaun Weick:

Yeah, stock weightings are fundamentally a reflection of our level of conviction. So, if we're high conviction on a position and can, in particular, identify a catalyst for a re-rate in the share price, we will size the position up heading into that catalyst. Hopefully it comes off, the shares rally, and then typically we'll try to trim the position and take some profits as those moves take place.

Oscar Oberg:

I think I'll give Shaun a plug here. What he's done very, very well is maintain a very concentrated portfolio, and he's had some big bets across a number of sectors and stocks. He's backed his conviction, and those bets have come off. Why we separated this fund was for it to be more active, and that's exactly what Shaun has done. He's done a very good job of it.

April Lowis:

And that fundamental analysis is at the core of every investment.

Shaun Weick:

Yeah, we’re looking, we’re always applying a top down filter and then we’re just digging in the way it’s bottom up.

April Lowis:

Yeah, yeah. Susan has asked what’s WAM Active’s current exposure to resources and your views on the sector?

Shaun Weick:

Yeah, so the fund is about 40% weighted towards the resources sector. We're pretty concentrated in terms of where we're playing there at the moment. Around 15% of that would be within the rare earths space across, you know, Lindian Resources Ltd (ASX: LIN) and another one, Viridis Mining and Minerals Ltd (ASX: VMM) which is an ionic clay rare earth project out of Brazil. We think it's right at the catalyst point in terms of signing offtake and funding agreements and really underwriting the value of the project, where we see scope for $350 million to $400 million of free cash flow at an underwritten floor price, similar to what the Serra Verde Group achieved in Brazil, versus a market cap of around $450 million, with production expected in 2028. So that's another one where we think there are some really compelling near-term catalysts.

The copper space we particularly like as well. We just think the supply-demand dynamics are tight. There's very strong demand from electrification, the artificial intelligence build-out, et cetera. And from a supply-side perspective, we're continuing to see the large global players downgrade production. We had BHP Group Ltd (ASX: BHP) downgrade its copper production numbers last week, and the week before we saw some downgrades coming out of Codelco and others in Chile. So we think the supply-demand dynamics are attractive there.

And then, near term, there's also obviously the threat of Trump at least holding or increasing tariffs, which we think will continue to support the copper price.

At the moment, we're actually out of the lithium sector. Earlier in the year, we had about 12% of the fund in lithium. So, yeah, our views have changed quite a bit. We think the demand dynamics are strong, but what we felt the market was missing when we sold out, and many of the shares have since halved, was the supply side. I did a trip to China and generally came away with the view that there's a lot more supply coming into the market than is actually being accounted for.

As a result, you just haven't seen the lithium price respond, and it's actually come under quite a bit of pressure more recently. But we're watching it closely because the demand side, particularly battery energy storage systems, alongside the build-out of the grid and artificial intelligence infrastructure, is absolutely booming. That sector is growing at 50% to 60% and has gone from almost nothing three years ago to now accounting for around 35% of lithium demand.

So it's not just an electric vehicle story anymore. We're watching what's happening in the lithium space. Within precious metals, which I touched on earlier, the gold sector feels to us like it's bottoming. There was some really interesting price action last night, where gold was up despite some of the recent macro factors that have weighed on it. The US dollar was higher, yields were higher, but gold was also up.

So we're trying to work out what regime gold is in at the moment, but we're looking to play bottom-up, fundamentally driven stocks that aren't simply reliant on an improving gold price.

They're more catalyst-rich and company-specific, and we can see the potential for re-ratings independent of the broader gold price.

As for iron ore, we're not really playing in that space at the moment, and that probably rounds it out.

April Lowis:

Yeah, very comprehensive going through all those commodities. Raj has asked, what could change your view on resources?

Shaun Weick:

I think the key thing we're watching at the moment is that, to a large extent, resources have been caught up in the broader AI infrastructure build-out, particularly in areas like copper. We've seen some managers out there who have historically been growth managers for 25 or 30 years now investing in BHP Group Ltd (ASX: BHP). That's just an example to us that, while we really do like the supply-demand dynamics in the copper space, you've got to rely on stocks that have strong bottom-up fundamentals and catalysts, because you don't want to be relying solely on the copper price, particularly if it's being swept up in this broader narrative around electrification and AI.

Aside from that, we're clearly watching what's happening with global growth, the US dollar, yields, et cetera. I think if we started to see what we believed was a material slowdown in AI, or a material slowing in global growth more broadly, then we'd probably start to soften our view. But looking at the recent changes within the US Fed and with Waller coming in, the US dollar feels very toppy, or expensive, to us here.

He's had to come out and be hawkish. Central bankers generally start off hawkish when they first come in and say they're going to fight inflation, et cetera. Then they typically look to soften that stance over time. So, we're obviously watchful of some of the dynamics at play there, because we do think that if the US dollar rolls over and starts to fall, that would be very positive for precious metals and resources more broadly.

April Lowis:

Thanks, Shaun. Oscar, Christine has asked how does WAM Active differ to WAM Capital, WAM Research and WAM Micro Cap?

Oscar Oberg:

Yeah, sure. So, if you take a step back and look at WAM Capital, approximately half of the portfolio is actively traded and the other half is long-term research. WAM Research is obviously the long-term research part of that. If you look at WAM Microcap, it's similar to WAM Capital in that roughly half of it is actively traded and the other half is long-term research.

Historically, WAM Active was aligned with the other funds. We effectively held positions alongside WAM Capital. So, if a position was 1% in WAM Capital, it might have been 2% in WAM Active, and its fortunes were largely aligned with WAM Capital.

Up until the capital raise back in January, we hadn't really been able to grow WAM Active. WAM Capital grew, WAM Microcap grew and WAM Research grew, but WAM Active stayed relatively small. What ended up happening was that we weren't running the WAM Active portfolio as actively as it really should have been. We were turning it over about five or six times a year.

I remember in 2022, during the April roadshow, an investor fairly criticised us, saying the fund had been small for a very long time and asking what we were going to do with it. It was a fair question. That was a tough year for all the funds. It was the year the Russia-Ukraine war started, and we stuck to our process of investing in undervalued growth companies, largely in the small industrials space.

It was interesting because I got to the end of the year and, as head of the team, I was actually quite happy with our relative performance because we'd outperformed our cohort of stocks in small industrials. But the board quite rightly pointed out that, in absolute terms, the fund was still down. This is an absolute return fund.

I remember calling Kate that night and saying, "They're right. We should separate it. It's a small fund. Let's give it a life of its own and hopefully one day we can grow it." Shaun had been with us for about three years at that point and was doing a great job.

So we separated it. Over the last three years, WAM Active has been run completely independently of the other funds, and you've seen the best example of that this year.

If you look at WAM Capital, WAM Research and WAM Microcap, we have very little exposure to the resources sector. Shaun has done an amazing job because he's effectively taught himself how to invest in resources over the past three years.

In October, the WAM Active portfolio looked pretty similar to WAM Capital. It was largely made up of small industrial companies. As Shaun mentioned in his introduction, market expectations shifted from around five interest rate cuts to three interest rate hikes.

I remember it was around Melbourne Cup time, and as a team we were looking at it thinking, "Oh God, this is going to be like 2022 again." In 2022, we simply had to ride it out and eventually saw the benefits. But because WAM Active was being run independently, Shaun made the call to sell the small industrials and increase exposure to the resources sector. He did that and did an unbelievable job.

That decision, together with a number of other stocks, drove performance through to the end of the financial year.

I know that's a long way of answering the question, but I think the best way to think about WAM Active for our long-term shareholders is that it's probably similar to what WAM Capital looked like 25 years ago. It's smaller, more nimble, focused on catalyst investing, participates heavily in capital raisings and has a relatively high level of portfolio turnover.

It's a concentrated fund, so it will be volatile. You can't look at a 75% return and assume that's what you'll get going forward. There will be periods of drawdown because sometimes the market works against you.

But, in summary, we're running the fund under Shaun's leadership as we believe it should have been run from when it first IPO'd.

April Lowis:

Great explanation. Thank you, Oscar. Alex has asked what do you do if you're concerned about markets? She said that she saw cash get very high earlier in the year and I think you alluded to that.

Shaun Weick:

Yeah, yeah, thanks, Alex, for the question. Yeah, exactly. The key things that we try to manage during periods where we have more concerns around the market are the level of cash and overall portfolio protection. We can use shorting as a protection mechanism in down markets. We've done that in bits and pieces this year, but nothing I'd say is overly material. It's probably contributed less than 100 basis points of performance from the short side.

We can also use options as protection for the overall portfolio or for specific stocks where we like a pair trade against something else within the sector, which we have done on a couple of occasions this year.

April Lowis:

Great, thank you. And Blake has asked if you've been any on any trips lately? And I know you mentioned China before as well.

Shaun Weick:

Yeah, always on trips. My wife hates me. Yeah. So we're in China.

Oscar Oberg:

Obviously there's a few divorces happening in the WAM Capital team the last six months, isn't it?

Oscar Oberg:

Oh, we've traveled a lot.

Shaun Weick:

It’s tough out there, no? Yeah, we’ve done a lot of travel in terms of offshore. Yeah, I’ve obviously been to China, I’ve been to New Zealand and then domestically I’ve been to every capital city and probably a decent amount of the regional hubs. So yeah, as part of our process, like we’re always trying to look out there and get out there and understand what’s happening on the coal face and you know, that’ll remain a core part of the process going forward.

Oscar Oberg:

The WAM Capital side, we’re all working together. But look the last six months is probably the most heaviest travel we’ve ever done. And I went to the US, I went to the UK, but you forgot you went to Singapore.

Shaun Weick:

Yeah, actually Singapore switched to Boston as well. That’s right.

Oscar Oberg:

We probably visited multiple domestic cities over and over again. We'll talk about our results in September, probably in early September, but it's been a very, very challenging six months. I probably should have said that. That's the other thing we should point out about WAM Active's performance. This past 12 months has probably been the hardest 12-month period we've ever seen in WAM Capital's history in small caps, and Shaun and the team have delivered over 70% in that fund.

So, look, WAM Capital has had a very tough year, and a big reason for that was the shift in interest rate expectations, which we talked about earlier. Then artificial intelligence became a huge theme back in January and February. I basically got on a plane as soon as the February reporting season started because I had to work out what was going on. I came back with a clearer view and, you know, I feel like the decisions we made after that period have worked out. Then, of course, the war made things even more challenging.

It's like, as soon as a war happens, the market sells small-cap stocks and moves into the perceived safety of large-cap stocks. The positive is that when the war ends, you often see the reverse happen. But when that occurs at the same time as active fund managers are under pressure and experiencing outflows, it's been a very, very difficult period.

So, yeah, we've done a lot of travel, a lot of travel, non-stop. That's the benefit of being part of a large fund manager like Wilson Asset Management and a highly profitable business. We have the resources to do that, whereas a lot of our competitors don't.

April Lowis:

Maybe to bring it to life a little bit. Like what, what do you exactly do when you’re on those trips? What are the kind of people and companies that you meet? Do you go to actual sites to see stuff out of the ground?

Oscar Oberg:

I mean, look, yeah, the answer is yes, all of the above. But artificial intelligence is a good example. What did I do on that trip to the United States? We went and saw a lot of the companies that had been aggressively sold off, particularly software-as-a-service businesses that had come under pressure because of artificial intelligence. What had happened was that the market wasn't worried about this year's earnings or even next year's earnings. It was worried about earnings 10 years from now.

That really hit Australia in January and February. But when you go to the United States, where it's effectively been playing out for three years, you realise how much further ahead they are. There are AI billboards everywhere. It's everywhere. You come back and think, "Whoa, we're so far behind in Australia." We saw the same thing in the United Kingdom.

Then there are other examples. Take Cobram Estate Olives Ltd (ASX: CBO), which is an olive oil producer and is also held in WAM Active. It had recently acquired a company called California Olive Ranch, Inc. We were the first fund to visit California Olive Ranch, Inc in California. You could see all the land they had bought very cheaply because the wine industry in that region had been under pressure for so long.

You realise they've effectively bought a 50-year asset for well below market value. Things like that give you extra conviction in your stocks. It gives you an edge compared to competitors who may be sitting in Sydney doing the same meetings as everyone else. You're doing something different, and it can also give you insights that you can apply to your investment process. You can see a company's vision firsthand and gain a deeper understanding of the opportunity. So the trips are incredibly useful.

Is it hard for us? Yes. You've got six meetings a day for a week, you're away from your family, and you're still trying to run a portfolio. So the pressure on you personally is immense. But this is the job we love to do, and that's why we do it.

April Lowis:

It's good to have a bit of a bigger team that is able to support you when you're away.

Oscar Oberg:

Absolutely, absolutely. But, you know, do we sleep in those trips? No, no hard work. Yeah, you're on Australian time the whole time, so, yeah, it is what it is.

Shaun Weick:

Yeah. And the most rewarding thing for us from those trips is when you actually see them generate performance. A great example is the Singapore trip I did about two and a half months ago. We had around a 1.5% position in Firmus within the fund at the time, and then I went over and met the team. I came away thinking, wow, this business is really well positioned. You could see the demand globally. We met with a number of the neoclouds, multiple data centre players, and really did a deep dive into the ecosystem.

We came away thinking demand is absolutely going through the roof. We think Firmus is one of the best-positioned businesses globally. It's effectively the neocloud business, or AI factory, that NVIDIA Corp has chosen to partner with. They have one of only two underwritten offtake agreements globally, and we think they're potentially likely to secure another one as well.

We then came back and spoke with brokers to see whether anyone was selling stock in the secondary market. I managed to find another 2.5% to 3.0% of the fund and increase our position in Firmus at $1.45 per share. The company raised capital just last week at $2.30 per share, and we think that valuation could ultimately prove to be much higher.

So, yeah, it's great when you do these trips and then see the rewards flow through. They're highly valuable.

April Lowis:

That's great. On Firmus, we have some questions on this. So James has asked, is firmness in the portfolio at the most current valuation?

Shaun Weick:

No, it's not. It's currently being carried at $1.45 per share. And, just to reconfirm, the most recent capital raise was completed at $2.30 per share. So it's about a 4.5% weighting, thereabouts. Obviously, we're sitting on a bit over 3%, around 3.5% to 4%, of upside there.

Oscar Oberg:
And in WAM, it's about 2%.

Shaun Weick:
Yeah, WAM's about a 2% holding. So, yeah, we're obviously sitting on some good gains there. And, as I said before, the most important thing to call out is that valuation was set prior to the announcement of the Batam deal, which is transformational for the business.

April Lowis:
Ian and Howard have also asked what proportion of the overall portfolio gain was attributed to Firmus. If you don't have those numbers, we can always find them.

Shaun Weick:
Off the top of my head, it was around 1%.

Oscar Oberg:
About 1%, yeah.

April Lowis:
Peter has asked, you've previously held Nexgen Energy Ltd (ASX: NXG). Do you still hold a position, and what are your current thoughts on the stock and the uranium theme?

Shaun Weick:

Yeah, the uranium theme was one that we traded around through the year. The challenge is that we're not holding any uranium exposure at the moment. I'm watching it closely and trying to work out what the uranium stocks are actually trading on. If you look at both term and spot uranium pricing, they've been rising, but the stocks have been falling. I never like that sort of setup when stocks become completely disconnected from fundamentals for months and you can't really work out what's driving them higher or lower.

Once we felt they were reaching that phase a few months ago, we exited our uranium exposure. On Nexgen Energy Ltd (ASX: NXG) specifically, that would be the name we'd look to own if we became more positive, or had greater conviction around, what's actually going to drive the underlying uranium equities. Interestingly, BHP Group Ltd (ASX: BHP) has been staking territory around the Rook project in Canada over the past few weeks.

So whether that's a precursor to the much-discussed acquisition of Nexgen Energy Ltd (ASX: NXG) by one of the majors, or whether it's merely coincidental, remains to be seen. But, yeah, we're watching developments in uranium closely and trying to work out what the equities are actually reacting to.

April Lowis:

James has asked, what's the best and worst-case scenario for Forrestania Resources Ltd (ASX: FRS)?

Shaun Weick:

Yeah, so I'll start with the base case and what Dave is trying to deliver. It's obviously run by CEO David Geraghty. He's ex-Mineral Resources, where he spent 30 years and was instrumental in delivering the Mt Marion and Wodgina lithium projects, acting as a key project manager across those developments. He then retired, got bored after about six weeks, and decided he wanted to build a 500,000-ounce-plus gold producer.

Where is he at today? He's just completed the acquisition of the Edna May mine from Ramelius Resourcess Ltd (ASX: RMS) for $300 million. If you combine the Edna May processing capacity with Lake Johnson, you're effectively looking at a run rate of around 220,000 to 230,000 ounces of gold production per year, split fairly evenly between the two operations.

Lake Johnson, we think, will come online and pour first gold around November or December. We expect the Edna May mill to be online by the end of the first quarter next year. In terms of costs, we think they'll be in the range of $2,600 to $2,800 per ounce as an upper band.

If you look at what that implies from a production and free cash flow perspective, we think the business will be generating north of $100 million of free cash flow per year once it's fully operational.

You compare those production rates and cash flow metrics with listed peers. You've got Bellevue Gold Ltd (ASX: BGL) producing around 135,000 ounces and carrying a market capitalisation of around $2 billion. Ora Banda Mining Ltd (ASX: OBM) is producing around 210,000 ounces and is worth around $2.5 billion. So it's easy for us to say that, with the business currently trading on around a $700 million market capitalisation, if Dave is successful in simply delivering the base case and getting to that 220,000-ounce run rate next year, we think the shares can more than double.

The other pushback we get from investors is around the size of the resource and what's currently been proven under the JORC framework. We think that, now Dave has raised the money and is working towards production, the next step is to generate free cash flow. It's the same approach Mineral Resources took. You don't spend money drilling holes in the ground if you can't mine it. You start doing that once you're mining and generating cash.

We think that over the next six to 12 months he'll be able to materially grow the JORC resource to more than six million ounces, which should address concerns around mine life and resource longevity.

We're really positive on it. The company raised capital at around 40 cents in what was a very weak gold market at the time. It's still working through some register turnover and we think some of that stock ended up in weaker hands. But we think a lot of that has now played out.

You also have the settlement of the recent raising coming through shortly, which means all the stock from that raising will have settled. At that point, we think the register starts to look much cleaner and investors begin focusing on the fundamentals. If Dave simply delivers the Lake Johnson case in December, we don't see any reason why the shares couldn't be trading around 70 to 80 cents at a 120,000-ounce run rate.

April Lowis:

Mehdi has asked, what's your view on Tuas Ltd (ASX: TUA) going forward?

Oscar Oberg:

How about I do that one? Well, WAM Active didn’t hold Tuas with the big fall that occurred in May. I mean that’s on the WAM Capital side, on the research side. So look, we were obviously completely blindsided by the announcement. Obviously it’s been a great stock for us for a long, long time and, yeah, well, effectively the announcement was that there was incorrect spectrum usage from Tuas, which came coincidentally right at the point in time the merger was to be decided. So I think you can sort of read between the lines. There could have been something going on potentially in Singapore and the stock was hammered.

It fell. I've never seen that before, falling 70%. So, you know, a good example of what I was saying before, that last year was probably the hardest market we've seen.

Shaun Weick:

To that point, it was a well-held stock among Aussie small-cap managers.

Oscar Oberg:

We'd sold a huge amount the week before, just fortuitously, because we were a little bit worried about the merger. But every single piece of feedback had suggested that it was going to go ahead. Again, we'd done a lot of travel and, you know, we had the best industry context we felt in the market. So look, it's very disappointing, and we still don't know what they did. That's the thing. We're in this complete news vacuum and we're not sure actually whether they did anything at all. Anyway, the stock got hit.

So look, it's fallen 70%, so it's a very small weighting in the portfolio, but we do still own some. And as we said, we sold a big chunk just fortuitously a week before that announcement occurred. But yeah, we're holding on with a fabulous management team. We don't think they've done anything wrong. We've been to Singapore, we've asked all the participants over there, everyone's in the dark and people don't think they've actually done anything wrong either.

But we need an announcement from the company at some point. But yeah, if you take a step back, I think the market cap at the moment might be about a billion dollars.

Shaun Weick:

Yep.

Oscar Oberg:

And because they raised money.

Shaun Weick:

Yeah.

Oscar Oberg:

And it was sitting there for the acquisition, I think the cash on the balance sheet is about $500 million.

April Lowis:

$450 million.

Shaun Weick:

Yeah.

Oscar Oberg:

So if you go, well, they're doing around, I'm quoting bad numbers here, but I think they're doing sort of around $90 million of EBITDA, I think, just for the mobile business in Singapore. So you're basically paying five times earnings for the current business, which shows you when previously it used to trade between 15 to 20 times. So look, there's value there, but it's not going to go up until we have some clarity from the management team.

April Lowis:

And the regulator. It shows how markets are very shaky, responding to one...

Oscar Oberg:

Yeah, I agree, but I'd say it was probably different. It's in a different country. Yeah, I wasn't surprised it was down that much that day.

Shaun Weick:

And, you know, the other phenomenon that you're fighting there too is index deletion as well. It'll now come out of the index, so you've got another passive wave of selling.

Oscar Oberg:

Yeah. So unfortunately it was a bad news story for us last year. After four unbelievable years, it was probably our best ever stock. So yeah, very frustrating.

April Lowis:

Henry has asked, are there any parallels with the current AI (artificial intelligence) frenzy compared to the EV (electric vehicle) hype from a few years ago?

Shaun Weick:

Personally, I'd look at them quite differently. But what I would say, you've only got to go to China, to Shanghai once now, and look at the level of adoption of EVs. It's over 70%. So yeah, it's pretty incredible, the uptake. And then as we're seeing that broaden out, in particular with the recent Iran war and the volatility and upward pressure that's placed on fuel prices, your local BYD dealer or whatnot, you can't get a car for four months.

So yeah, we think EV adoption will continue to accelerate globally. As for parallels to the AI frenzy, look, I think at this stage AI is still clearly an emerging sector as a whole within the equity market. And I'd say guys on our side of the fence are trying to work out where the value ultimately accrues. Is it to the AI factories, like Firmus? Is it to software businesses, a lot of which have been absolutely decimated? But do they actually fight back and utilise AI to their advantage? They're the incumbent, well embedded, and then they actually come out the other side as even better. That's not the view that the market's generally taking at the moment.

Oscar Oberg:

Yeah.

Shaun Weick:

So I think at this stage the market's sort of just trying to work out with AI, where does the value ultimately accrue? And then, you know, we're seeing obviously in the semiconductor space, the demand and pricing signals there are just phenomenal. We've had results out this morning from the likes of Super Micro Computer Inc (NASDAQ: SMCI) in the US that basically reported a $60 billion backlog, guided to the lower end of its $11.5 billion to $12.5 billion revenue range.

But its gross margin guidance went from 8% to 16%. That tells you that the demand is just so strong and then there's components shortages out there that these guys are just flexing price and the demand is not changing. So yeah, like there is, you know, obviously some sentiment out there around, you know, is a buy a bubble or not, I don't think anyone knows to be quite honest. But what we're really trying to do is position the funds to benefit from the capex, spend the picks and shovels.

So yeah, that's sort of how we're approaching at the moment. For me the biggest uncertainty, to be honest, around valuation in the AI space is the large language models. And does Claude and OpenAI and ChatGPT et cetera, do they just become commoditized? That's the hardest question for me to answer at the moment. And we're not invested in LLMs.

April Lowis:

We've got some questions on NTA and share price. Peter and John have asked, can you tell us the current NTA of the fund pre and post tax? And I guess I'll just say that we publish that once a month. So more information on that will be early next month. But yeah, did you want to comment on NTA (Net Tangible Assets)? And also a question on whether the share price reflects performance?

Oscar Oberg:

I'd say in June the share price didn't reflect performance because the performance was very, very strong. And often we see there's a lag. Obviously we've had our results since then and the share price has gone up. As Shaun said, July's been tough. So put two and two together, you could probably assume the NTA has fallen. But look, it's not up to me to say whether it reflects fair value.

All I can say is that the other listed investment companies in the small-cap space have traditionally traded at premiums. And this one now is probably trading at a similar sort of premium, despite very strong performance. So I'll just leave it at that.

April Lowis:

Yeah, great. John has asked what your views are on consumer discretionary stocks? So example is Nick Scali Ltd (ASX: NCK), Lovisa Holdings Ltd (ASX: LOV) and Breville Group Ltd (ASX: BRG).

Oscar Oberg:

What do you have in. You've got Skinkandy Ltd (ASX: SK1) on your side of the portfolio?

Shaun Weick:

Yeah, the main ones at the moment in the discretionary space is Skinkandy Ltd (ASX: SK1).

Oscar Oberg:

And Shaun and I have probably debate on this one. I think discretionary retail is a buy now. I do agree with what Shaun says. It's hard because you're sort of looking at us as a large fund and we've got to think 12 to 18 months out. And I agree with Shaun, I think next rate moves down. We're seeing and hearing so many anecdotes at the moment like it is so tough out there. You read the auction clearance rates on Monday in the paper. Like, you know, lower than the worst of COVID. I can't understand how that doesn't filter through to consumer discretionary spend and ultimately interest rates like they have to go down, not up.

Shaun Weick:

Eight cafes are closing a day in Australia. Eight cafes a day.

Oscar Oberg:

But my sister's a farmer and she got two calls on the weekend from people asking for work. Like we've been on the land for like 50 years. It's never happened before. So that's odd. Like you just randomly put in a WhatsApp thread. I'll go, that's odd. That's a bad anecdote. But anyway, but we're hearing all sorts of things left, right and center at the moment. So, you go, well that, that doesn't make any sense. Why would you be, why would you invest in retail?

The market thankfully looks 12 to 18 months ahead. All these stocks have been smashed. Harvey Norman Holdings Ltd (ASX: HVN) was $8, I think in November last year. Today it's $4.40. What does that equate to? It's property value? It means you're getting the retail business for free. We've just been over to the UK, Nick Scali Ltd (ASX: NCK), gone from $26 to $15. Is it going to downgrade in the Australian business? Probably in the next 12 months? Yes.

We've just been to the UK and we're pretty bullish on the UK and we think they can be hugely successful there. So, you sort of go, well, you're weighing up; it might be some short term dislocation and maybe the share price falls, but it's sort of in the price anyway. And that's why it's a hard sector, retail and often it moves it in the completely opposite way that you think.

Shaun Weick:

And we do think it's quite idiosyncratic at the moment because who's doing well? Generally the older demographic that have money invested in the market or invested in interest rate sensitive instruments that are generating good returns. You know, the older demographics typically doing pretty well and you know, it's the mortgage belt that's clearly under a lot of pressure and then it's the younger demographic that shop at, you know, the likes of a Lovisa Holdings Ltd (ASX: LOV) or a Skinkandy Ltd (ASX: SK1) that we actually think is still spending or Universal Store Holdings Ltd (ASX: UNI). Like they're actually like the anecdotal feedback we're getting there is actually they're still spending and seeing pretty good trends. So you know, Breville Group Ltd (ASX: BRG), that's a premium, we'd say that's a premium, US consumer.

The feedback we're getting is positive. For us at the moment, I'd say it is quite idiosyncratic how we're trying to think about each idea within the consumer discretionary space and then sizing it around when we think the, you know, the shares always bottom before the news flow. So, for us it's trying to think about the sizing around that.

Oscar Oberg:

But I think like come back to WAM active, which is what the call's about. So how much industrials exposure did you have in October 2025?

Shaun Weick:

80%.

Oscar Oberg:

What's it today?

Shaun Weick:

15.

Oscar Oberg:

15. So Shaun, because of the size of the fund and how actively it's traded, he's gone from 80% industrials, 20% resources to 15% industrials, 85% resources as of today. Now if Shaun thinks the market can change, that could completely flip. And Shaun can make that decision by saying, actually the market now thinks that there's rates going down, it's okay if Shaun misses the first 5% or 6% or something because he can flip it that quickly.

On the other hand, we can't do that. Because we're a lot larger than WAM Active. So we have to be thinking 12 to 18 months in advance. And look, this is the constant debate we have with a team of seven of us every day, which is great. Look, we're not going to bring it all back and you go retail at the moment at this point in time. Is it going to be tough? Are we going to see tough results? 100%

Shaun Weick:

Yeah. And what do you generally see the stocks trade on in the August reporting period? They generally trade on July and August; the current trading update. And for us sitting here today, sort of, you know, late July, it's feeling tough to be.

Oscar Oberg:

Yes. It's feeling tough for me to be too optimistic. Yeah, but that's, but that's not to say you should do another call. A retail debate.

Shaun Weick:

Yeah, I can do that.

April Lowis:

Yeah, I like that. Sorry, we've got some questions, some questions on commodities. I know that you've touched on gold and copper a little bit, but Greg's asked for your views again are on those two commodities?

Shaun Weick:

Gold and copper. So, in the precious metals space, gold is at an interesting juncture at the moment. Looking at the price action, last night was the first time, and I spend morning and night looking at this stuff, that I've seen gold rally when oil is up and rates are up. So it's sending some interesting signals. I think that we may have found a base around this $4,000 level.

Looking forward, the key thing I'm watching is what happens with the Iran war. I think an end to the conflict, and then the associated easing in inflation pressures, will be positive for gold, which is contrary to previous war episodes.

But I think gold trades in a completely different way to how people have historically viewed it as a safety asset. It's just not the way it trades anymore. It's now more of a proxy, in my opinion, for US fiscal and monetary policy and currency debasement. Ultimately, it comes down to your view on the US dollar, which is why you're seeing central banks globally continue to accumulate gold aggressively.

We had some data out this morning from China where they've been very active buyers over the last two months. In fact, they've bought more gold over the last two months than at any point in the previous five years, taking advantage of the pullback.

So our view is that, as this period settles and, touch wood, the Iran war eases, inflation expectations begin to retreat. The pressure on the U.S. dollar and bond yields can hopefully ease as well, and that sets up the narrative of the U.S. spending hand over fist and running 7% to 8% deficits. The U.S. debasement trade then comes back on.

People don't want to own U.S. bonds like they used to, and that's the environment where gold worked really well last year. We're optimistic that we're hopefully heading back in that direction.

On the copper side, we're bullish on the supply-demand fundamentals. You can see the market is really tight. There was some data out last night showing that Shanghai Exchange inventory levels have been depleted by around 80% from their peak and are down significantly.

So you're seeing a significant draw of copper into the US ahead of potential tariffs or increases in tariffs. And you're also seeing significant demand coming into China.

Effectively, we think there has been a shift from a "just-in-time" supply model to a "just-in-case" model. Copper is now viewed as a critical mineral. It's structurally so important to the buildout of the electrical grid and the AI buildout within China, which I hadn't fully appreciated until I went over there.

What they're doing to their electrical grid is incredible, and it's going to take a lot of copper. So our view is that you're seeing an arbitrage play between the different exchanges where the metal is held.

But fundamentally, the market feels really tight and, if your view is that tariffs remain in place or increase, then copper prices are likely to continue moving higher. So, yeah, we're still positive on the space.

April Lowis:

Thanks. And Graham's asked about oil. What's your view on oil? Do you see it dropping from here?

Shaun Weick:

Yeah, I think oil really is just a reflection of your view on the Iran war. So, around the $90 level, I'd be shorting oil. My political view is the same now as it was last time, which is that Trump can't afford this to escalate to a level where it inflicts real pain on the US economy.

So hopefully, in his words, these are the final few "love taps" and we can all calm down.

And I think because of that, and because of what's been spent and the damage that's occurred in the Middle East, they are going to pump out oil hand over fist. So I think the oil price was likely to fall aggressively, and I think the same will happen once the Strait reopens.

April Lowis:

Adrian's asked what is the current cash level and how volatile do you think the NTA will be compared to some of the other Wilson funds?

Shaun Weick:

Yeah. So cash at the moment is running at around 5%, but to be honest, it can change by 5% daily because we're actively trading around ideas, as we mentioned before. Given the recent sell-off, we had raised some cash and have been deploying that back into the market on weakness.

In terms of the volatility of the fund, generally it will inherently be more volatile. I suspect historically it has proved to be, and I'd say going forward it will continue to be. That's purely a function of the fund taking more concentrated, high-conviction positions.

And I won't pretend that I'm going to get all of them right. There are definitely going to be ones that I get wrong, and there might be pivot points in the market that I get wrong. I'm not a genius. For me, it's about trying to remain flexible and open-minded in my thinking and in my positioning, and always trying to adapt.

If we think we're going into a period where there could be material downside, I'm going to do everything I can to protect the portfolio.

April Lowis:

Yeah, thanks. And Graham has asked about EQ Resources Ltd (ASX: EQR) Any thoughts on Andrew Forrest buying into EQR (EQ Resources Ltd (ASX: EQR))?

Shaun Weick:

Yeah, interesting one from Twiggy. So EQR is a tungsten asset. So yeah, I'm not surprised at all, given that tungsten is listed as a critical mineral. The pricing in offshore markets has been incredibly strong. What it means from here is really interesting because there were some rumours kicking around the market that there were some big players looking to buy EQR. So my view is that Twiggy is trying to take a blocking stake. That's how I'm viewing it.

April Lowis:

Great. We've got a question from Peter, which is on Firmus, and I like this one. What gives Firmus its edge? Outstanding job, Shaun. Give him a cape.

Shaun Weick:

That's good. Thanks, Peter. Yeah, I guess fundamentally the way we think about Firmus is that it's effectively the BHP Group Ltd (ASX: BHP) of AI infrastructure. It is the equivalent of iron ore production, but for the production of tokens via AI factories. So, the IP for the business really lies in its engineering capability and ultimately producing tokens at the lowest possible cost globally. We think token costs will continue to deflate, as they have year over year over the last three or four years.

But what you're seeing is a dramatic rise in the volume of tokens being used, particularly since February, when we saw the emergence of agentic AI, or AI agents, where they're effectively being coded to run tasks in the background and are always on doing things. That has meant token demand, and the demand for GPUs and CPUs, has absolutely exploded, which has been the real catalyst, we think, for the AI trade to go into overdrive.

Aside from the IP around the engineering and token production, the other thing that I think is underappreciated is just how important they are to the Nvidia ecosystem.

They've been selected globally as one of Nvidia's platinum-level partners. There are only a couple, maybe three or four, that exist globally, and these guys are one of them. Clearly they're the chosen partner in Australia. It's now starting to emerge that they could become NVIDIA chosen partner throughout Asia with the Bataan facility. What's to say they don't do another one in Malaysia or Thailand, for example?

Ultimately, what NVIDIA sees with these offtake deals is an opportunity to build its own cloud business and protect its moat.

And that moat is its chips. So if NVIDIA can come to a company like Firmus and say, "Buy NVIDIA chips and we'll underwrite a five-year offtake agreement at a guaranteed minimum," which effectively pays for itself, then you share in the upside. By doing so, they're enabling these smaller emerging AI players that typically can't get access to funding. Banks won't lend against it. NVIDIA is effectively underwriting those customers and bringing them into what appears to be its broader strategy of creating a global cloud and plugging these businesses into that ecosystem.

So they're trying to fend off the hyperscalers. Google is developing its own chips and cloud infrastructure, Amazon is talking about its own chips and cloud offerings, and that's why we think Firmus is in such a strong strategic position as well.

April Lowis:

Thanks, Oscar. Thanks, Shaun. That's all the questions we have for today. Please subscribe to our newsletter to hear the latest investment insights from the team. If you haven't already, you can also follow us on our social media platforms. A recording of this call will be available on the website shortly, and I'll pass back to Oscar for some closing remarks.

Oscar Oberg:

Yeah, look, thanks, April, and obviously thanks, Shaun. An amazing year. I know if Geoff was here, he'd say congratulations and keep up the good work.

Shaun Weick:

Keep it going. It's a long game.

Oscar Oberg:

It's a long game. But in all seriousness, thank you, everyone. Maybe I'm getting a little bit deep here, April, but it meant a lot to the business to raise that money back in January. We almost doubled the size of the fund and, you know, it was one of the funds that we'd tried multiple times to grow. We did an SPP, I think back in 2021, and I think we tried again prior to that. We just got unlucky with markets.

So it has been tough for us to grow the fund. But for our shareholders to support us with that capital raise, which came during a tough period in the market when the war had just kicked off, it really meant a lot.

Credit to Shaun and the team. The performance has been amazing. We're very bullish on the product and we think we can continue to grow it further.

So I just want to say thank you very much to everyone who has supported us along the journey. And, obviously, thanks very much for your time this morning.