Wilson Asset Management | Over 20 Years Making a difference

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

WAM Global FY2021 Interim Results Webinar
Thursday, 4 February 2021

Geoff Wilson: Good afternoon everyone. My name is Geoff Wilson and welcome to our shareholder update for WAM Global (ASX: WGB). I am Chairman of WAM Global and the investment team is with me here today. We are here to report to you. You are the shareholders of the company. We can only do what we love doing, investing in the market and with WAM Global, investing in all undervalued growth companies we can find on a global basis, because you allow us and you support us. We are here reporting to you. We have Lead Portfolio Manager Catriona Burns, Portfolio Manager Nick Healy and Equity Analyst William Liu, who will be talking to you a little later on, and giving you an idea of what their view is of the market over the next six to 12 months, and also telling you some of the little gems they see as great buying opportunities in the global markets.

Over the last six month period to December, WAM Global did have a very solid period. You have the share price approaching NTA. I am very convinced it will trade at a premium to NTA in the very near future. We are very pleased. And if you look at the total shareholder returns over the six month period, it was a little over 30%. That is the share price and dividends over that period. The investment portfolio was up 15.5% and that well and truly outperformed the MSCI World Index in Australian dollars.

And obviously, as shareholders, you have seen the increase in dividend. You know that we are focused on providing a growing stream of fully franked dividends to our shareholders. I think that is one of the reasons why listed investment companies have really been strongly supported by self-managed super funds. There was a great article a couple of days ago on the back page of the Australian Financial Review, with Jun Bei Liu [Portfolio Manager, Tribeca Investment Partners] talking about the great opportunity there is in listed investment companies here in Australia.

I will pass to Catriona now. Catriona, can you take us through the last six months? Obviously a very challenging period but congratulations to you and the team in terms of how well you have performed. And then after that, could you then talk a little bit about the next six months and the opportunities, or how you see the markets performing going forward?

Catriona Burns: Thanks Geoff. Yes it really has been a historic 2020 and the last six months continued with some volatility. In 2020 we saw the fastest bear market, and we had an extremely strong recovery on the other side. I am very pleased with the team, both the WAM Global team and how the broader investment team really worked together. In terms of our team, Nick Healy was recently promoted to Portfolio Manager. Nick has been with me since the inception of the fund and has done an incredible job. We also have William Liu, who is an Equity Analyst in the team, and who is also doing a really great job. You will hear from both of them a little later on. I am very pleased with the team and I am pleased with the performance of the fund as well.

We really stuck to the investment process through what was a very volatile period. When I think back over 2020, there were three phases in my mind in terms of what we did with the portfolio as coronavirus hit. Phase one was really focusing on those coronavirus beneficiaries. We thought about the stocks that were going to win short term and we added a more defensive tilt to the portfolio. We added names in supermarkets, discount retailers, in the gaming space, in toys, and home delivery companies etc., and really tilted the portfolio initially that way as we dealt with the news around coronavirus.

Then in phase two, we started to think a bit longer term in what were the structural trends that coronavirus had accelerated, and the companies that were going to benefit as we took a longer term view. Some of the trends that we focused on were that transition to the cloud, to e-commerce, to a higher level of health care spend that we think will happen going forward, and other themes like the digitisation of payments and automation. We had a number of stocks in those areas pre-coronavirus, but we increased the weightings in those stocks and really acknowledged that some of the trends that were already underway were really accelerating.

As we got further into the 2020 calendar year, we started thinking more about phase three. We are no longer deep into this pandemic, we are seeing a lot more vaccine work being done. We had not yet had the announcement around vaccines, but we started thinking more along, as we come out on the other side of the pandemic, what stocks have been hit but have actually come out with fundamentally better industry positions? In a lot of cases, the businesses we started concentrating on had taken out a lot of costs and so structurally can potentially earn better margins as we come through the other side. These are the coronavirus losers, but really with a quality tilt in terms of businesses that had maintained strong industry positions and had strengthened their business propositions on the other side. We started to continue to tilt more towards these sort of businesses.

In November, we had the announcement around the vaccines and we have seen the market move towards these sort of names. Obviously there are still rolling lockdowns across various parts of the world, but the vaccine rollouts are occurring. That was how we played it and thought about the last twelve months, and in particular how we transitioned in the last six. Now, to your second question around the outlook.

Geoff Wilson: The crystal ball, how clear is your crystal ball?

Catriona Burns: Generally we are very constructive on markets. We think the backdrop is relatively positive. We have very supportive fiscal policies, stimulus continuing to come through in various geographies around the world and very supportive central banks. We have the vaccine and it is rolling out, and we expect economic growth to pick up as we go through the rest of 2021 and as the pandemic eventually starts to wind down. With that backdrop, we are pretty constructive on equities.

If I look through the various geographies around the world, there are obviously some nuances. In the US in particular we have had Biden elected, and he is very optimistic and pushing through stimulus. He has announced a USD1.9 trillion package. He should be much less erratic in terms of foreign policy. So that is on the positive. On the negative, we may have corporate taxes that start to go up. But we still have a very supportive central bank in the form of Jerome Powell at the US Federal Reserve who reconfirmed that stance last week.

If we think about Europe, they have been hit again at the latter half of last calendar year with more cases of coronavirus and more lockdowns, but when we talk to companies on the ground, the lockdowns have been nowhere near as devastating and severe in terms of actual businesses. Most businesses have largely been able to work through the lockdowns. So the effect on economic growth is not nearly as harsh as that first round of lockdowns. And we are seeing the cases starting to rollover. I think the latest stats in the UK with the rollout of the vaccine are pretty impressive. They are about 16%, in terms of 16 of every 100 residents, have now received at least one dose of the vaccine. Europe has had obviously some issues in terms of rolling it out but we think they will get there. And then when we look at Asia, it is a mixed picture. We have China who was first in and came first out of in terms of recovery. They have had an extremely effective track and trace programme. Whereas in Japan they are still getting the vaccine approved. They have had a third wave of coronavirus and are still in lockdown. So it's a bit more of a mixed picture, but we certainly see that the vaccine is rolling out and generally as we look at the outlook are pretty positive with ample support, with consumption holding up well, and with businesses starting to reinvest. In terms of the portfolio we think we have a great portfolio of undervalued growth stocks that come from various parts of the world, so we are generally pretty optimistic.

Geoff Wilson: Thanks Catriona, and I know you were just talking about the coronavirus problems globally and how they are addressing them. You were talking about vaccines and when you were talking about the UK, we can't help but think of how sad it is. I know there's been half a million people die nearly in the US and globally, it is shocking. But someone that's been in our minds was Captain Tom Moore, and the fact that in the last couple of days he's succumbed to coronavirus. When you are talking about the UK, that immediately flashed into my mind, how exceptionally sad.

In terms of looking at investment opportunities, could you each give us a stock, and what you are seeing and why, Nick, let's start with you.

Nick Healy: Thanks Geoff. We have all seen the rise of the gluten free options and low-carb options in shops and supermarkets over the last few years. So it really comes as no surprise that the nutritional snacking category is growing really well. It has grown at 8% per annum over the last decade. And when we zoom out on that, we see that the nutritional snacking category in the US remains less than a tenth of the size of the traditional snacking category, which is over a $100 billion. So our view is this is a really attractive space that should continue to grow and we think it should continue to do so for a number of years.

We want to be invested in that in the fund, and we think we have found a good way to do that by holding Simply Good Foods Co (NASDAQ: SMPL). Simply Good Foods Co has two best in class brands in Quest and Atkins, through which it sells better for you bars, shakes and other products. And as I mentioned, while we think the category will grow 8%, we are pretty confident that Simply Good Foods Co will outgrow the category, driven particularly by its Quest brand which we think can grow double digits given the e-commerce opportunities and future product innovation. Important to our process, we like the management team. The CEO and his team come with a very good pedigree from large CPG companies, consumer packaged goods companies, and over the last few years they have done a great job. They have taken market share. They have done some really good product innovation. And generaly, just on a day to day basis they really run the business very well. And yet, when we look at Simply Good Foods Co, it grows a lot faster than a lot of CPG companies, but it trades in line with some really well known large companies, like Nestlé (SWX: NESN) and Lindt & Sprüngli (SWX: LISN). We think we have found a really good undervalued growth company that fits our process. The catalyst here is that as the US economy opens up, as gyms gradually open up, mobility returns, we think there is a good suite of earning beats coming through to drive the stock.

The second stock I would like to discuss today is Carrier (NYSE: CARR), which does conditioning, refrigeration and fire and security products. In fact, it is the number one US air conditioning company and the number one global transportation refrigeration company. So it is really well positioned. Yet when we look at the name, it trades at over a 30% discount to other peers like Daikin (TYO: 6367) and Train and Lennox (NYSE: LII). Why is that? Well, Carrier just spun out of UTC last year, and what we tend to see with spin outs is, for a good period of time, investors do not really know about them or they do not have confidence that the company is as good as or better than peers. So spin outs tend to start weak, but then perform well. Aussie investors will know that from Coles being spun out from Wesfarmers (ASX: WES), and Recall being spun out from Brambles (ASX: BXB).

Our catalyst to owning this name is that we like the management team. They have done a really good job in 2020. They have taken market share. They have cut costs from the business and they have reinvested them into productive innovation, so we see margin upside. And generally, as the company continues to perform well, we see investors coming to re-rate the name in line with peers. And yet at the same time, it is a great space. Its high quality and it should grow well. We see a compounding of the underlying value. I will turn over to Will to give a few more.

William Liu: The stock I want to talk to you about today is called CVS Group (LON: CVSG) and it is a small-cap name in our global portfolio. CVS Group is the second largest veterinary services provider in the UK with roughly 8.5% market share. We like the business because it is exposed to a number of structural growth opportunities, including the increasing ownership of pets and also the increasing annual spend of pet care. If we look at when we initiated the position, our channel check suggested that pet ownership and pet demand in the UK was at all-time highs. We saw breedership prices for puppies and kittens more than doubling, and we also saw inquiries for adopting cats for kittens and puppies at all-time highs. This is a really favourable backdrop for us.

In terms of why we like CVS Group, we think this increased pet population is an attractive growth category. On an organic basis, we think CVS Group can grow its top line at 9% per annum. Further, the industry is also undergoing consolidation. The top five pet care providers have roughly 45% market share and we expect this to continue to move upwards. CVS Group, as one of the leaders in this space, is well positioned to continue to take market share and its balance sheet is in a great position to make additional accretive acquisitions. Finally, the third point is actually quite interesting. The business has faced a number of cost pressures over the last two or three years and we think some of those pressures are now easing. The biggest expense line for a vets business is actually for its employees, and for CVS Group that makes up roughly 50% of its cost base. Over the last two or three years, there has been a significant shortage of vets in the UK and this has led to material salary inflation but also to increased use of part-time workers which are a lot more expensive. Our view and our work shows that some of these pressures are now easing.

We are starting to see vet vacancy rates go down as vets become easier to hire. We are also starting to see some of the university programmes in London attract higher graduate intakes. What this means is that CVS Group is well set up in terms of improving its profitability and its margins going forward. Overall, we really like the quality of CVS Group. It is a great high quality business with a great management team. We like the fact that because it is relatively under-covered and less known, that provides us with a great opportunity. The catalyst from here is the earnings upgrade which we think the market is underappreciating. That is one of our small cap positions in the global portfolio that we think is a really interesting opportunity going forward.

I would like to talk about another name, Komatsu (TYO: 6301) which is quite a different name to CVS Group. Komatsu is a Japanese original equipment manufacturer for the construction, mining and utilities industries. It is a close comparable to Caterpillar (NYSE: CAT), which some of our investors may know and it is listed in the US. As Catriona mentioned, we think the market is poised for a cyclical recovery in 2021. We are starting to see some early indications of positive signs. We have seen a run up in commodity prices including iron ore, gold and copper. We are also starting to see construction and mining equipment utilisation back to pre-pandemic levels. Finally, if we look at company commentary on the capital expenditure outlook on the margin, it is becoming more constructive. As a result, we think that is a favourable operating environment as we look forward into 2021. We think Komatsu is a great way to play this recovery.

Komatsu is a global leader in automation, which is still in its infancy stages. If we look at some of the Aussie names including BHP Group (ASX: BHP) and Rio Tinto (ASX: RIO), they have talked about automating their mine sites and automating a lot of their trucks because there are huge productivity advantages, better safety records and also it lowers their cost of production. We think Komatsu is a key beneficiary of this trend. In fact, Komatsu was actually one of the first to introduce an unmanned dump truck in 2008. It has a best in class automated haulage fleet management system and it also has an excellent safety record, which is pivotal in this space. As a result, we think automation is in its infancy stages and Komatsu is well positioned going forward.

The other reason that we like Komatsu is that it has a number of self-help initiatives. The company is streamlining its product line-up and has a huge cost out programme of 24 billion yen by 2024, and it is improving its free cash flow generation. As a result, we think the market is under appreciating the earnings recovery for Komatsu. We think the catalyst for this name will be earning beats, and as this happens, we believe the share price will continue to grind higher. They are two interesting names from me, CVS Group and Komatsu.

Catriona Burns: Thanks Will. A couple of extras from me. The first is Intercontinental Exchange (NYSE: ICE) or ICE, a global market infrastructure player that operates exchanges, clearing houses and act as an information services provider. Part exchange, part data business. This is a business that has had 14 consecutive years of growth and an average compound annual growth rate (CAGR), so earnings per share (EPS) growth, of 17% over that period. We think the two parts of the businesses are both very high quality, but because they are combined into one, the market does not give them the value for the two businesses. There is an opportunity.

Firstly, we like exchange businesses. We have owned a number of them in the fund and continue to own them. What we like about ICE they are the owner for example of the New York Stock Exchange (NYSE). They have market leading positions in various commodities including in the oil market, in the brent space. And what we have seen in terms of exchanges and why they are such brilliant businesses is that they have extremely high barriers to entry given the network effects of liquidity and netting on margin requirements. They tend to have very much fixed costs. For any additional volumes that you put onto an exchange, they come in at very high incremental margins.

The other part of the business is the data side and this is where we think ICE does not tend to get credit for the quality of the business. They have very high recurring revenues and very solid growth. When you look at data businesses that are split out, and are trading by themselves on the market, they tend to trade at very high premiums. If you look at the sum of the parts valuation of ICE and the valuation if you ascribed a peer multiple to their data business, and then what you are paying for the exchange business, you are getting a very discounted asset. We think that this combination of the quality of the business and the ongoing growth will over time start to be

Level 26, Governor Phillip Tower
1 Farrer Pl
Sydney NSW 2000
Australia

recognised. In exchanges in general, you are seeing a significant trend towards off-exchange to on-exchange driven by regulatory requirements, so that is a nice thematic driver. ICE has done an interesting acquisition in the form of Ellie Mae, which gives it entry into the mortgage space which we think is a very interesting growth driver into the future. We think the market is not appreciating the value of the two businesses when they look at them in a combined structure. We think that as ICE continues to deliver on growth over time, and as it continues to beat expectations of analysts' forecasts and do additional mergers and acquisitions, that value will be realised.

The second stock I would like to talk about is Electronic Arts (NASDAQ: EA), a video gaming business. It has such titles as FIFA, Madden, Battlefield and Apex Legends. Pre-coronavirus, the industry was growing about 8% with China and mobile growing 20% plus. These were very favourable growth drivers. With coronavirus, you had a significant increase in players and also in user engagement. What is interesting about the video gaming industry is that the revenue models transition over time. In the past, you tended to have these big releases and then wait to generate more big releases, and then they were a huge driver of revenue and then you had a bit of a hole. As you introduced a new game, like a blockbuster movie release, you had to wait for these as significant revenue drivers. The revenue models of these businesses have changed over time and increasingly recurring revenues are generated by live services, which really means that there is much more consistency in terms of the revenue and the earnings generated.

You have also seen the videogaming industry over time transition from physical to more digital downloads, and that is significantly margin enhancing for the video gaming players. What is also interesting about the industry is there are relatively high barriers to entry in terms of big game releases. At the margin, on those smaller games and mobile games it is not very hard to come up with a new game, but at that big end of town ther are only a very few small number players who have very high quality titles, and so the barriers to entry remain high.

The management team of EA we rate. It has an Australian CEO, Andrew Wilson, who is very well credentialed in the industry and has a great team around him. Part of the reason why we realised we had an opportunity in EA is that it did have some execution issues a couple of years ago and we think the market has unduly permanently penalised it for some of those issues. We think it has resolved those and they are executing very well right now. We think the worries are over done in that coronavirus is rolling off, and it is going to see a big earnings hole. We think it has a really strong pipeline of games coming out, that physical to digital transition is still going on, and the roll out of large services continues. Lastly, we think there is some optionality around industry structure. It is not in our base case, but the value of content, whether that is in television content as per Netflix (NASDAQ: NFLX) purchases etc. or in the gaming industry has been highlighted. We saw Microsoft (NASDAQ: MSFT) acquire Bethesda for USD7.5 billion. We think there is some optionality around potential M&A, but obviously not needed for our base case. We think the stock's valuation is extremely compelling even without that being needed.

Geoff Wilson: Fantastic Catriona, Nick and William. Thanks. We have a good group of stocks there. A lot of our shareholders come along to see us and they want to get a view of the market, and then a couple of stocks, but you have given us six there. And I can relate to some of them. Obviously being gluten free, Simply Good Foods Co, and I am sure Mark Taylor can relate to Carrier even though he's in a different group but from the air conditioning perspective. Then of course Intercontinental Exchange. We have spent years talking to people who want to buy a dollar of assets as cheaply as possible. If you can buy them for 80 cents or less, and Catriona's telling us

Level 26, Governor Phillip Tower
1 Farrer Pl
Sydney NSW 2000
Australia

about sort of the great value there. Finishing off with Electronic Arts, when you were talking about the gaming Catriona, I remember how you made me look good a couple of years ago at the SOHN conference in Melbourne for a stock to select, and that's when we were all a bit down in the mouth about what was happening in Australia. It looked as though the whole franking credit system was going to change under Labor and so as a protest I refused to pick an Australian stock. And I said, what's your best global pick? You and Nick said Bandai Namco (TYO: 7832), in the gaming space. While you were doing your presentation, I quickly looked at the chart and I thought, oh well that's pretty good, it's close to its record highs, and from when we selected it for SOHN, it's up close to a 100%. That's a great group of stocks you have given us there. Thank you very much.

I will now pass to James McNamara, our Head of Corporate Affairs, to take us through the various questions that shareholders have sent in. I'll pass over to James. Thank you.

James McNamara: Thanks very much Geoff. And thank you Catriona, Nick and Will. We have 330 shareholders on the Webinar, so we'll start with the questions coming in that line. First is for you Catriona, from Phil. "How will a Democratic President affect the US equity market and WAM Global's US holdings?"

Catriona Burns: Thank you. And thanks for the question. In terms of Biden and a Democratic presidency, we are generally pretty positive on what it means for equity markets. Clearly in the run up to the election, there were a lot of policies being thrown out there, including on the Democratic side, that were potentially going to produce not great outcomes for equity markets and certain stocks within the market. With how the seats have landed, Biden is in rather than Sanders or Warren, and some of those more extreme policies, particularly in areas like health care are off the table.

In terms of what Biden has said, he is very supportive in terms of additional fiscal stimulus and we think that will continue to support consumption and help the economy work through the transition as we come out of coronavirus. On the fiscal side, it is supportive. He has talked about infrastructure programmes, so we will see what comes there. We do have some exposure to some stocks there that would benefit. They do not need it, but it would be a nice kicker if there is more announced in the infrastructure space. In terms of taxes, the biggest risk is around what he has said in terms of policies for corporate taxes. We had Trump take the US corporate tax rate down from 35% to 21% and Biden is talking about taking it back up to 28%. It is really a balance in terms of when we are looking at the individual companies, how much of their earnings are from the US verse offshore because a lot of the companies that we own that are listed in the US actually have very diversified global earnings. It is a bit nuanced in terms of the effects that a corporate tax increase might have.

In terms of other main benefits, we think the main benefit is foreign policy and a Presidency not run by Twitter. It has been a very volatile last couple of years, particularly as the trade wars kicked off under Trump, and we saw tweets moving markets. That is not what we expect to happen with Biden. For us, that is the main positive and an extremely significant positive that we will not have erratic foreign policy. Hopefully it is more considered, and you are not waking up in the morning to find that something dramatic has been changed. In the main, we are positive in terms of Biden and a Democratic government being in place. In terms of the stocks that we own, we think they are well placed to benefit under this environment.

Geoff Wilson: One of the interesting things is on the statistical side. We had Biden's inauguration the other day, and Theodore Roosevelt was inaugurated in September 1901. Since that period, under a Democratic leader the market on average (not including the dividend yield, just the actual Index) has gone up on average 6.7%. Under a Republican, the market on average has gone up 3.7%. In theory, you are getting an 80% better result from a Democratic President than a Republican. Those are the statistics, and we all know statistics they are good when they work and they can lie. Just another thought. Thanks James.

James McNamara: Thanks Catriona and thanks Geoff. Staying on that theme, and in terms of the optimistic outlook you have for global equities, how is that translating to your cash levels? That question is from Margaret.

Catriona Burns: Sure. Thanks Margaret. In terms of the cash levels, over the first six months of the year we have continued to bring those down as we have seen individual investment opportunities. As coronavirus hit, we took the cash levels up with the uncertainty around how the situation was going to evolve. We then saw the significant amount of fiscal and monetary stimulus put into the system and took a view that we could recover relatively quickly, and started hunting for ideas through the different phases we went through. We have continued to bring down the cash and it is sitting as of last night at 3.4%. I would say as a general comment, we are not struggling to find individual ideas. We are seeing various opportunities across the market and hence why the cash level is at that level.

Geoff Wilson: Do you think we should be raising some more money there? Do you think we'd find more opportunities?

James McNamara: Well Geoff we have had a few questions on that front in terms of capital structure, from Steven and Edgar and others. From Steven, "it's great to see the discount closing and the increased dividend, thank you. Chris Mackay's LIC Capital Investments, which has got the ticker MFF, recently did a free option issue to all shareholders to reward them and the options are trading at 27 cents. Would WAM Global look at doing something similar?"

Geoff Wilson: The simple answer is yes. The Board are consistently looking at what we should do to reward shareholders. It surprised me how well that option has performed. As you said, the share price was $2.62 when they announced it at $2.60, and effectively the free option is now worth 27 cents, with the stock price around still where they issued it.

It is something that we would look at. The Board will be talking early next week and it is definitely on the agenda because of where the share price is. To me, it is a nice way of rewarding shareholders. And if any shareholders, because it's your company, have any feedback, please email in or send through your thoughts. But it is a nice way of rewarding shareholders. How it works, is if you have an option issue, then it's given to all shareholders for free and then they have a choice. Hypothetically, with MFF, you were given a free option, you can either keep that and then if the share price continues to perform, usually they run for a year and a half to two years, then you can exercise that option and put more money into the company if they perform, or you can decide to cash out for your free option and pick up 27 cents. It is a nice way of doing a massive buy right on behalf of all shareholders.

Level 26, Governor Phillip Tower
1 Farrer Pl
Sydney NSW 2000
Australia

James McNamara: Thanks very much Geoff and we'll stay with you for the next question. This is from Gary. "Very pleased with the total shareholder return of just over 30% in the half year. It doesn't account for the franking attached to the dividends. How is WAM Global able to pay out franked dividends?"

Geoff Wilson: Thanks for the question Gary. WAM Global pays out franked dividends because WAM Global is like any Australian company. Even though we invest overseas, when we make profit, we pay tax in Australia. It is the tax in Australia that gives us the franking credits.

With say WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), that invest in Australian companies again, any profit they make they pay tax, and that gives them franking credits, but also any dividends they receive from other Australian companies are fully franked and that gives them some more franking credit. WAM Global still gets franking credits from paying tax in Australia and can pay fully franked dividends. At the moment, the plan for WAM Global is to continue to grow the dividend over time. It is good to look at the size of the profit reserve, because that gives you an idea of the fully franked dividends. To pay a fully franked dividend, you need first of all a profit reserve, and then you need the franking, and WAM Global will get to franking over time as it makes money and pays tax in Australia.

James McNamara: Thanks very much Geoff. Next question is for Nick, from Sam. "What are your thoughts on recent market volatility in the US, specifically can we get your views on the GameStop (NYSE: GME) saga?"

Nick Healy: Thanks Sam. Absolutely. Like everyone, we are following this very closely and we are talking about it quite a lot internally because it is extremely interesting. I suppose as a first point, it is worth noting that we don't hold a position in any of these names. When you kind of look at the valuation of GameStop at 15 times its pre-coronavirus levels, it is hard to justify it on fundamentals.

It is really into the speculative world of investing. It is also hard to predict whether it will get a second wind and a short squeeze up from here. Catriona and Will might have some thoughts as well, but I think some of the things that have changed in the market is, for hedge funds – not for us, for hedge funds – is shorting stocks. As a consensus, shorts is probably not the easy idea that it used to be. And hedge funds often have quite a lot of leverage in the vehicles. We saw some pretty dire numbers coming out of some of those funds in January, which reflects the fact that if you have levered up your assets movements' impact more to the downside, that is what would you particularly notice. Those aren't issues that affect us, but it has partially changed the investing game. At the same time, it is a kind of a sideshow to what we do, which is the undervalued growth companies and continuing to put in the work as fundamental investors. What do you think Catriona?

Catriona Burns: I agree with all your points. I think it has been fascinating watching the power of social media and the ability to combine as retail investors in ways you wouldn't have been able to do historically. Sceptically, I think potentially it is not just retail though that's been causing the short squeeze. There have probably been hedge funds as well jumping in on the same. There have been as many hedge funds on one side as the retail investors on the other. It has been extraordinary to amass in ways you wouldn't have been able to twenty years ago.

Ultimately, fundamentals will win out and shorts will end up unwinding positions. We will get back to normality. And in terms of the market more generally, GameStop was quite unique in some ways in that it was a 110% shorted, very high levels of short interest relative to other stocks in the market. The ability to do what they have done was higher. I think we will end up unwinding these positions in the short term. Longer term, we think it will all come out in the wash, but there will be some hedge funds that potentially are, as we have seen from Melbourne Capital, that are under a lot of pressure.

Geoff Wilson: I think it is very exciting. It's great. It's another twist to the market. The market is always unpredictable and this is another part. It provides opportunities. The great thing is we have got a process, as Catriona said, and we don't get caught up with these. However, for us it can potentially provide opportunities. When you were talking about how they went after the stock because it was more than 100% shorted, it reminds me, I am sure there'd be a few people on the call with a bit of grey hair, it reminds me of the old Bunker Hunts, when they tried to corner the silver market and they got caught out. It's not as if its new people trying to go one way on a trade and getting caught out. It just adds to the rich tapestry of the market. That's what you want, you want the market to be surprising, and it's great if it can be something new every day.

James McNamara: Thanks very much everyone. The next question is from Janet, for Will. What are thoughts on Tencent (HKG: 0700)?

William Liu: Thanks for the question Janet. We hold Tencent in the portfolio. It is one of the largest tech companies listed on the Hong Kong Stock Exchange. We think it's a great way to play on the Chinese consumer and everyone knows the Chinese market is growing at a far superior rate than global gross domestic product (GDP). Our investment thesis for Tencent is based on the fact that it has a really attractive portfolio of assets aligned to high growth categories. If we break down the business and look at its social media platforms Weixin and WeChat combined, they have over a billion mobile active users, and we still think that that platform is unmonetised. It can add loading into that platform and that provides a significant runway for top flying growth going forward.

Anyone who has been following reporting season as I have, you would have seen digital advertising remains a really attractive space still. Alphabet (NASDAQ: GOOGL) reported some really good results last night and we think digital advertising is a great space to be in as well. The other part of Tencent's business is its online games platform and it is the number one player there. As Catriona mentioned earlier, we are quite constructive on the gaming space and Tencent is just another way to play that thematic. It has a great competitive advantage and is the largest player. It has the most talent, the best engineers. And we think the market is still quite fragmented and Tencent will be one of the winners as it consolidates share. Finally, it has some great optionality in some of its other businesses. It is the number two player in Cloud behind Alibaba (HKG: 9988) and the number one player in mobile payments, which is still in its infancy stage. We think the growth outlook is still highly attractive for Tencent and it's a great position to have in the portfolio.

James McNamara: Catriona the next question for you is from Rajiv. "Is the portfolio hedged?"

Catriona Burns: Thanks Rajiv. The portfolio is unhedged. When we did the IPO of WAM Global, we spent a lot of time talking to shareholders and figuring out what they wanted from a global product. The feedback was certainly that they were very much overweight in Aussie stocks and Australian dollars. Part of the appeal of investing in WAM Global was to get diversification, great access to undervalued growth companies around the world, but also at the same time, to get diversification in terms of the currencies they had in their portfolio. So no, the portfolio is unhedged. When I think about foreign exchance (FX), we spend our time really trying to find amazing

Level 26, Governor Phillip Tower
1 Farrer Pl
Sydney NSW 2000
Australia

businesses that we think have really great prospects over the longer term. We obviously have to consider currency, but it's not where we focus our time. We did benefit in the first six months of the financial year to 31 December 2020 from our decision to invest in many more European businesses and take money out of the US, but that was really because we found so much exciting individual stocks rather than a pure view on currency.

James McNamara: Thanks Catriona. Next question for Nick, from Peter. "How are you seeing valuations in the market?"

Nick Healy: That's always a very good question Peter. We do spend a lot of time both internally, and on this call, talking about individual names being bottom up investors and making sure that we are buying these well-managed, high quality undervalued growth companies. But it's also important for us to make sure that when we look at the portfolio as a whole, it's an attractive combination of stocks that we think should outperform the market. Valuations in the market in general are somewhat high, but not excessively high. There are parts of the market that are really quite stretched, but overall it is not excessively high. What we like is when we look at that portfolio on a blended basis, we think we have assembled a list of companies that not only are they better companies than the market, they are set to grow faster and they trade cheaper by about a 10% discount. We are very constructive on the companies that we have in the fund today and we are very optimistic looking forward.

James McNamara: Thank you Nick. Geoff the next question is for you, from Phil. "When will shareholders get the benefit from the scaling efficiency in the Wilson Group and see a reduction in the 1% management fee across the funds?"

Geoff Wilson: Good question Phil and thanks for that. If you look at other fund managers, say competitors in the funds management game, Magellan are now managing over $100 billion dollars. I don't believe they have changed their fee since they started, it's still 1.35% and a 15% performance fee. Our logic when we raised the money for the various entities in the prospectus, we said what the fees will be, and that's the management fee and then the performance fee, and the logic of the performance fee is that's over the All Ordinaries Accumulation Index, so we are effectively splitting the benefit. We actually don't have any plans in reducing it. As we grow, it allows us to employ more people. I suppose twenty odd years ago it was me, and we had a very small amount of funds under management, and now the fund is significantly larger and we have forty people. Our plan is to be close to fifty people over the next six to twelve months. We don't have any plans on doing that.

James McNamara: Thanks very much Geoff. One more question for you Catriona, from Mark. "What is your view on the potential equity market impact caused by tension with China?"

Catriona Burns: Thanks for the question. The tension with China has obviously been an interesting one over the last couple of years. Initially, we had Trump battling China with trade wars. We have also had in more recent times, issues with Australian goods and companies such as Treasury Wine Estates (ASX: TWE). What we did see in the back half of last year was some more announcements around Chinese tech companies and bans into the US. At that point, the Chinese market did start to underperform, but when we take a step back, the Chinese market had had an incredible year, outperforming even the US market as they recovered very quickly out of coronavirus. We think in terms of tension with China there are individual stocks that will be in the firing line, as I mentioned in Australia, whether that's Treasury or where there's been infant formula stocks that got caught up with regulatory changes. What we try to focus on really is finding undervalued growth companies. We think about the macro. We think about what stocks potentially will get caught up in that and very early on when we launched the fund, and trade wars started, we did adjust the portfolio based on how we thought trade wars were going to affect the individual stocks we had. Taking a step back, again when we look at Biden verse Trump, we are hoping that tensions with China will ease, although we do have two super powers that are still vying for dominance in many industries across the world. We think about it in terms of the individual stocks, but incrementally the backdrop is getting more positive, particularly in reference to the US. With Australia, that's yet to be seen.

Simon: I am just wondering, given we are in a very speculative sort of environment with these short squeezes, various other retail investors getting all bulled up, does anybody else feel that there's a sound of a bell ringing or are you perfectly happy with what's going on?

Geoff Wilson: Hey it's funny you say that. Catriona can say that. Simon, there's no doubt. There's a lot of bells ringing. About four months ago, I had the electrician over. He usually comes to my place with his son who is an electrician as well but he was on another job and I said, "where's your son?" And he said, "oh, he's on another job but he plays the market now he's making fifty to a hundred bucks a day".

Then a few months ago, I do a bit of cycling, and I was riding, and one of the guys I was cycling with was talking about the market and he said, "yeah my son, he's 28. He's lost his job but he's just punting the market". So unfortunately, all these people that think the market just goes up for ever, they have got to learn. What I was always taught when I started in the market in the early 80's is that you actually make your money in your second bull market.

You learn your lessons in the first bull market. All those people entering the market now, there's going to be some pain on the other side. The tough thing is to work out when that exactly is. Simon, you were around in '87. Now from the start of '87 to the end of '87 in the US, even though the market fell the day of the crash in the US 25%, and October was a tough month that year, but from the start to the end the accumulation in the US was still 8% with a crash in the end. To me, it's the hard part. Even though it sounds like a lot of bells are ringing, and I'll go to Catriona who's obviously a lot closer to it, as investors you don't want to come out of the market too early because we have seen markets, and they can get significantly overvalued particularly when you are borrowing at virtually zero your costs of borrowing. So Catriona, how many bells ringing are you hearing?

Catriona Burns: We all have friends who have never even considered looking at the stock market, exactly as you are saying, who are discussing Reddit and Robin Hood. There are a lot of people looking at equity markets and saying are there opportunities. But as you say, there will be a lot of people that lose out significantly as things unwind, particularly in the example of stock likes GameStop. But it's where you are investing. We have seen the Tesla's (NASDAQ: TSLA), the Palantirs (NYSE: PLTR), the Snowflakes (NYSE: SNOW), the many IPOs that are coming on at 20 plus times EV to sales multiples, but that's just not where we play.

We think there will be at some point some carnage in particular parts of the market, but that is not the kind of stocks that we invest in. We think a lot of the quality names that actually still stack up in terms of valuation are getting ignored at the moment because of a lot of these high flyers. And it will be very interesting as rates eventually start to rise. A lot of these are duration assets and tech

Level 26, Governor Phillip Tower
1 Farrer Pl
Sydney NSW 2000
Australia

stocks with no earnings, it will be interesting to see how they trade when the ten years starts moving up and discount rates start getting run through valuations. But that's not where we play. We are finding really exciting undervalued growth companies around the world and still continue to be able to find those.

James McNamara: Thanks very much Geoff and Catriona. I would like to thank every shareholder for their participation in today's Webinar. We have had a large number join us and I think we'll all agree it was excellent hearing from the Investment Team. So I'll hand to you Geoff for final words.

Geoff Wilson: Thanks.

James McNamara: I would like to remind everyone that we have WAM Leaders at 11.30am tomorrow so please register for that. You'll see the details in our weekly email shortly.

Geoff Wilson: Thanks James and thanks Catriona, Nick and Will. Fantastic job. Thanks everyone, all the WAM Global shareholders that have been with us for a period of time. It has been a journey. The journey's only young. The company is nearly three years old and it has been at a discount. The share register is slowly tightening up and I've seen it happen once, I've seen it happen a hundred times before, if we as the team continue to perform and provide a growing stream of fully franked dividends, then the share price will trade at a premium to NTA, and that's a major benefit for current shareholders.

The dividend is well and truly intact. Good question about whether there should be sort of a free bonus benefit to shareholders via a free option issue, that's something the Board has been seriously looking at as well. Again, thank you. We look forward to speaking to you again. If you have any questions please feel free to email us, call us or contact us, and as it's your company we'd love to get back to you and give you that information. Thank you very much.