

WAM Global FY2024 Full Year Results Q&A Webinar

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Speakers:

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Catriona Burns:

Good morning, everyone and welcome to the FY 2024 full year results webinar for WAM Global (ASX: WGB). This is your company and we're pleased to provide you an update on the company recent results and how we're seeing the backdrop and some more information on the portfolio and the outlook for the market as we look ahead. I'm Catriona Burns, the Lead Portfolio Manager for WAM Global. Joining us from Sydney is Nick Healy, Portfolio Manager and with me here in New York is senior investment analyst, William Liu. From our Corporate Affairs team we have Emiko Reed who'll facilitate the Q&A. On the screen is a disclaimer which so before we begin, what we talk about today is general in nature and shouldn't be seen as financial advice. In terms of agenda for the call, I'll start by running through the recently announced FY2024 results before discussing some of the themes that we're seeing in the market, the macroeconomic backdrop and then handing to Nick and Will to talk through some more information on thematics in the market and some stock detail.

So let's chat through the results. The board of directors declared a final fully franked dividend of 6 cents a share, which takes the full year dividends, fully franked dividends to 12 cents a share, which is equivalent to 5.4% dividend yield or 7.7% grossed up in terms of total shareholder return for the portfolio over the year it was 26.2%, which included so the share price through the year went from \$1.855 to \$2.21. We paid two dividends through the period and then the pleasing very pleasingly the discount for to net tangible assets (NTA) closed from 18.7% to 7.7% at 30 June, 2024 and the total shareholder return (TSR) was 29.2% including the franking benefits. Currently the NTA we just announced this morning the 31 August NTA, which is \$2.52 and we're trading at an 11.5% discount to NTA. In terms of the investment portfolio itself, it was up 15.4% that compared to MSCI World Index, which was up 19.8% and the MSCI World Small Cap Index which was up 9.7% for returns for MSCI World Index, it was very much another year of being driven by the magnificent seven stocks in particular Nvidia (NYSE: NVDA), which accounted for 3.7% of MSCI World's return in which we didn't own and then that small mid disconnect and underperformance of 10% from small mid versus MSCI World was a drag on the portfolio. As reported this morning though, we've seen all that underperformance recouped as we've gone into this financial year and so we're outperforming both the MSCI World Index and MSCI Small Cap Index which is pleasing and pleasing just also to see that the market returns are broadening out beyond that very narrow subset of stocks that have been driving market index returns. In terms of actual stocks that were very strong contributors to performance through the year to 30 June, 2024, I'd call out names such as TradeWeb (NASDAQ: TW), ICON PLC (NASDAQ: ICLR), Booz Allen Hamilton

(NASDAQ: BAH), Quanta Services (NYSE: PWR) and we'll go into some more detail a little later in terms of stocks that we still hold and that we are excited about as we look forward.

As I mentioned before that NTA we've announced today \$2.52 and as I said, the WAM Global investment portfolio has increased 7.6% for the year 30 to for the first two months of the year and that compares to MSCI World Index which is up 2.8%. And in terms of the profits reserve, we have 6.4 years dividend coverage based on the 76.3 cents per share in profits reserve that we've accumulated up until the end of August. In terms of the investment process, let me just briefly remind shareholders and about how we invest in the investment process. So it is a very much bottoms up, comprehensive, nimble on the ground approach. The team and I see over 700 companies a year. I mean even in the next few weeks we've got multiple conferences will and I'll be attending in New York, Nick will be on the road as of Sunday for a couple of weeks in Europe attending major conferences.

Then I'll be in Europe later in September and so we are very much on the ground meeting the management teams of the companies that we invest in. We focus on undervalued quality growth companies and where we can identify a catalyst that we think will drive a share price re-rating and the tenets of our process are companies with strong industry positions, quality management teams, sustainable earnings growth and then that catalyst to drive the share price re-rating. We're disciplined and we really believe that the portfolio of stocks that we have is well positioned to do well as we look forward depending regardless of what economic outcome we have, whether the ongoing debate around recession, et cetera, whatever the outcome is there. If we turn to the next slide, it's around geography and sector of the fund. When I look at the sectors, we are very well diversified in those quality growth companies.

We own a lot of exchanges, we own a lot of business services companies and various information technology companies and healthcare companies and there's a slide further on around the top 20 and the annual report has a full breakdown of the portfolio as well from a geographic standpoint. You'll see from the slides that we do continue to have and have had over the life of the fund a high weighting towards US and European stocks. The caveat I'd say there is that often the actual revenue source of these companies is much more multinational in nature but we just get the benefit of a listing in the US and or Europe where perhaps the sovereign risk or the valuations a more compelling way to get access to markets and geographies such as that these companies might be exposed to underlying, whether that's TransUnion, we get an exposure to India via through that company.

We have various companies that are very multinational like Thermo Fisher Scientific (NASDAQ: TMO) in the healthcare space so we get the rule of law et cetera that comes through investing in US and European companies but multinational sources of revenue. The geographic sector chart is a good way to lead into some brief thoughts on the macroeconomic backdrop, I will keep it somewhat brief as we really do focus on bottoms up stock picking, we obviously have to have a view around global economies and so forth, but our underlying, we think the portfolio returns we'll be driven by the earnings growth and delivered by the individual companies that we invest in. So we'll spend more time on that as we go forward. As we look around the world today though, the rhetoric in the last few months has certainly shifted from a concern around inflation to when are we getting interest rates and how quickly are they going to come.

We've economic growth slow in a number of geographies and that the interest rates and the inflation that was already affecting economies is starting to bite particular segments of the economy and the consumer, which is 70% of GDP for example of growth in the US particularly the low end consumer is calling out increasing pressure and we see that in a number of the companies and we'll talk to some additional detail on that soon. So we would say that the economic growth has been slow and the debate has changed from interest rate rises to when are we getting cuts. We've already seen cuts in places like Europe, the UK, Canada and looks like we'll probably get our first cut in the US on September 18th and then in Europe, as I said we've already had a cut and inflation there is tracking down towards that at the latest report was 2.2%, so getting back down to their target levels there.

Interestingly in Europe the major contributor to the European Eurozone growth is Germany. They have struggled the manufacturing, their sector there has somewhat struggled because of a second driven from China effect because demand for a lot of the manufacturing sector there has been driven by China and China's been very, very weak pleasingly though in Europe household balance sheets are in pretty good shape so as confidence comes back, we think there's a reasonable setup there depending on where you play, what companies you want to invest in there. In Japan they're on an opposite track in terms of actually raising rates for the first time in 17 years you've had the move out of negative and then go in July from a setting of 0% to 0.1%, up to 0.25% interest rates. This caused a bit of volatility in the market where it was somewhat surprising and there was a carry trade that caused some volatility in Japanese markets but they bounced back pretty well after that.

The interestingly in Japan the economy was very slow to reopen coming out of Covid and the inflationary impulses such as from wages and so forth have just taken longer to filter through and so they're sort of behind in terms of dealing with inflation, still getting interest rate rises. So at a sort of different stage in their cycle the Chinese economy remains tough. You have seen house prices come under pressure, you have got consumption under pressure and the stimulus measures announced by the government have continued to underwhelm at this point. So even over the weekend there were PMI manufacturing PMI data that says that the economy is still contracting there and under pressure. So yeah, we think that either the government needs to do more in terms of stimulus or you're going to just have to take time to work through the deflationary effects of house prices coming down, et cetera.

In terms of actual stock markets though, despite lots of noise and rhetoric around recessions and geopolitical risks and so forth, the market in the US for example is only 2% off all-time highs in Europe, only 3% off, which as I said had some volatility around that interest rate increase in July is only 6% off highs. So very strong markets in general as we look forward. If I was to characterise how we're sort of thinking about things, I mean typically as you go into elections you see volatility rise but then calms down within two months after you get through it with geopolitics elections and debate around these interest rate cuts. We do think that we are expecting more volatility but as rates come down our expectation is that this should be a catalyst for market returns to really broaden out beyond that narrow subset of mag seven stocks which have really been driving the market over the past few years and this should be really positive for the WAM Global portfolio given we position largely outside those mag seven stocks and given we have over 55% of the portfolio in small and mid-cap companies.

With that background, why don't I hand over to Nick, he'll discuss the next chart and then give us and he and will go through some of the other thematics we're seeing in the market and some stock specific.

Nick Healy:

Yeah, absolutely. Thanks Catriona. So I'll touch on a topic that Catriona mentioned which is the significant discount we see in the smaller and mid cap side end of the market as compared to the large cap indices. Now we meet with shareholders often and this would be the one phenomena we think is the most interesting in the market that we would bring up. So the slide shows that this valuation discount between the small cap and the SMID cap stocks and the large cap stocks is at the largest valuation disconnect it's been since the 1990's dotcom period. As Catriona mentioned, we do have a process where we invest in high quality undervalued growth companies with a catalyst, but we always do this on a best opportunities basis. It just happens that we have found the best opportunities in this smaller end of the market, which means we have 55% of the fund in the small and mid-cap space.

So this headwind facing small cap stocks has been a headwind to the fund to this point, but importantly we see it as a very big potential tailwind into the future as the small cap disconnect closes. In fact, this financial year to date, we have seen a partial reversal of this small cap disconnect with the MSCI World Mid Cap Index up 6% in Aussie dollar terms versus the headline MSCI World up 3%. So that's pleasing to us and as you see from the results we released today, we are outperforming the MSCI World Small Cap Index financial year to date. But even more important to us, if we take a step back and you can see this from the chart, even though it's had a good couple of months, smaller cap stocks do remain at a historic discount to normal trading ranges. So we continue to see a significant opportunity here going into the future.

However, just to make the point, we will continue to invest the fund based on the process which is to invest in the best opportunities regardless of size. We do sometimes get asked the question, would we be happy to hold various large cap stocks? The answer is yes, but it just depends on the risk reward and the opportunities that we see. If I turn the slide over, let me and Catriona mentioned this as well, but it's our very strong belief that the ultimate driver of stock prices over time is the underlying growth of the earnings per share of any company or of the market as a whole. Given that view, it is important to us that we have the fund invested in a manner where we can have confidence that there will be this earnings growth over time. To achieve this, we've invested the majority of the funds into four multi-year themes, digital enterprise, electronic marketplaces, innovative health and critical assets.

Now this includes stocks we've talked to you about in the past, Hemnet Group (ST: HEM), Booz Allen Hamilton, Quanta, and we've spoken about these themes over the last year at roadshows and various events like the ASX and the ASA. Given these themes broadly haven't changed and we remain really well invested behind them and expect them to be really good drivers of growth over a multi-year period. And given that second quarter earnings season is just concluding in the US at the moment, I thought Will and I today would take you through some of the more topical things we're seeing coming out of earnings season and how that's changing our thinking. So what I'll do is I'll touch on artificial intelligence (AI) and then I'll hand over to Will for some further thoughts on other areas. So with artificial intelligence we view this as a very important technological breakthrough, specifically generative ai, the more recent technological breakthroughs, we are really well invested behind this theme given we view it as a very real breakthrough.

There've been some useful updates from earnings season really in terms of the underlying demand for ai, which we think remains really strong and it's growing well for us. The results from the cloud service

providers, Google (NASDAQ: GOOG), Microsoft (NASDAQ: MSFT) and Amazon (NASDAQ: AMZN) who averaged well over 20% growth in the cloud and that was growth which accelerated from prior quarters thanks to AI demand is a clear signal that the AI wave is real and underlying demand is strong. However, we've mentioned in the past and it certainly remains as true if not more true today, that there is a concerning level of hype and excitement around certain stocks in the AI space. I think many people do understand that this is a very important technology and so we are seeing stocks bid up to dangerous levels. Now it's a really small example but the Nvidia results a couple of weeks ago was a perfect example of this.

To be clear, we think Nvidia is a fantastic business, really best in class and this was a really strong set of results from them and yet the stock sold off 6% on the day and is down around 15% since that earnings result. Now this is a very short amount of time to extrapolate from, so we're not doing that but rather we think it's a timely reminder that sentiment and valuation really matters in investing. Despite being optimistic on ai, we've said before and we will do so going forward that we're maintaining our discipline around valuation and looking to find ways to invest in AI that's just less priced into stocks. We think we've found a number of ways to invest in AI that offers that good capture without the risk of overpaying. One example I'll give you today and we've talked about in the past, but we hold Intuit, it's in the digital enterprise thematic.

Now in our view, artificial intelligence solutions providers really require three things to be clear winners in their space. Firstly, if they have advantage data, they're in a position to offer solutions with less hallucinations and more truthful answers, which is really important to enterprise advantage. Scale is critical so that on making a decision they can roll out AI solutions to millions of customers and the company would need an intent to invest into AI and expertise in the area. Now Intuit has all three. They're the leading accounting and tax platform in the us clearly advantaged access to data which they've had access to for decades. They have millions of customers so clearly advantaged access to scale and the current CEO was quite foresighted. He started investing in AI in 2018 so they're taking this very seriously and it's putting them in a position to roll out AI solutions today.

So we think Intuit (NASDAQ: INTU) is a clear winner in AI. Another area in artificial intelligence and potentially one less discussed is just the opportunity around certain firms taking out cost from their business. For us, really the most attractive opportunities in this space are for firms which first and foremost have pricing power so that any cost taken out they get to benefit from not the customer. Also, firms that have a lot of their cost in white collar knowledge workers, workers doing things like data entry, data cleaning, coding, customer acquisition or customer engagements are all areas we've already seen AI solutions be able to really substitute in and take out the cost here. We hold many firms actually we think that will benefit from this. Just a few that come to mind are ICON, Msci Inc (NYSE: MSCI), CME Group (NASDAQ: CME), SAP SE (SE: SAP), TransUnion (NYSE: TRU) and many others and these are all firms that will benefit in this way.

Pricing power, great margins, lots of knowledge workers in the business and in talking to the management teams of these companies, it's clear they take this, they understand this opportunity and they're going about capturing it at the moment. So even though each of these stocks actually we think has a fantastic underlying core story with a great set of catalysts themselves, this would act as an additional catalyst to drive the stocks over time since margins going up would drive earnings up. Okay,

so if we take a step back, I think our view is AI is real, we're well invested here, but we're doing it in a manner which ensures that we don't expose the fund to too much risk through paying what we view at times is dangerously elevated sentiment and prices, but nevertheless we think AI should be a really attractive driver of the fund over the coming years. So with that, why don't I pass over to Will, he can give us a few extra thoughts coming out of earnings season.

William Liu”

Great, thanks Nick. So a couple of things I'll touch on. One of the things we've noticed over the last couple of months is that we've really observed the weakening of the consumer and change in consumer behavior. So rising rates, high inflationary pressures, slowing jobs growth, they were having an impact to consumer spending behavior. So we've seen several companies come out including the likes of Nike (NYSE: NKE), Starbucks (NASDAQ: SBUX), Pepsi and Co (NASDAQ: PEP), which is seen as a barometer of where the general consumer is and we're starting to see comments such as consumers being more selective in where they're choosing to spend their money, consumers allocating more their budgets towards groceries as opposed to discretionary products and also consumers even trading down to more affordable items. We believe the lower income consumers in particularly impacted and they're starting to see some budget constraints. In fact just last week, the CEO of Dollar General (NYSE: DG), which is a discount retail franchise here in the us, he talked about on the earnings call last week that consumers they saw weakness in the last week of every month.

So showing that consumers were stretching their budgets and weren't making it last to the end of every month. So there's clearly some signs of impact there and their core demographic is consumers with household incomes with less than \$35,000. For us, we've been cautious on the consumer discretionary space for a while and we've been underway so we've been really selective in where we're deciding to invest our capital and focus on companies which either have resilient earnings profiles or where management has the ability to drive operational change and create their own outcomes. We've also identified certain areas of the market where the secular growth is more important, so the company's earnings trajectory is not as tied to the macroeconomic environment. So despite our cautiousness on consumer discretionary and despite us being underweight, we are still identifying some opportunities. We've been really selective on these opportunities and one of the examples I'd like to highlight today is Expedia (NASDAQ: EXPE).

So Expedia is one of the leading online travel agencies based in the US. The company we think, while I've spoken to you about SAP in the past and it's a very similar example where we don't think the market is giving them the management team enough credit for the tech turnaround tech migration that they've done and the turnaround they've done in re-platforming the tech stack which is going to drive improved efficiency and operational performance going forward. And we're already starting to see the signs of that. We believe Expedia is in a prime position to take market share and this was validated in their latest quarterly earnings result where they outperformed its peers and they talked about core brand Expedia growing 20% year on year and they alternative accommodation Vrbo going back to year on year growth, the key for Expedia is that it is incredibly cheap and expectations are incredibly low for this business.

The company is turning at 9.8 times and is poised to deliver mid-single digit to high single digit revenue growth while expanding margins. Importantly, the management team has also implemented a 5 billion share of purchase plan and that represents over 27% of their market cap and that is going to help them drive double digit earnings growth into the foreseeable future and we believe that's a really strong

catalyst for this business. It's an example of where we're being selective in the consumer discretionary space while we're being cautious and we're looking at places where there's excess, we're still finding there's opportunities and we expect to find opportunities as a happy hunting grounds when expectations become more tempted. The other theme that I want to talk about is I guess we are moving into the interest rate cutting phase of the economic cycle. We probably most likely going to get an interest rate cut here in the US in September, post the comments from Federal Reserve Chair Jerome Powell at Jackson Hole in August.

So from our investment perspective, our investment and our portfolio companies stack up on their individual basis regardless of the macroeconomic environment and regardless of the interest rate environment they have to stack up on their own merits, but it can serve as a positive catalyst for a number of our portfolio companies. And I do want to touch on two of those today. The first company that I want to talk to you about today is TransUnion. TransUnion is one of three credit bureaus located here in the us. It has compelling earnings upside as a result of interest rate cuts and as mortgage origination activity returns to more normalised levels. Broadly speaking, the US mortgage volumes are roughly half of that of the 2019 period, which was a more normalised period. The US mortgage market is 30 year fixed rate in nature and mortgage holders refinanced their loans in 2021 as a result of record low interest rates and it makes sense for them now to withhold on refinancing their loans or purchasing a new property As mortgage rates have been increased and it will not make sense.

They have also limited the affordability of new buys in the market and that has also depressed mortgage volume activity. So as interest rates and mortgage rates will come down, we believe this dynamic will reverse household formation has continued at a current level at a stable level and you can only put off buying a new house for so long and we expect as mortgage rates come down, they will be, households will be encouraged to take out mortgage and some of those mortgage volumes will normalise to more stable levels. Stable challenge union generates over 10% of their revenues providing credit scores for the mortgage industry and we spoke to the management team in August, they highlighted that mortgage volumes will recover and they'll recover at very high 70% incremental margins. On that basis we expect to see 20 to 25% earnings upside on a return to more normalised volume.

Another stock I want to talk to you about today is Intercontinental Exchange (NYSE: ICE). In a similar way, Intercontinental Exchange is leveraged exposed to earnings upside from a mortgage volume recovery standpoint. ICE is the global operator of financial marketplace products across different asset classes and has an excellent track record of digitising analog processes. Over the past decade, ICE has put together an end-to-end platform solution to originate and service mortgages in its seamless fashion. They're extremely well positioned as the scale operator with the leading technology and this is validated with the recent signing of the client JP Morgan (NYSE: JPM). Longer term the market has identified a \$10 billion underpenetrated total addressable market and in the shorter term we believe the company's position to capture an earnings uplift as mortgage volumes recovered to more normalised levels. These are two examples of companies which we believe have strong compound earnings potential regardless of the macroeconomic environment. However, in environmental interest rate increases, they are catalysts which could drive re-rating and earnings upsides and we think they're very attractively positioned going forward. And with that I'll pass back to Catriona.

Catriona Burns ([00:31:06](#)):

Great, thanks. Thank you Will and Nick for those insights. With that, why don't I hand over to you and we can start the Q&A.

Emiko Reed:

Perfect. Thanks so much and thank you so much everyone who has joined the webinar today. We've received quite a few questions so we'll end over to answer all those. So this first question is from John. He says you mentioned a closing of the small cap discounts. Why do you think that will happen?

Catriona Burns:

Thanks for the question John. So as I talked to in both and Nick talked to, we are at historic lows in terms of relative valuation of smalls to large and I think there's been a number of factors that have driven that discount. Firstly, there's been inordinate amount of, we've had covid, we've had uncertainty around trade wars, geopolitical risks, and all this leads many investors to think, oh, I'll just hunt if I want to be exposed to equity markets. I'll just go to liquid large caps compounding that we've also had an enormous flow of money, passive money that just buys the largest, biggest, most liquid stocks. And so both of those factors have really pushed money flows considerably into the large cap end of the market. Then also you've had a factor of these large cap tech stocks which have in certain cases you've got to go through them individually.

Some of them have had very strong earnings growth like Nvidia we talked about before, outstanding earnings growth in the last year. So it's natural that the share prices has moved alongside that. But I think the main factor with that small discount has just been huge uncertainty around recession risk, geopolitical risk, and so it's driven money into more liquid large caps. I think what will change that is we are, when you look at valuations being extended, particular in particular stocks at large cap end of the market, it's one factor. You haven't had this level of concentration in the top 10 stocks for example in the S and P 500 ever. It's the highest in on record. And I think as interest rates as we see that we may go into recession, we may not. And if we do, we think that that's the natural part of the cycle.

And typically even if small caps fall into a recession, they rally hardest the strong as you come out the other side. And I think as interest rates come down, we're going to get the catalyst to broaden out returns and that with the smalls already at such a discount, it's actually a very good starting point for them to start to outperform large and we think that that valuation gap will close and revert to those more historic norms. So I think yeah, there's been multiple factors that have caused the discount, but as we look forward we think that those factors such as interest rates coming down such as just the overvaluation in certain pockets of the market and the concentration of returns just having been so narrow, it's not sustainable.

Nick Healy:

I think that's a very comprehensive answer. I think just a couple of thoughts I would add to the mix. So as Catriona mentioned, if there is a recession, certainly that will remove the question of this, is there going to be a recession? And that would likely be one catalyst to close the disconnect. I think importantly to note, even though we are quite exposed to small to mid cap stocks, we've done it in a very selective fashion. So we actually feel like our companies would be relatively well positioned for that environment. Notwithstanding the point that Catriona made, which is true that often small cap stocks do show more cyclical, we feel very confident with our particular selections. And then just another

thought, so we've been actually debating this internally quite a lot recently, so we're always looking at the large cap stocks in terms of potential interest and should we invest in them.

And what really jumped out to me, as I mentioned in my comments, we listened to all the earnings calls. Of course these large cap stocks are actually really changing from capital light high margin software businesses to more of a capital intense potentially, well the capital expenditures (CapEx) on Microsoft, Google, Meta Platforms (NASDAQ: META) and Amazon is just absolutely increasing really significantly. And so that CapEx will come with depreciation and so there's a potential issue around both the margins of these businesses over the next few years as well as the returns on capital because they are just deploying a lot more capital going into the future. Maybe just one stat I'd leave you with, which actually for me was quite shocking. If we combine Google, Microsoft and Amazon's CapEx next year, we expect it to be around 200 billion in 2019. The year before covid it was close to 50 billion. So that's just a significant increase in the capital intensity of these businesses. And as Catriona mentioned, when prices go up, expectations are higher. So you need to keep delivering that earnings growth. So just a couple of extra thoughts on that question.

Emiko Reed:

Perfect, thank you so much both. This next question is from Chris and he says, what is the easiest way to calculate LIC performance after fees using an annual reports?

Catriona Burns:

Thanks for the question, Chris. So look, in terms of the annual report, we do tend to go into quite a lot of detail, particularly in the chairman's letter where we have the NTA performance, the TSR, so all the components there and then the portfolio investment performance versus the market. So we break it down in all the different metrics in the annual report within the chairman's letter. So that's the best place to go to kind of see all the metrics and the before and after fees. But really it's about the opening and closing pre-tax NTA, then adding back tax and dividends and the pre-tax already has fees included there. So yeah, the chairman's letter in the annual report has a huge amount of detail there.

Emiko Reed:

Great. Thank you so much Catriona. This next question is from William. He would like to know there is a huge amount of USA debts not being repaid, which will impact the US dollar. Will this devalue assets?

Nick Healy:

Yeah, I'd happy to be happy to take that question from William and thank you for the question. So we do keep a close eye on US budget deficits, the US amount of total debt outstanding. And look, you're absolutely correct that there is both a significant amount of US government debt outstanding. It is quite a lot higher than pre covid and the US government is running deficits at around the 6% level, which is certainly not a sustainable to be on when it comes to the US dollar. I think the counterpoint here is that the US government is the ones who print US currency, the US Treasury, so they're not going to run out of US dollars and they'll never actually default on the debt outstanding. And it's certainly the case that other countries like Japan have run debt to GDP levels above 200%, although with some unique a high savings rate over there. I guess our point would be we think this is a very real potential risk, but it's a potential risk on a really long timeframe in the order of five to 10 years at a minimum, probably very unlikely to affect stocks in the shorter term. I know for myself, I've been debating with people this topic

going back at least a decade. So it's not a new topic. I think it is clearly getting worse, but it's going to be a slow burn.

Emiko Reed:

Perfect, thank you so much Nick. This question is again from Chris. So, he says, when a top 20 shareholder list features nominees such as HSBC (LON: HSBA) or Citigroup (NYSE: C), does that mean they're a broker that's holding shares in the name of the institution on behalf of a customer for confidentiality reasons or could that be something like an ETF?

Catriona Burns:

Thanks Chris for the question. So you can use a custodian for multiple reasons. We actually, when we buy shares for WAM Global, we use Citigroup as our custodian. It's really a separation of control. They process settling of the trades, et cetera. So even our trades for WAM Global come up is Citi custodian. And as I said, it could be brokers, it could be other funds, it could be individuals buying via platforms and the platforms via custodian. So there can be multiple reasons for, and the shares within a custodian can get accumulated together or show up as individual shareholdings. So there can be multiple reasons, but our ourselves do it in terms of separation of control and for processing trades and so forth. And so yeah, multiple reasons for using a custodian, but I understand when you look at a top 20 and you just see Citigroup nominees, it's not very helpful in terms of knowing who the underlying shareholders are.

Emiko Reed:

Thank you so much Catriona. So this next question is from Dennis and Jeremy who have asked a similar question. So the question is, given the persistent discount to NTA, would you consider following the lead of some other LIC managers and converting to an open-ended slash ETF structure or will the board offer longtime shareholders a way exit at NTA if they wish to do so?

Catriona Burns:

Look, our plan isn't to convert to an ETF or another structure. We believe the close end fund structure or the LIC structure is the preferred structure and over time does tend the foundations of the whole business. When Geoff first listed WAM Capital (ASX: WAM) in 1999 was based on some research that had been done that people within closed-end structures tend to generate better returns over time because with an open-ended structure, people are often selling at the bottom and buying again potentially at the top. And so the closed-end structure doesn't harm other shareholders who are the companies within the fund all get sold down when everyone's exiting at the wrong time. So we think it's an advantage structure, no plans at this stage to change that leak structure.

Emiko Reed:

Perfect, thank you. Now this next question is from Jackie. She asks, you mentioned at some point buying more cyclical stocks. What do you need to see to buy

Catriona Burns:

Will? Do you want to take that?

William Liu:

Yeah, I can take that. So I guess it really boils down to two things, earnings expectation and valuation multiples. So we do like buying super stocks and Expedia is probably an example where travel can be cyclical. It's been resilient over the past couple of years. What we'd like to see is where earnings expectations are at a point where the company can achieve or beat, where the consensus is alternatively valuation needs to be has sufficient margin of safety where we believe that we have sufficient margin safety, that it can achieve commercial returns through the cycle. The other thing we like to see with cyclicals is just whether there's some self-help initiatives with Expedia. I talked about them buying back 27% of their market cap potentially that's going to really put a strong thrust under their earnings power. So when it ticks the boxes, we're definitely open to buying direct cyclical businesses. It just sort of needs to tick order quality valuation, marginal safety thresholds that are part of our investment criteria.

Emiko Reed:

Perfect, thank you so much. So this next question is from Peter. He says you've touched on this, but the average price to earnings ratio of your top 20 stocks is 28 times forward earnings. Are you investing in the discounted small to midcap stocks that Nick's earlier chart highlighted?

Nick Healy:

Yeah, thank you Peter. I'm happy to answer that and thank you for the question. So I think potentially there's two primary things occurring there and I do get a number that's lower than 28 times price earnings (PE) when I look at the top 20 forward PE average. But you're right, it is in the twenties and I think that reflects the fact that these are a collection of businesses that we think are really high quality and high growth. Now, if I put a little bit more thinking around that, so these are north of 50% gross margin businesses, north of 25% net income margin businesses, high returns on capital, good cash conversion. And as a group they're growing earnings and revenues over the next two years in each year double digits. So fantastic quality and growth. And then individually they each are just great businesses with a really strong story.

And I think with investing, the key to keep in mind is you can certainly find stocks that trade on 5, 6, 7 times. However, our strong view is that earnings drive stocks over time. So the important thing is to consider the PE or the valuation in light of the quality and the growth prospects. We think that's a fantastic PE for that collection of businesses. And then I think the other thought I would have is so at times, so the top 20 isn't a capture of the whole fund, although it is the majority of the fund, but there are smaller cap stocks that have less liquidity that we wouldn't necessarily put into the top 20. So the blended P of the fund as a whole is certainly lower than the blended P of the top 20. So I think two thoughts, it's a very good question, but hopefully that answered your question.

Catriona Burns:

And the only comment I'd add I guess is it's also, as Nick completely agree on what Nick said, and I would say when we blend the portfolio in terms of the metrics we get, it's probably closer to a 22 times multiple for the portfolio. But as I said, that's very dependent on what you are using as earnings and you, the earnings for the market might be different to what we're assuming. And for example, one of the stocks that brings up the PE for the whole portfolio is Hemnet, which is the Swedish equivalent of REA Group (ASX: REA) and that look on a headline number looks like it's trading on 50 times, but I don't think there's a stock in the portfolio where we have more confidence that they can double or triple both revenue and earnings over time. So yeah, it's that blend of what are you paying for earnings growth and

what is your confidence. And do you think that consensus numbers reflect what we view as the earnings power of a business?

Nick Healy:

Do you think it's worth just refreshing? I mean Hemnet story is so clear, just the reason for the doubling or more of earnings stream.

Catriona Burns:

Yeah, sure. So REA, it is the equivalent to REA, as I said in Australia, which has been a wonderful business on the Australian stock exchange. Hemnet, as I said, is Swedish equivalent except it's even better positioned in Australia. We have REA and Domain (ASX: DHG). In Sweden over 90% of views when you're looking for a house or apartment are on Hemnet. So stronger industry position than REA, but highly under monetised. So in terms of percentage of transaction value that they take for REA, it's 0.3% or 0.4% of transaction value. For these guys, it's 0.1%. We think there's a significant opportunity to monetise the business over time. And so think that in terms of the earnings growth potential, it's significant with a really clear runway to doing that.

Emiko Reed:

Perfect, thank you so much both. The next question is from Robert. He asks the WAM Global prices where it was five years ago. Can you explain why this is?

Catriona Burns:

Sure, why don't I take that in terms of, so yes, the share price is \$2.23 and was well at listing it was \$2.20. We've actually paid 47 and a half cents in dividends. When you gross this up for franking benefits, it's 68 cents paid out to shareholders. So you need to add that into the return that's been generated from the fund. As noted earlier, the NTA of the fund is \$2.52 as at the end of August. So the discount is obviously a factor there, but the portfolio returns have been 9.7% per annum. But the discount and the TSR has been impacted by the discount, certainly ourselves as shareholders alongside you are very much focused on closing that discount and think we will do that over time. Very pleasingly. We have got, we've done a huge campaign this year to engaging with shareholders both from calls as Nick said, doing ASX investor days, ASA presentations, et cetera.

We've done a lot in terms of engaging in terms of the fund and we have been very pleased to see that discount count come in from the 18.7%. It was 7.7% at 30 June, but with the increase with the portfolio being up 7.6% for the last two months, that discount it hasn't. And we only announced the NTA this morning, so I would expect the discount that we're seeing at the moment should continue to close as news flow gets out in terms of where the NTA is and where the performance is has been year to date.

Emiko Reed:

Great, thank you so much Catriona. This next question is from Jeff. He asks, what proportion of shares do you typically expect a turnover each year expressed as a percentage of total assets and separately a percentage of shares?

Catriona Burns:

Yeah, so I'll take it and then Nick, if you want to kick in at the end. So the turnover, look, there's not a prescribed number in terms of turnover. We had a couple of periods through the life of the fund where the turnover increased. Firstly very quickly after we started the fund, when there were the trade wars announced, we adjusted the portfolio, then we had the Fed pivot in 2008 and then we had covid. So there were three times when portfolio turnover went up because we took a view that we needed to adjust some of the holdings in the portfolio. Aside from those three periods, the portfolio turnovers being closer to 0.3 or 30% a year. And often that can be a mix of trimming things up and down in terms of at the margin selling things that have done well or it can be total exits if things have reached our valuation levels.

So the turnover, there's no prescribed number and look at, even if you look across out the WAM stable of products, it very much varies. The leader's portfolio turns over considerably more than we do if we still see catalysts valuation upside. We love to continue to own names across for the long term, but if all the catalysts have played out and we don't see valuation support, then we will sell out of a name. So as I said, there's no prescribed number, but it is, it's valuation and individual stock story dependent. Nick, anything you want to add? Nothing to add.

Emiko Reed:

Oh, perfect. So this next question is from Steven. He would like to know with the hollowing out of the German Mittelstand, are you looking at lowering the investment portfolio's exposure to Germany?

Catriona Burns:

Why don't I kick off and then I'll hand over to Will because he looks after SAP, which is the biggest German stock we have in the portfolio. So when I look at, we've got about 11% of the portfolio in German stocks, none of them have really any exposure to the manufacturing sector. So the closest is Hensel, which and Nick can you talk to that, it's a play on German. Basically the European defense spend has been terrible and they're a massive beneficiary of that changing and et cetera. But other than that, the holdings in the portfolio are SAP, CTS Eventim (ETR: EVD), which is the Ticketek or Ticketmaster equivalent in Germany. Stoeer SE (ETR: SAX), which is the largest outdoor advertising billboard company in Germany. Gerresheimer (ETR: GXI), which is a play on GLP one and pharmaceutical products and then Hensoldt (ETR: HAG). So those that portfolio companies are healthcare strong industry positions. In the media sector, SAP, which Will can talk to and then and Hensoldt, which I mentioned. So none of them exposed to the hollowing out of the German real estate. So yeah, no intention to reduce exposure to Germany based on that factor. But as I said in my earlier comment, absolutely that sector has been under pressure. There's both pressure from the yen being low, so Japan winning out in terms of Germany in certain areas, China being weak, multiple factors which have driven weakness in German manufacturing. But one well,

William Liu:

Yeah, well SAP, it's really a global business. So Germany would be a small exposure of their revenues and it's been a business that we've been convicted in for quite a while up almost a hundred percent from our average cost price. We still think they're on this journey transitioning towards cloud and taking share of their customers wallets and they've been delivering really consistent earnings results even in the face of some volatility in the software names. We think there's a real scarcity of scale software names in Europe and SAP is one of the best positioned. It has rerated quite a lot, but we feel like that's a function of high

confidence in its earnings visibility for two, three years and those earnings are going to accelerate and that visibility is really clear to us. So we're happy to hold to now.

Nick Healy:

I'll just add, actually, I guess one thing that is worthwhile doing sometimes is discussing investments. We get wrong and we certainly do get some investments wrong. I think it's fairly well discussed, but really good investment performance can be like 55%, 60%, 65% of calls that are correct. So we certainly get ones wrong and it touches on the point that Catriona made around where in Germany we're invested. So it's certainly not those companies at the moment that will get impacted by poor German manufacturing performance or a struggling German economy because of high energy costs or anything. But nevertheless, so the one I suppose we certainly got wrong, and I got wrong was we held Volkswagen (ETR: VOW3) for a period of time. We invested just after Covid, the stock had a nice run up. We took a little bit off the table, but not nearly enough. And then coming out of 2021, the stock was actually a relatively poor performer.

And this kind of goes back to Peter's question where the whole time it was a poor performer. It was on an extremely attractive PE valuation, 3, 4, 5 times PE. I suppose the challenge with Volkswagen, and it goes directly to the question around the German Mittelstand and how they're performing is this is a very capital intense company operating in an industry which is clearly competitive. There's a lot of disruption coming from Chinese electric vehicles. So it was a company where we were leaning more heavily on the valuation side of things and because of the high capital intensity, it wasn't a company which delivered impressive earnings growth or even further impressive cashflow growth because they weren't spending a lot of CapEx on developing their electric vehicle offerings. So I think Volkswagen would've been a stock that certainly and currently is being impacted by this effect we sold some time ago, but I think it's just a good opportunity to discuss one where the call was incorrect.

Emiko Reed:

Perfect, thank you so much team for that. The next question is from Jeffrey and he says it was very interesting to see the full WAM Global portfolio. Is it possible for it to be published more than once a year, funds such as Magellan (ASX: MGF) publish their full portfolio every three months with a one month time lag?

Catriona Burns:

Thanks for the question. So yeah, we put the weightings in for the half year and of the top 20, but then only publish the full year list of stocks in the annual report. In terms of the top 20 though, that is 65% of the portfolio, A lot of the names below that top 20 do tend to be those smaller mid cap companies where I wouldn't necessarily be wanting to report them on a quarterly basis because the liquidity isn't as high and we are still building positions and so forth. And yeah, we just choose to do that less frequent reporting versus the Magellan's, et cetera, where they have an extremely liquid portfolio of large cap stocks. So a little different in terms of the portfolio makeup.

Emiko Reed:

Perfect, thank you so much. And the next question is from Warren. He says, do you think it will be the end of the US bull markets?

Nick Healy:

I'll kick off and then I'm very welcome to any additional thoughts. So I think when we think about the markets more broadly at the moment, and certainly worth at this point saying that we firmly that predicting the direction of broad stock markets is a bit of a thing we don't think anyone can do. It's much easier to predict the earnings growth of an individual stock and then the earnings growth driving the price of that stock over time. Nevertheless, when we look at the US market, I think some observations would broadly align with the question which is interest rates have gone up and the S and P 500 is trading at a earnings yield or a price to earnings ratio, which is kind of elevated given the higher interest rates and thus the higher return you can get on risk-free investments. I think this would present a potential headwind to the S&P 500 Index going forward. The only thing I would caveat that with is the significant conversations we've had in this call already around the discount that smaller and mid-size companies are trading at means that even if the headline S and P 500 index does look relatively stretched at the moment, that's not necessarily the case across the market. So we do still see a situation with lots of opportunities, just not maybe in those headline stocks.

Emiko Reed:

All right. Moving on to the next question. This is from Jim, Steven and Richard who have asked similar questions about the portfolio's franking credits balance. How does the portfolio's franking credits balance accumulate and are you optimistic about maintaining the dividends and franking credits into the future?

Catriona Burns:

Great question. So in terms of how we generate frank and credits, unlike the domestic Australian portfolios, we don't get the past. We tend to have very low holdings in Australian companies, so we don't get that pass through benefit that you do from Australian companies, from the franking balances they generate. So the way we generate franking credits is by paying tax on realised gains. We are an Australian listed investment company, so we pay tax to the ATO on realised gains. So that's how we generate franking. In terms of future dividends, that's a board decision. What's super pleasing is that we do have over six years of profits reserve if we maintain that 12 cent dividend level that we are currently paying per annum. So that's pleasing in terms of the future outlook for dividends. In terms of the franking balance itself, we have about 19 and a half cents per share. So that's enough to pay this next dividend that we've announced, the final 6 cents, and then next year's dividends if we maintained frank next year's dividends if we pay the 12 cents level. So yeah, that that's pleasing in terms of the outlook for potential fully franking of at least the next three dividends that we'll pay. But in terms of the actual level of dividends, that'll be a good decision as we go on.

Emiko Reed:

Perfect. Thank you so much, Catriona. This next question is from Campbell. He would like to know how much hedging do you employ in regards to Australian Dollar (AUD) exposure?

Catriona Burns:

Yeah, so in terms of the portfolio, in terms of the prospectus at extremes, we could hedge the portfolio. We have an applied hedging on the portfolio since we listed, and it would've to be sort of those extreme levels that we would consider it. So yeah, it's an unhedged portfolio.

Emiko Reed:

Perfect. Thank you so much. So this question is from William. He has asked why does WAM Global only have 1.7% allocated to the energy sector?

William Liu:

Yeah, I'll take that William. Great name. So the energy sector, we own one position in energy sector and it's Exxon Mobil (NYSE: XOM). We think relative to the other major oil players, they're very strategically positioned. We're expecting some really solid production growth from the Permian Basin in Guyana. That's going to drive production growth, which is something they can control. The oil price is a bit, it is like, it's hard to be precise on the oil price, but we do have a view that the Organisation of the Petroleum Exporting Countries (OPEC) is being quite rational in terms of mitigating supply. Also, Saudi Arabia, which is one of the key marginal producers to get to their budget plans, they really need an oil price above \$80. So there will be shocks in the oil price, there will be geopolitical activity, there will be news on a week to week basis. Our view is that we tend not to hunt that much in the energy space, but we've done a lot of work on Exxon, we're quite convinced in the quality of their assets and we're seeing consolidation in the space. And we believe wherever the oil price it is probably higher for longer. And we're seeing consumption continue to increase despite some of the ESG initiatives. So as a result, we've decided to take a position in Exxon and they have some things in their control where they're going to return a lot of capital back to investors around the tune of \$20 billion. So we think that creates a really attractive value proposition for that business and we're constructive on its outlook.

Catriona Burns:

But don't be surprised to see us continue to be underweight energy. Yes, it's like this is a stock specific example, but traditionally resources and oil aren't where we tend to hunt, but we've seen an opportunity here that has led us to take this position.

Emiko Reed:

Thank you so much. Alright, for the next question, this is actually from an anonymous person. So why should I keep investing in WAM Global when compared to the returns I get from a savings interest rate bank accounts?

Catriona Burns:

Yep. So I guess it depends on your view on where interest rates are going to go in terms of what return you will get from your savings account. And it has been interesting, I mean I was listening to Geoff on the WAM Strategic Value (ASX: WAR) webinar last night and talking about the discounts that LICs have traded at over time and what we've seen is that as interest rates went up, you tend to say, well why do I go into the share market? Why wouldn't I just put my money in a term deposit? But as interest rates go down, which is probably the path that we're on now, it becomes the attractive yield that you could potentially get. Dividend yield you can get from holding a LIC, particularly one with a very solid profit reserve. The returns there can be more appealing than that savings or term deposit. So look, I think there is a cyclical element there in terms of where is the interest rate cycle at?

Clearly by owning listed investment company that's exposed to the market, it's a very different risk profile to putting your money in a term deposit. In terms of the actual returns, the dividend yield and particularly the grossed up fully franked dividend yield that we're paying is a higher rate than you would earn in the bank, but it comes with capital equity market risk in terms of the value of the portfolio. So very different risk profiles. Yeah, so I guess it's no financial advice but different sort of propositions. And

I guess the only thing I would say is that the returns you would get from a savings account will obviously decline in line with interest rates and if we're in an interest rate cutting cycle, that will be on the downwards trajectory from here.

Emiko Reed:

Perfect, thank you so much. So the next question is from Philip. He says, is there any significant differences between shares held in WAM Global and the Vanguard MSCI Index International shares ETF? That's the ticker code VGS. What shares do you hold that VGS don't hold and vice versa?

Catriona Burns:

A good question. I'll kick off Nick and if you want to add anything after, go for it. So the World Index itself has about 1600 companies and we own 45 companies. So huge difference in the portfolio that we have versus the portfolio that is the Vanguard Index or ETF. So yeah, that would be, there is significant differences and as I said, that's also within that index. If it's replicating the MSCI World, we have about 2% of the portfolio in magnificent seven stocks. That portfolio, if it's replicating index, would have about 20 plus percent and we have 55% of the portfolio in small mid cap stocks that would be significantly lower, less than half that in the MSCI World Index, the Vanguard equivalent. And I think you'd add Nick.

Nick Healy:

Yeah, I would go in very similar directions. I think what's fascinating to us today is if you add together the magnificent seven exposure, which you're correct is 21% and you add that to the large cap exposure, it combines to be 80% of the MSCI World. So even though the MSCI World purports to cover the entirety of the market down to smaller cap stocks, when 80% of the investment is in these large cap companies, which MSCI defines as around over \$45 billion USD, you have a pretty significant imbalance there. I guess the only other point I would make is so Vanguard and ETF, passive ETFs in general, they are valuation unaware buyers and they're quality and fundamental unaware buyers. They all simply buy stocks based upon the current market cap is percent of total. We do think there are times when the market certainly gets over its skis in terms of optimism around price and around pessimism, around price, both in the longer term and the shorter term.

I think one example that was fascinating to us from this earning season, which Will and I touched on is so we are seeing a lot more volatility in price around earnings. These passive ETFs will simply mirror that volatility and however we think sometimes that volatility is really misplaced. Booz Allen Hamilton A holding which is in our top 20, had a result which we thought was really strong double digit revenue growth, really good order flow management, very upbeat about the future prospects. However, they had a situation where margins were a bit softer. Management were really clear that the reason for this was primarily they had invested in a lot of staff through the quarter, but particularly at the back end of the quarter weren't able to put them on to billable work. And so that sat on margins, but importantly really clear that this should reverse overcoming quarters.

Now in terms of that volatility around earnings that I discussed, so the stock was down 9% on the day. We actually love this situation we added to our position, whereas a passive index can't, and look, it's not that surprising. We do see this more and more, but given a few weeks have passed and fundamental investors have been able to analyse the situation much like we did. There seems to have been a flow of money back into it as people realised that was a mispricing and Booz Allen Hamilton trades today above

the pre earnings level. So it was just short-term volatility, but it's that ability for us to be quite active in how we invest that we think really attractive and that simply the passive ETFs can't do.

Emiko Reed:

Perfect. Thank you so much Nick and tri. So this next question is from David and he has asked in May, 2018 the share price was \$2 20 and was \$2 23 yesterday. Yet you always say the portfolio has increased. Could you comment on this please?

Catriona Burns:

Yeah, sure. So this is similar to the one before in terms of that, so that's true in terms of the share price, the NTA currently as announced this morning is 2 52. We've paid 47 and a half cents in dividends. When you gross that up for franking credits, that's 68 cents we've paid out to shareholders. So that needs to be added on in terms of the returns that have been generated and then put against the 2 52 NTA. The discount is a big factor there in terms of returns versus the NTA itself obviously. And that is impacted the TSR, the discount that both payment of dividends which need to come out of the NTA and then the discount that the fund is trading at versus NTA, which has come in from the 18.7% but is as of the NTA announced this morning 11.5%. So yeah, our plan is certainly to keep pushing hard to close that discount and which will narrow the gap there.

Emiko Reed:

Perfect. Thank you so much Catriona. So the next question is from Brad. His question is what is your outlook for US commercial property debt levels and what do you think about the possible collapse of that markets?

Nick Healy:

Yeah, well I'll start off Brad. Thank you for the question. So I think if I had to think about probably there's a truism that it's usually financial leverage that causes the most significant risks broadly in the market. So when thinking about risk, thinking about where debt resides is a really good place to start. I think probably the two areas to me that would be the areas of focus would be commercial real estate as you discussed and the private credit industry, which has seen a significant increase in leverage over time and is a very opaque ecosystem. I think look, in terms of the answer, it does come back to the fact that we are picking individual stocks, we don't have exposure to commercial real estate and we feel extremely confident that the companies we have picked would perform well through an environment where CRE in a word blew up.

I think the impact would be potentially largest to the regional banks. However, look, we've seen it in the past and we'll likely see it again, the propensity for the central authorities, the Federal Reserve and the US treasury to step in and support markets. I think of the Silicon Valley bank situation in March, 2023, likely you would see a response which would attempt to then mitigate a lot of the pain. Whether you agree with that or not, that is certainly the direction that the market has gone into. But yeah, for me I think that the most important thing is we feel really confident in the stocks we hold in the fund.

Emiko Reed:

Perfect, thank you so much Nick. So Steven has asked if you can comment on what has been doing well this month, what hasn't and expectations going forwards.

Catriona Burns:

Sure. Why don't I kick off and Nick, Will, if you want to add anything, go for it. I think in terms of, I presume you're talking about the month to 31 August, not the couple of days we've had this month, but what worked in July and August. In July, there was a real reversal for small and mid companies relative to the NASDAQ they called it. There was this great unwind in terms of NASDAQ and tech stocks versus small, mid, actually small mid has given back a bunch of the gap. It was a 5% gap between small and mid versus larger cap stocks that's come into three in August. But we've been able to maintain more than 5% out performance and that has really, so for the month of August that was really about as much about what we didn't know and as what we did.

So the healthcare sector did well and a lot of our names there held up very well. The consumer discretionary sector, which Will talked about was very poor and we have not many names there and the ones that we do have did held up relatively well. And then the biggest with Nvidia, which had reported and underperformed and I guess even today was off 10% on very little news. So the underweight information technology, overweight number of companies we have in healthcare, underweight in consumer discretionary would be things I would call out. But yeah, if you guys want to add to anything, and we have had a number of companies report as well, which have had very strong results. So CT Sveum for example, reported and as I mentioned earlier, they're like the ticket master or ticket tech equivalent in Germany. Again, beat earnings expectations and upgraded guidance. So we had some stock specific stuff and then some sector related stuff that's helped drive drive performance. But

William Liu:

Yeah, I think that's mostly, we haven't had the big minus 10% drawdowns in Nvidia. Most of our names had a pretty solid earning season and they've really lobbied off at the back of that because they've had the trading out raise were good valuations, they're not really crowded into those positions. Whereas as the market rotates away from tech, all of that funding comes from positions like Nvidia where you see minus 10% days on the back of very little use flow. So we've been fortunate to avoid some of those big naked downward moves.

Nick Healy:

Yeah, look, it's very little to add, but it is fascinating to us how much the market is punishing certain stocks, which we've largely avoided, Will mentioned it in his commentary, but the likes of the Dollar Generals or the advanced auto parts or the altars, just incredible price movements out there, which look at some point could be an opportunity to this point we're quite appreciative of having not been invested in.

Emiko Reed:

Perfect, thank you so much team. So this next question is from Nathan. He says a few years ago, WAM Global had options available. Is there potential for an additional options or a share purchase plan in the future?

Catriona Burns:

Not while the shares are trading at a discount. If we went to NTA or a premium, that would be a potential, but no, not while the shares, when we did the options issue, the shares were trading above NTA. So yeah, not while they're at a discount.

Emiko Reed:

Perfect, thank you. So the next question is actually from Joe. He says, what is your view on China? Do you have Chinese investments?

William Liu:

Yeah, I'm happy to take that one Joe. So we don't have any investments based listed in China or Hong Kong. We previously had some of the tech names Alibaba and Tencent, but we've sold them quite a while ago now as some of the concerns of China, which have since played out with property consumer confidence, et cetera. We still have exposure to China. We tend to prefer companies which we have companies which are listed in the US or Europe and they have revenues in China. ARD is an example of that where 10% of their revenues actually come from China when and if the consumer starts to come back, they should be in a position to benefit from that. I guess China, it's hard to see the catalyst. It is easy to see sentiment is depressed. Valuations for a lot of the market is very depressed and earnings growth and macro data has surprised largely to the downside. We monitor the market, we will still look for opportunities if it fits our investment criteria, but it's not really a place that we're spending a lot of time on right now, but if the right company comes along with the right catalyst, it could be an attractive opportunity as well. So I wouldn't completely discount it.

Emiko Reed:

Perfect, thank you. This question is from Tony. He says, would you consider returning some profit to shareholders maybe as a special dividend instead of continuously adding to the profits reserve?

Catriona Burns:

Look, the dividend policy is really a board decision. Actually, a really good place to think to read is actually the WAM Capital annual report Chairman's letter this year because Geoff's gone into a lot of detail around because WAM Capital has got to a situation where they're paying out a lot in dividends and that obviously comes off the NTA each year. And so it's that debate on capital returns versus dividends and you can push up dividends too high. Your point though on paying a special is an alternative where you obviously don't permanently because we like to say we increase dividends at a steady level. So paying a special, you don't affect that ability. But look it, it's a matter for the board, I would say and a matter of the ranking balance. One other point apart from saying that it's a board of, I would note that the dividend we already pay though is very high compared to the global equity market dividend yield, which is closer to 2% and the US dividend market dividend yield at 1.5%. So still a very strong dividend that is fully franked, but it is a board decision.

Emiko Reed:

Perfect. Thank you. And that concludes all the questions we've received, so I'll just pass it back to you Catriona for any closing remarks.

Catriona Burns:

Great, thank you. Thanks very much to you Emiko and to Will and Nick for joining me on the webinar today. But most of all, a big thank you to all of our shareholders. This is your company and we're pleased to continually provide updates and the opportunity for you to ask questions. We're super excited about the portfolio of companies that we own and the returns that we think they'll generate over time and we look forward to updating you again soon. And I really appreciate your time today and the webinar will be posted shortly on our website and please come through with any questions, further questions that you have. Thanks so much.