**Wilson Asset Management Leaders FY2025 Interim Results Q&A Webinar Transcript**

Friday 7 March 2025

**Speakers:**

Matthew Haupt – Lead Portfolio Manager

John Ayoub – Portfolio Manager

Bridget Thelander – Corporate Affairs Advisor

**Bridget Thelander:**
Hello and welcome. Thank you to everyone for joining us today for the WAM Leaders Interim Results webinar. My name is Bridget Thelander and today I'm joined by WAM Leaders Lead Portfolio Manager Matthew Haupt and Portfolio Manager John Ayoub. Before we begin, a quick disclaimer is displayed for you on the screen. As always, what we discuss today is general in nature and is not financial advice. To start, I'll first give you an update on the half year results and then I'll be passing over to Matt and John who will be touching on the investment themes and reporting season insights.

We look forward to taking your questions towards the latter part of the webinar. So, to kick off with investment portfolio performance. Since inception, the WAM Leaders team have achieved an 11.8% per annum performance, outperforming the ASX 200 Accumulation Index by 2.7% per annum. In the six months to 31 December 2024, the portfolio increased 3.3% and this has allowed the board to increase the fully franked interim dividend again to 4.7 cents per share.

This represents 7.4% annualised interim dividend yield on yesterday's closing share price, and this is well in excess of the yield on the ASX 200 index. The investment portfolio's performance contributed to a significant increase in the company's operating profit and the profits reserve was 29.5 cents per share at 28th of February 2025. This is before the payment of the fully franked interim dividend of 4.7 cents per share.

On that note I will pass to Matt who will provide a market update and touch on the portfolio in more detail. Thanks Matt.

**Matthew Haupt:**
Thanks Bridget and thanks everyone for joining us today on a Friday afternoon. We thought probably the most constructive way to do this is opening up for Q&A earlier so we can get through a lot of the questions. So, I'll keep the market overview brief, but we'll talk about

reporting season first and foremost. What we saw there was an incredibly volatile period, so companies which were holding guidance were moving plus or minus 10%. It was incredible to see the volatility, so that probably speaks volumes to where we are in the market cycle at the moment.

What we're seeing predominantly in the last three to four weeks is huge global uncertainty and this is not great for risk assets. So we're seeing an unwinding of the momentum trades which we saw for the last six to nine months, which resulted in a huge drift away from fundamentals. What happens is in these moments, we all have fundamental valuations in the market. We all think stocks are worth a certain amount. Global flows have been dominating fundamentals for about six to nine months, particularly in Australia and arguably in the U.S. so these markets were seen as very, very safe and a great place to put money to work. What we're seeing now is a huge unwind of those trades, which the WAM Leaders portfolio will benefit from and we're starting to see that already as this flow of money starts to unwind from these extreme valuations, we're seeing across these momentum names. So that's probably the biggest thing to highlight - the change from momentum to what we call anti-momentum, so stocks that haven't been following the trend. We're seeing that change now and a few catalysts. Why? It's really around uncertainty.

Obviously, Trump getting in was a big positive event for stocks. As we thought, as the market thought, regulation would come out of the market, and you'd have supportive tax environment. But what we're seeing is a huge amount of uncertainty. Uncertainty around companies being able to invest, where to trade, what trading partners, how your supply chains work. So, all this uncertainty has created an air pocket in global growth, which we're starting to see now.

That's what we talked to with companies during reporting season. A large amount of our time was spent discussing the impact on potential tariffs and the lack of confidence. All the companies we spoke to said their clients are feeling it, the uncertainty. They don't know how the environment or the framework will look. You're seeing this confidence come out of the market, so global uncertainty is incredibly high and increasing and that has impacted the momentum trades which we touched on there.

I guess the other big thing to talk about is around the geopolitical environment. We're seeing now the huge impact on Europe, so the Europe fiscal position is changing. The European governments are spending a lot of money and we're seeing this in Germany of late. The impact it has for us investing in Australia and in equity markets is the term premium is going up. That is the extra amount you have to pay over interest rate amounts to compensate you for the increased supply.

So, what we're going to see this year is higher term premium, which is not great for risk assets. Again, where we're positioned, and to be honest, we've been a little bit early on that on not being in the momentum trade, but the market's come back to us and come back to us very aggressively in how we've been positioned. It's actually a very pleasing development for us to see this volatility and the extremes come out of the market.

As I said, the extremes are still there. We've only seen a small unwind of the extreme valuation. So, you know, our favourite stock and probably the stock every person talks about is Commonwealth Bank (ASX: CBA). And again, great company, great management, terrific business, but valuation is extreme. And you know, when we do our fundamental analysis on it, we think the stocks is worth around $80.

It's trading at 150 odd dollars. You can see the extremes the market has pushed in that momentum direction, And we're starting to see the cracks. As we speak today, I think Commonwealth bank was down about 3.5% to 4%. So what we've been talking about is happening as we speak, and it has got a significant amount to play out if this uncertainty continues.

If we switch to the next slide, we did touch on Australian banks, the crowded nature and them being very expensive. Generally, we've got a rule with an Australian bank, we look at banks on a price to book and you'd be comfortable paying 1.2 to 1.4 times book value for a bank traditionally in a normal cycle. When you're paying over three times book, no matter what the quality, it really doesn't make sense from our perspective to be investing in the company on such extreme valuation.

So again, this chart, if you're following the slide pack on slide 8, is just showing you that we are at extremes - but there is actually a long way to go if the trends we're seeing in the market keep developing, and we think they will, because we're not going to get an easing of the uncertainty in the short term because Trump is on a very fast pace to get it done quickly this year. So we think the relief is likely later in the year.

And the other way we look at it is around credit spreads. So credit spreads indicate the amount of stress in the system. And what we're trying to show here is the credit spreads are extremely low still. And generally, this is good for risk assets but what we're seeing now is credit spreads are starting to increase. So again, at the edges, it's showing signs that risk assets should be under a bit of pressure going forward based on that extreme valuation. The benefit for us is the areas we've positioned the portfolio haven't been caught up in these extreme valuations. And we're seeing that now even a big drawdown market, some of the positions we've been holding for a long period of time are actually going up. So, this trend, if it continues and we have every belief that it will continue, puts us in really good stead for the remainder of the year.

On that, given that we want to keep it short and open up for Q&A shortly. I'll hand over to John who can talk through some of the portfolio too.

**John Ayoub**:
Thank you. Thanks, Matt. Thanks for everyone for dialing in on a Friday afternoon. Just to echo a couple of Matt's comments, to understand where we are right now. In the past we've talked about inflection points, and we always try to identify inflection points in markets. That's where we typically capitalise on a performance standpoint. We are seeing an inflection point right now. Markets are going through a change of the phase in the market cycle and what we're going from an easy momentum story where global fund managers, hedge funds were all exposed in the same directional trade, highly leveraged positions in these markets that we're seeing unwind today, which led to these extreme valuations in the US stock market and pockets of the Australian stock market. And that concentration that we'd spoken about previously again is what we're seeing unwind.

Some of the names that we'll call out and identify, not only is it CBA and the rest of the banks, it's names like Macquarie Bank (ASX: MQG), Wesfarmers (ASX:WES), JB Hi-Fi (ASX:JBH), Pro Medicus (ASX:PME) , Xero (ASX: XRO), Goodman Group (ASX:GMG), Aristocrat (ASX: ALL). These are the bellwethers, the highest quality names in the Australian market, but they reached extreme valuation. This pullback for us, we need to decide is this an opportunity to get back into some of these names, which we will do selectively but equally we need to work out where they could potentially go to and particularly the banks, as Matt commented earlier.

Given this is a new phase in the market, we're welcoming that because this is an inflection point that we have waited for. We're moving back to fundamentals. Valuation, again I'll echo what Matt said, will matter again and those easy directional trades we feel are over. The other concept is that for a long time the investable universe of global investors was pretty much limited to tech and high-quality certainty where they can get the leverage.

China's almost reopened as an investable universe, the rest of Asia, Europe and the UK. What we'll start to see is the flow of money moving away from these concentrated names in Australia and the US and diversify. So, what we need to recognise is it could be a painful period in the market. We could go through some serious volatility as we are seeing this week, and this could be extended for a period of time.

**John Ayoub**:
But where we get comfort from a portfolio level as Bridget has just flipped over to our top holdings, we're not overly exposed to these positions. We are really excited by some of the positions that we have and identify things like IAG (ASX: IAG) and CSL (ASX: CSL) and Challenger (ASX: CGF) where they've been through tough periods of time but we feel like they're going to come out the other side stronger and better for it. The names that we really like and that have some momentum and we think that momentum in earnings will carry on are the names like A2 Milk (ASX: A2M), Orica (ASX: ORI), Telstra (ASX: TLS), APA (ASX: APA) and Amcor (ASX: AMC). These are the backrock of the portfolio. We think these are very defensive positions that have earnings momentum. They should continue to rewrite in this

environment and actually put us instead through the next phase as we consider the rest of the market.

**John Ayoub**:
We need to look at reporting season. The volatility has thrown up a bunch of opportunities. So what we do is try to identify those that produce really good quality results that may have been sold off in this volatility. And those names are like Seek (ASX: SEK) Resmed (ASX: RMD), I called out CSL (ASX: CSL), James Hardy's (ASX: JHX) and even Nextdc (ASX: NXT) to the next level down. These are the names that we're starting to gravitate to. And then there are names that are a little bit more challenged, that require a little bit more effort to actually see those returns that we think we will see over the next one to two years.

**John Ayoub**:
And those names and a bit more controversial would be things like WiseTech (ASX: WTC) and Mineral Resources (ASX: MIN), Ramsay Healthcare (ASX: RHC) and Coles (ASX: COL) and Woolworths (ASX: WOW). But they have their own dynamics at the moment. So what we're really excited about is the opportunities that we're seeing today. Not just those momentum names that are unwinding that we may have an opportunity to get back into over the next month or two, but the good quality names that reported in the last reporting season which can be the backrock of the portfolio for the next 12 to 24 months.

**John Ayoub**:
I think we'll leave it there for an opening statement. Hand it back to Bridget now to just throw it open to questions.

**Bridget Thelander**:
Great. Thanks John and Matt. We'll start with the questions that were pre submitted before the call and the first one is on your view on interest rates. You've touched on this briefly in the market update but yeah, can you please provide your overview on interest rates and inflation?

**Matthew Haupt**:
Sure. And thanks Chris, for the question, interest rates. So RBA has done one cut so far and have basically jawboned the market trying to say we're not going to do any more, but we think they will this year. So again, we're not too far away from where the market is. We think there'll be another two cuts this year. But again we're in a lot. We've touched on a few times. We're in a very dynamic market at the moment. So if global growth did deteriorate, we could see three or four this year. But I think best case, another one or two to get to two or three this year is probably your best case scenario for the rba.

**Bridget Thelander**:
Fantastic. The next question is from Peter. What is your view on gold exposure at the moment?

**Matthew Haupt**:
Yes, gold is. We've obviously flexed gold in the past quite a few times. I mean gold for us at

the moment we're finding it quite hard to make a bull case for gold. It's obviously run incredibly well, the spot price. But again, if global growth does slow and we get a question mark around what central banks are going to do, we'll certainly look at it again. But at the moment it's really hard to make a bull case for gold.

We do own a little bit in the portfolio, but we're talking very marginal amounts. But it's really, really hard to make a bull case from here. What would get it higher is, like I said, a global growth scare where you get a pivot back. This the ultimate thing for gold would be a QE environment. But from here it's done a lot of work and it's been a good trade. Yeah, it's just really hard to make a huge upside case from here.

**John Ayoub**:
The only comment I'll add, Peter, is that we do expect to see more consolidation in the small to mid-end of the Gold Explorer and early stage developer phase. We did own De Grey (ASX: DEG) before Northern Star (ASX: NST) launched a bid for that and we expect that sort of size company to either consolidate to get itself up the market cap. So think things like Capricorn (ASX: CMM) or Volt (ASX: VRC). We expect there'll be more consolidation that end of the market and then the upper end of the market.

Newmont's (ASX: NEM) been left behind and I think our biggest weighting in the gold sector is Newmont. Now as they continue to divest, we think what they may potentially do is buy up to 10% of their company back as they divest those assets. So there's an individual story behind that one. But from a portfolio perspective, we are underweight.

**Bridget Thelander**:
Great. Next Question's from Ian. He says WAM Leaders has a small position in Dexus (ASX: DXS) and Mirvac (ASX: MGR), but 9.6% in real estate. What other property or REITs does WAM Leaders like?

**John Ayoub**:
Thanks, Ian, for the question. One of the bright sparks out of reporting season was the real estate space. We started to see a little bit more buoyancy, a little more enthusiasm in particular from some green shoots emerging in particular around the office sector with a lot of the global edicts. If you've seen Jamie Dimon's comments, the CEO of JP Morgan, I encourage. If you haven't seen them, I encourage you to Google it.

Donald Trump's edicts. A lot of government policies have returned to office four to five days a week. That's led to a dramatic change in sentiment towards the office space. And the biggest beneficiaries in the Australian market are Dexus, Mirvac and GPT (ASX: GPT). And no surprise, all three of those feature in our top 20. I'll correct you slightly, they aren't small positions. Those three are around about 2 to 3% each.

So there are significant holdings in the portfolio. So between Dexus, Mirvac, GPT, an underweight in Goodman Group, which was a tactical opportunity in the raising, which we've subsequently traded out, most of that also SCG (ASX: SCG), we've Scentre Group, I should say we've reduced their weighting in that. But our primary holdings in real estate are

Dexus, Mirvac and GPT. And that is really around the evolution, the changes in the office sector and particularly around improvements in residential, which should be coming over the next two years as rate cuts start to take hold.

**Bridget Thelander**:
Great. And we'll stay with Ian because he's actually asked a few questions in a row. His other question is on the NAB (ASX: NAB) results. Wondering if you could share a comment on that. He also noticed that Westpac (ASX: WBC) didn't make your top 20. How come?

**Matthew Haupt**:
Sure, the NAB result was a little bit. Yeah, the disclosure wasn't great. Like normally a bank will give like ANZ (ASX: ANZ) is a good example. Again, didn't have a great result, but they explained it. Now, generally just put the notice out there and they don't give you the information to unpick. Actually wasn't as bad as the market interpreted it as, but they didn't do themselves any favors by their disclosure.

What we think will happen is when we get the, you know, the half year or the full year results will get more information and they'll actually walk through all the moving parts. But yeah, they didn't do themselves any favor and are very much-loved holding on the institutional level, so that uncertainty destroyed the share price. But I think it's probably overdone. And on Westpac, we're just a bit concerned around the risk of obviously new CEO coming in.

There's still a lot of legacy IT issues to work their way through. So also there's been some senior leadership changes which we got up an update today, board member changes. So it's, it's, it's on the screen, definitely on the stream. We're watching it, but we just can't get the confidence yet. We still think there's potentially another IT write down potential. So, again, it. It just feels a bit hard in this environment.

**Bridget Thelander**:
Great. He's also keen to hear your thoughts on South32 (ASX: S32). And you're holding in Treasury Wine Estates (ASX: TWE).

**John Ayoub**:
Ian's going for all the greatest hits here. Firstly, I'll take the latter first on treasury, as you can see in the updates, no longer in our top 20 holdings post the result the China. So if I categorise the result in two parts. Firstly, the strength and the success of the rebound in volumes of Penfolds and the Penfolds brand in China, shown through in the result in mid Feb, that was the main driver of a positive outcome for the company.

But what we were struggling with is the continued erosion of the commercial and US volumes, and we think that the negatives will remain for the next three to six months. We still have a holding in the portfolio of around 1%. We still really love the Penfolds brand and the value proposition from an investment standpoint, it does provide. But there is still. There's a lot of water to pass under the bridge from the other parts of the business and we got a little bit concerned and a little side note, where a bigger part of our time is now spent on index inclusions and deletions. And if anyone wants to go through the permutations around that, call me separately. But at the Moment, the MSCI ETF and the FTSE ETF and the S&P ETFs have much bigger impacts when stocks get included or deleted from those indices.

And where we see twe, it's on the precipice of potentially being deleted from an index and we're slightly concerned about our positioning. So, as we've always said, we look at macro, we look at the stock selection fundamentals and we also look at flow and sentiment and flow and sentiment right now for treasury has some significant headwinds. So it's something we'd love to get back in again at the right time, because we think that Penfolds brand in particular is undervalued.

But there are some headwinds that we are concerned with. And around South32, they've been through a really tough period from a regulatory standpoint. They've got some clear air now, and so we're optimistic around their performance going forward. In Worsley WA, where there was some environmental concerns, that's now been eliminated. Their assets in the us, which is where a lot of their capital spend will be going over the next year or two, they are protected and promoted under the new Trump regime. So we're positive around that, but we just reduced that down to 2%. It's still within the top 20 holdings.

We still like it, we still think it's very cheap. We think just positive outcomes should emerge over the next year.

**Matthew Haupt**:
Yeah, and just to add to that, they had a great, great result because of the alumina price run up last year. So we increased the weight. I think we got up to 3, 3.5% of the fund as the alumina price is running after the issues in Guinea. So they had a great result. Huge. They delivered a lot of cash and again buying back shares. So in a very good position.

**Bridget Thelander**:
Great. We'll go to Spark New Zealand (ASX: SPK) now. We've had a few questions on that from shareholders. Could you explain your view on Spark New Zealand and are you still invested after the result?

**Matthew Haupt**:
Yeah, we're still invested in Spark and it obviously had a terrible result. Surprised to the downside on earnings. But again, this really reminds us of what happened at Telstra about 12 months ago. So the enterprise division of Spark is essentially government contracts and New Zealand's been in a recession for about two years and the government effectively stopped spending. So they had a huge hole in the enterprise with a fixed cost base and they've been caught out.

Now they're reducing the cost base within that business. So they're taking out, I think it's almost $120 million out of that and you'll get the benefits flowing through. So it's exactly what happened with Telstra on their enterprise business. Spark just got hit later and now going through their response period. So the core business of Spark is actually pretty good.

But what people are concerned about is they've been doing data center rollouts and the ability to pay dividends. But again, we think within the next three to six months we're going to have an outcome on the data centers and they will be able to release a lot of Capital.

So it's a function of the environment they're operating in rather than a business in decline. It's a high-quality business with margins higher than Telstra dominant position in the New Zealand market. So it's really just a timing issue at the moment with costs and again. But it probably surprised. Well, it did surprise to the downside, but they have pulled that cost lever pretty hard now, so would expect to see some benefits coming through in the next six months there. So the story is definitely not broken, but it's just going to take longer now.

**Bridget Thelander**:
Great. And on a longer, longer term basis, do you think Elon Musk's Starlink worldwide expansion delivering cheaper Internet by satellite will materially impact the telco's?

**Matthew Haupt**:
Well, that's a great question. And actually when, when Starling came to Australia, the first thing I did was ring up Telstra to try and work out because I, I immediately thought it had a negative impact. They were like, no, it's actually positive because to, to connect, Starlink's got a plug into the network so they have to put in all these little mini towers everywhere and it plugs back into their own infrastructure.

You can't just have a Starlink infrastructure without being plugged into the, the ecosystem. So it's actually a benefit for them. They can actually piggyback off regional areas using Starlink, which they've done. My immediate reaction was it was going to be negative, but it's actually when you understand how it works and having to plug back into the ecosystem, it's actually a benefit because they can not run out all the infrastructure in regional areas where they don't make any money. So it's actually going to be a net benefit for Telstra. And that's the same thing with Spark as well.

You can't have a Starlink ecosystem. You need to be plugged into fiber for the transfer. So it's actually a benefit for the network operators.

**Bridget Thelander**:
Great. The next question is from Colin. He says WAM Leaders shares have been trading at a discount for some time. Is there being too much like too high profits reserve and are franking credits in jeopardy? Would you consider potentially paying a higher dividend?

**Matthew Haupt**:
Oh, unfortunately that's a board decision. But I, I can talk around that. I mean we're trading pretty close to NTA now. We went through a period where we were under NTA at a, at a discount for a period. I don't think, I think the dividends. And again this is just our opinion, but the dividend looks pretty fine at these levels. We definitely don't want to get in a position where we pay out too much, too high a level of dividends. So.

And the franking is good as well, so I can't see any issues around that. But again, dividends are a board decision. But I mean, every board meeting they assess the profit reserve, they assess the franking and work out what is an appropriate dividend and that's what they feel is appropriate. But again, I think after the we had that period of underperformance which we're coming out of now, I think that will help the share price too and give a bit more confidence on the outlook as well as people go through it.

**John Ayoub**:
Just to echo that, we have 3.1 years of dividend coverage with franking available, so we're pretty confident over the next three years that we'll be able to continue to top up the profit reserve. So from that standpoint, we're comfortable with the sustainability of the levels of dividends and franking that we have.

**Bridget Thelander**:
Great, thank you. And that leads on nicely just to Bruce's question and I think it would just be good to explain for any shareholders who don't really understand the difference between, between sort of the cash position and the profits reserve. Bruce has said the cash position of the leaders Fund appears to be quite low. Are you going to have to borrow money to pay the dividend? It probably just worthwhile explaining for any new shareholders on the call.

**John Ayoub**:
Bruce, thanks for the question. The way that you need to consider the profit reserves, that's just retained profits that we can distribute to shareholders in a smoothing manner over a few years, given where we invest is primarily in the ASX 100 and a lot of it's skewed to the top 50. Anytime we need to pay a dividend, we either draw on those cash reserves or we sell some stocks to increase the cash. So we have ample liquidity in our investable universe.

So absolutely we will not be borrowing any money to pay out that dividend. We'll be using either cash reserves or we'll sell a small slice of the portfolio to facilitate those biannual dividends.

**Bridget Thelander**:
Great, thank you. And another question from Ian. What effect has the USA's tariff policy had on your portfolio considerations?

**Matthew Haupt**:
It's an interesting question. One obviously we monitor on a daily basis as we go from tariffs being on to tariffs being off. But like for us, it's really a case of at the moment, the end markets, how they are affected. In Australia, at this point in time, the effects are indirect. So we've got to look at where our companies are have their facilities. So for example, Reliance (ASX: RWC) produce a lot of their plumbing products in China. So obviously when they import into the us, they're going to get hit. So we're like, can they pass those prices on? Potentially not. So then we've got to think that's negative. Rio Tinto (ASX: RIO) with aluminum coming out of Canada, we've got to think about that too.

But for an overarching point of view, where we've landed is, and what we've seen in the past week is China's response. When we were up in China in November, they were telling us they're just waiting for the tariffs to be implemented and then they'd work out a response. And what we're seeing this week is they are having a more domestic focus response. So they are trying to counteract the tariffs by stimulating domestic demand and investment.

So what that means for us is the commodity stocks actually look pretty good on a relative basis at the moment. So, you know, we're seeing copper, like copper's a big one for the US we're seeing copper up over 10% after the tariffs. Aluminium, the spreads in the US have already moved in anticipation of the tariffs. So we'd rather own the producers as it's normally like a material producer because they normally push through the price.

Where you get in trouble is the people selling. Last time in the tariff wars, we saw them eat margins so they couldn't pass the full amount of the tar tariff off to the consumer, so they had to absorb a lot of the, the tariff. So at the moment, for us, the way to play is on the commodity producer, not the retailer of finished goods. So that's how we're playing it at the moment. What does it mean more generally?

You could argue it's inflationary. You know, jury is still out, but we're seeing high bond yields in some areas of the market as well. So ultimately it's really a case-by-case situation. But for us it's definitely you'd rather be in the, the commodities and the retailers.

**John Ayoub**:
I'll add one little thing, just an observation that we've seen in markets over the last four or five years, there's been no appetite from political parties to see any sort of risk out there. It's very much been policies of populism. But what we've seen recently under Trump, there is a little bit of appetite for pain in the introduction of pain in the short term. And we've seen some strong rebuttals from the global economy and the global leaders to say, you know, we'll go through the pain too. So that goes to the question around the direction of the market.

A lot of what we've seen, a lot of the propping up and a lot of the leverage that we see in the market has been directionally premised on. Things will always be fine and there's always a backstop, be it government or policymakers and central banks. Feels like that we are going through a period of normality again where we can have highs and lows and we look forward to that because that actually brings valuation opportunities back.

**Bridget Thelander**:
Great. The next question's from Sepp and he says can you please provide an update on the leader's trust? He's keen to get more updates on this.

**Matthew Haupt**:
Sure, Sepp. It's exactly the same as the WAM Leaders LIC. So when we talk about the WAM Leaders investment portfolio, it's actually mirrored the same within the trust. So everything we talk about here is replicated and applicable to the trust. So, yep, there is no difference,

it's just the vehicle that it's in. So there's not much more we can elaborate on the trust rather than just say it's an exact mirror of what we're doing within the investment company.

**Bridget Thelander**:
Thanks, Matt. The next one's from Simon. He says Aurora (ASX: 1AE) appears to have dropped off your top 20 holdings. Are you still positive on the company or have you lost faith? Can you provide a bit of an explainer?

**John Ayoub**:
Thank you, Simon. And that was pushing 5 or 6% of the portfolio when it last touched $2. And we sold 90 odd percent of our holding above 250, close to the 270 range. The reason why we did that is one of the mistakes we made when we made the initial investment into the Aurora was around save a Glass and how long it would take for earnings to normalise when they completed the sale of the US packaging business.

That provided the catalyst, so to speak, for us to sell the majority of our holding. Because we did think that, albeit the Australian canning business is high quality, very defensive. One of the top businesses in the Aussie market, the Savor glass business, which is exposed to luxury liquor, has some headwinds that we didn't want to take on. So we made the right decision in selling the vast majority of the holding the portfolio, it got down to 25 basis points or 0.25 of a percent within the portfolio at current levels in the low $2. We've been picking up a little bit more from an optionality standpoint because we do think that on the sum of the parts basis, you're not paying a very demanding multiple for that save a glass business.

And it probably becomes a bit of a takeover target if it stays down here at these levels, given the strength of its balance sheet. So comfortable at these levels. Would need to see improvements in global liquor trends for it to get above the $2.50 level.

**Matthew Haupt**:
Yeah, it's an interesting point. We have the one on one with the company and they've pulled forward the closure of the Ghoula blast furnace because of that lack of demand, which is again, I think we touched on Treasury as well and Endeavour (ASX: EDV). There's a real decline in alcohol consumption, so we're just seeing that more broadly across all our investment holdings. That definitely is a trend at the moment where the reverses.

I think there's been a shift when we speak to Endeavour, it's around Ready to drink. The young people have moved much more towards the ready to drink.

**John Ayoub**:
Ready to drink and premiumisation are the two trends. People drinking less but high quality.

**Bridget Thelander**:
Great, thank you. And the next question we'll go to is on the banks. Matt, you touched on this in your opening, but for any investors who've joined late, I think it's worth touching on again because we're getting a few questions on it. Just to summarise the few questions

that we've received. Received. They're saying, can you please elaborate on why being underweight the banks and overweight resources is your strategy? What are your underlying assumptions for this to beat the index?

**Matthew Haupt**:
Yeah, I mean, like, to be honest, it's been the wrong call. Being underweight the banks has been quite punishing in the short term. Well, the medium term last six to nine months. But we never saw that massive run up in the banks where they the move away from fundamentals. So for us, as a relative call, like you can see a few in the top 20 there, they've dropped out. We were in there during reporting season while there was still some strength and we thought given the recent run up in banks around results, a couple of them performed well. When we got the first wobble, we reduced all of those banks.

So just to clear up, clear that up in the top 20. Why resources? Again, it's not a relative trade. So resources. When we look at BHP (ASX: BHP) and Rio and we're looking at what China will do this year, we are quite positive on those companies. The risk is obviously a global slowdown. If we go into a bit of a spiral on global growth, that will fall. But what we're seeing now, we've got enough evidence that China will stimulate this Year the economy is already picking up from last year's stimulus.

So this stimulus will compound on the previous year's stimulus and we're going to get stronger performance out of China. So that's why on a relative basis and then obviously within Europe now too with the defense spending generally that's pretty good for commodity demand. So overall I think from a relative point of view and a straight fundamental point of view, they look much more attractive. And banks for us is really on a fundamental basis. We touched on price to book. You should really look at price to book. When you look at banks, you shouldn't really look at pes but price a book on banks and again I'll say if you can buy them at one time so that's perfect. But generally you can buy them between 1.4 and 1.6 through the cycle and that's probably a more reasonable level.

**John Ayoub**:
And some CBA trading.

**Matthew Haupt**:
CBA is well above 3 so it's basically double where it should be. So it's got the valuation is just not there for us where we're trying to invest your money in smart decisions and we look at the valuations and we're just like it really doesn't make sense. And it really goes back to the opening comments around the extremes we got to and you will only realise it in the fullness of time when you look back and go that period was crazy.

You know when CBA is 100 and did it get 170 or 100? Yeah, like it's really incredible. Like I never would have thought would see it. But yeah it's probably when we look back in 6 to 12 months time we'll just be that that was just a unbelievable period. The rest of the banks are too bad if you assume a normal debt cycle, a bad debt cycle. So I mean they're getting back towards more fair value. But again like you look at the the valuation of the resource companies versus the banks, it just makes so much more sense and you actually get a higher dividend in the resource companies too. So you're getting compensated on on both sides.

**John Ayoub**:
The only other comment I'll add and when we ask ourselves the question of why did they get there? Why did Val, why did valuations get to where they wanted? There's certainly a strong correlation between the falling Aussie dollar and the strength of CBA and the rest of the major banks. There's also a correlation between concerns around China and China growth and the money being pulled out of Ex Asia money. So they're going to Australian industrial bank financials.

So that saw a lot of weight of money pushing these stocks beyond standard valuations. And as we said earlier around now, the opening up of China and the ability to reinvest in China and the global sentiment shifting towards the giant Chinese economy that potentially sees money getting pulled out of Aussie banks and being redeployed more regionally and into resource companies in Australia.

**Bridget Thelander**:
Great. Thanks both. We'll stay on resources. We have had quite a few questions come through on Ampol (ASX: ALD) and Woodside (ASX: WDS). On Woodside, could you please talk about the views on the controversies about development approvals and the future of hydrocarbons.

**John Ayoub**:
Yep. Thank you. Now Woodside's been, I think for those that followed us for a while has never really, I don't think it's ever featured in our top 20. May have once or twice, briefly, but it's now back in our top 20 and Santos no longer is there. So we've had a shift in our view on, on the pair, on Woodside over the last two years. Their portfolio has shifted materially. They've swapped assets, they've acquired assets, they've developed assets.

So much so that the portfolio today doesn't resemble anything that they previously did. The question now going forward on Woodside is their ability to execute and their ability to execute on asset sales and sell downs, their ability to ramp up assets in Sangamo (NASDAQ: SGMO) or Trion (TCOR) in the US and their ability to negotiate with the Australian government around extensions to the Northwest Shelf. So from where we are today from a transparency standpoint, Santos (ASX: STO) and Woodside both scream incredibly well. And Matt will probably comment on the macro view in a second, but we think Woodside will have some more positive catalysts around asset sales. The positive ramp ups around Sangamar and Trion and the biggest pushback that you will get elsewhere is around their cash flow and their cash generation and their ability to pay the dividends.

So at the moment a lot of those dividends are being supplemented by asset sales and sell downs and we're comfortable with that. But as Sangamar gets ramps up and production increases, as Trion comes online, as some of these other assets start to come online, these will be high cash generated assets as they come out the capex come out of the capex cycle and come into the harvest cycle. So for us, Woodside's our preferred play.

But notwithstanding that we are underweight the oil sector and that might comment on oil on, on our macro oil view.

**Matthew Haupt**:
Yeah, I mean we did reduce our Woodside and Santos when we saw OPEC Opening up the taps a little bit on or bringing forward their ramp up. And again like the uncertainty, global uncertainty, global growth has hurt a little bit on the energy side. What we've seen recently though is probably in the last day or so is the ramp up on pressure on Iran. Scott Bessem was having a go at them and obviously Trump under previous administration when he's in president, he really pushed hard against Iran. So we think Iran is probably a potential positive for hydrocarbon space oil.

But what we've seen in the past Trump presidency was the ability to push OPEC and make them release more barrels. So we're just a bit, I'd call it neutral to slightly negative on that space. But again it's something we, we're watching because it does. There is no expectations in the, in the share prices of these companies. So they do screen incredibly cheap.

**John Ayoub**:
And the other one, Ampol, that is a name that we've been buying over the past week and that's a good flag. It's, you know, it had a few own goals over the last 12 months which led to some material underperformance from its ability to extract refining margin. Had some outages and essential repairs and maintenance which hampered earnings in a material way. Where we are today, you don't need to make any heroic assumptions to see earnings go from around about 715 million of EBITDA back to that billion dollar mark.

And if we get a kicker of refining margin, which is a big delta in their earnings from the depressed levels where they are around about $8 a barrel, if they can get back to normal or mid cycle, which is around $10 to $12 a barrel, that gives you another lever, a lever of positivity. So for us we are buying it. We are conscious that, you know, people always ask about EV cars and the like, but you see the take up of EV vehicles, the necessity for combustion engines will be here around for much longer ample something we think following their own missteps last year, they've probably turned the corner.

It sits at about 1% of the portfolio today and we're very comfortable buying at these levels and hope to see north of $30 over the next 12 months.

**Bridget Thelander**:
Fantastic. Graham has asked about QVE (ASX: QVE). He said did the QVE acquisition have a negative impact on the leader's portfolio?

**Matthew Haupt**:
No, it didn't. Yeah, I mean we managed to transition that in a very short amount of time. It actually had zero impact on the portfolio. So that one's nice and quick and easy. There's not much more to Add after that it was seamless, perfect.

**Bridget Thelander**:
And from Jocelyn, can you compare the results for the WaM Leaders LIC to the Leaders Fund including unit price distribution to dividend and share price TSR of the LIC.

**John Ayoub**:
So the difference we don't have those numbers ahead of us and if it's okay can we take that question on notice and call back and provide a little bit more detail to each other, is that okay?

**Bridget Thelander**:
Yeah, yeah happy to. We'll give you a call Jocelyn, after the call from Jill. Are we starting to see the start of a large global sell off of equity markets?

**Matthew Haupt**:
Great question Jill. We have evidence of it 100 the push up in credit spreads like we said at the start. Also you know rising interest rates, the global uncertainty. Yeah we're getting all the ingredients for a sell off the depth of it to to go lower from here we need to see any an impact to the job market. We're going to get approved you tonight with the the US non-farm payrolls but al intel says we're not at this a prolonged sell off.

We are in the midst of a sell off and we have evidence that will continue but again probably 3 to 5% from here is the level without further evidence so it to go further now we'd have to see Trump escalate and provoke further uncertainty because what happens is when, when uncertainty comes into the market we can see it through the price of volatility. It's a technical thing but we, we watch it all the time.

It's actually quite elevated so there is some protection being bought at the moment. So what could happen is if Trump actually behaves for a period of time it will come off the volatility and you risk appetite will come back. So we could get a small bounce but I think we've got the framework in place now where the uncertainty, the slowdown in the US the rising credit spreads and term premium will continue.

So yeah the sell off we're in the midst of it. What we think will happen is the sell off is happening but we're going to get a broader rotation now. The breadth of the market will change and we're seeing that very much so where like in Australia, John mentioned those names where it's very, very crowded that is coming away now and we're starting to see the breadth increase. So the sell off probably got a little bit more legs to go but then the sell off will spread. Spread to breadth.

**Bridget Thelander**:
Perfect. A few people are asking what is your view on Wisetech? If that's a current holding.

**John Ayoub**:
Yeah it snuck into the top 20 and it's something that we have been buying over the last 10 days following, let's call them, the trials and tribulations of the CEO Richard White and a lot of the publicised happenings there. What we will say is that the business hasn't

changed, Some of the characters have, but the business hasn't changed. And undoubtedly this is one of the highest quality businesses that we have on the ASX

If you look at its market share, its margins, its growth profile over the last decade, it's been remarkable. They have a strong product, they have a strong product offering in a really, really dynamic market. And what we do know is that you had a leader of that business that didn't want to let go and he is. There's been a boardroom tussle and he's come out victorious. If we want to kind of characterise it like that.

What we do think next is that he's going to be highly motivated, we feel, to drive this business forward and we're going to give him the benefit of the doubt. A lot of people, for governance reasons can't invest in Wisetech A lot of local peers and competitors of ours, but that doesn't mean Globals can't step in. And for us, sub$100 was a really attractive opportunity to get into a high-quality stock. And as we said earlier, there's a, there's a cohort of stocks that we haven't been able to own from a valuation standpoint.

Wisetech's come back into the realms where it is attractive again. And I think if Richard White is motivated and driven and he puts the right people around him on a board and management level and we think, and we're optimistic that they are, that we should see this rebound over the next year. It's going to be a bit of a journey, it's going to be a bit of a battle, but we're backing the business and forgetting the politics of it.

**Matthew Haupt**:
Yeah, probably the only thing I'll add is they had a really good update. The business is actually performing really well after a few speed bumps. But like John mentioned, the outside the business stuff has dominated the valuation. So if the business had been deteriorating we wouldn't look at it. But the underlying businesses actually perform really, really well in most recent times. So once this clears, there is a significant rewrite. I mean the risk here is if you get this global sell off and is an expensive stock but luckily it's not in the momentum bucket anymore because it's fallen from above 130 down to the mid-80s. So it's already had the D rate. So from a risk reward perspective, it looks quite good.

**Bridget Thelander**:
Great, thank you. The next question is from Leon and John. This one's for you. He says, john, you mentioned Mineral Resources as a possible candidate for the portfolio. From press reports and the plunging share price, one might think that it's a death spiral. Why are you interested in it?

**John Ayoub**:
We're never shy of a battle, I'll say that. And when we look at mins, it's certainly a battle. And I think, simply put, if the sum of the parts are greater than the share price, we're typically attracted to it. We look at the sum of the parts of this business and in particular the cash generation that the iron ore business can produce, the sustainability of its mining services business, and the strength and dominance of it.

And the third lever is the asset quality they have in their lithium business as opposed to the lithium market right now, which is in a little bit of turmoil. So for us, the major overhang that the market is really concerned on, well, there's two things really, but the major one is around the balance sheet. And the second dynamic is around management and the board and some of the governance issues. And typically when you have some governance issues, it dismisses a whole bunch of market investors. And what mins have dedicated and demonstrated and said that they're going to do is put a strong chair in place to ensure that the corporate government's going forward is much better than what has been. So we take a positive view on that.

Chris Ellison is a strong CEO. He's complicated, but strong, we'll call him. He's built a business from scratch and he has a lot of his private money and personal wealth tied up in mins. And the way we look at and the transaction they were able to do with Gina Reinhardt on their gas business shows that there is a lot of potential for an asset or divestment program if things were to deteriorate even further. And from some of the parts standpoint, we're comfortable that if they go down that path and they were to sell, say, the Onslow iron ore project or the other half of the Hall Road or the lithium business in its entirety, they will realise significant cash and eliminate the debt burden that the market's currently fixated with. So we have a small position.

I'd characterise it a small position. We understand and acknowledge a lot of the headwinds that the market is pointing to, hence why the position is where it is. But we think there are a number of catalysts that could take place that could unlock value and given the significant short interest that is in the names you could get hyper returns if this were to take place. So it's attractive from that standpoint. I acknowledge the concerns around the death spiral from a debt perspective but if you look where the debt bonds are trading, the bonds are trading, I should say they're not demonstrating the risks that the equity market is suggesting. So we're taking some solace from that.

**Matthew Haupt**:
Really reminds us of Fortescue (ASX: FMG) back when everyone thought that was going to go bust or raise equity many, many times over. I think Fortescue was a $50 or $75 for a period of time and then everyone thought they were going to go bust for a period. And means is very similar if you believe the onslaught gets up and the cash flow starts coming back. There is no issues here but there is that a series of events which led the obviously the governance issues. Then you had the. The toll, not the toll road, the haulage road Capex spend and everyone's just like too hard lithiums gone so far down it's fallen in the two half basket and that's where we start looking because the risk reward here, if they get it right, I mean the stock would double quite easily.

**John Ayoub**:
You do often get outside returns when you take on challenges like this. So we just need to control our weighting in the portfolio.

**Bridget Thelander**:
Fantastic. Thank you. The next question is from Peter. Can you please explain the

difference between WAM Leaders and WAM Capital? Is it based on the market cap of the companies or is there other investment criteria?

**Matthew Haupt**:
Yeah, I mean the way we look at it as well the WAM leaders is ASX 200 with a real tilt towards the top 50. But we can go anywhere in the 200. WAM capital again it can go anywhere but it really hunts in the small to mid cap space on the growth space. I'd say the other difference between a apart from the universe is the intensity on how we turn the portfolio over, you know every day where because we have the liquidity, we have the optionality on moving portfolio weights around reacting to new information.

So the turnover is higher within WAM Leaders so it's really the universe and then the turnover which is the two differing factors there.

**Bridget Thelander**:
Great, thanks Matt. Richard and Saranjeet have both asked how is the profits reserve calculated and are the profits reserves being invested?

**Matthew Haupt**:
No, the profit reserves are purely accounting measure where at the end of each month we get to effectively do a snapshot. If the portfolio is up on a certain amount you can book the profits. It just it's an accounting entry. There's no physical cash or there's nothing within the portfolio that says it's part of a profit reserve. It's just purely an accounting measure. So it's a hard concept to get your head around.

People think it's like cash back, but it's actually just an accounting entry rather than a physical pot of money that's been put aside. It's just actually an accounting entry which happens.

**Bridget Thelander**:
Okay, great. We're getting lots of stock questions, so if you don't mind, I thought we might do a quick buy hold sell of a few of these stock names. We've got so many coming through, so I might just do a bit of a rapid fire at you both, Matt and John. We'll start with Challenger.

**John Ayoub and Matthew Haupt:**
Buy.

**Bridget Thelander**:
Yeah, CSL.

**Matthew Haupt**:
Buy.

**Bridget Thelander**:
Endeavour Group.

**John Ayoub**:
Oh, hold. Yeah, that's hold at these levels.

**Bridget Thelander**:
Yep. Not sure if this is within your remit, but Domino's.

**Matthew Haupt**:
Yeah, it's definitely not a buy.

**John Ayoub**:
It's a hold. Yeah, it's a hold.

**Bridget Thelander**:
Great. Nextdc.

**Matthew Haupt**:
Hold.

**Bridget Thelander**:
John's not so sure.

**John Ayoub**:
Bordering on a buy.

**Matthew Haupt**:
Yeah. We've recently sold some but again we've been looking after the pullback, so.

**Bridget Thelander**:
Great. Origin (ASX: ORG).

**John Ayoub**:
That's a hold.

**Bridget Thelander**:
Yep. Eagers Automotive (ASX: APE). This is one of Oscar's funds.

**Matthew Haupt**:
I think, buy we've got to say.

**John Ayoub**:
Because they like it.

**Bridget Thelander**:
Yeah, yeah, they like it. Great result. Yep. Bendigo Bank (ASX: BEN).

**Matthew Haupt**:
Oh. I mean, it's been sold off so aggressively you'd be holding it, you wouldn't be selling it at these levels. And if it fell a little bit more, it could move into the buy territory.

**Bridget Thelander**:
Okay, great. QUBE Holdings (ASX: QUB).

**Matthew Haupt**:
Just a hold. It was a solid result, but it's, it's nothing too exciting there.

**Bridget Thelander**:
Great. Paladin Energy (ASX: PDN).

**John Ayoub**:
Sell.

**Matthew Haupt**:
It's bordering on the sell.

**Bridget Thelander**:
Yep. Okay. And Oscar actually touched on this in the WAM Cap. This is more of a small cap stock. Viva Energy (ASX: VEA).

**John Ayoub**:
Tough space. I'm going to go sell there.

**Bridget Thelander**:
Okay, great. We'll go back to the other questions soon. If we keep getting stuck questions, we might have to do that again. But this next one's from Gary. Would WAM leaders ever consider taking over another listed investment company like AFIC (ASX: AFI), which is trading at a significant discount to its NTA right now?

**John Ayoub**:
I think we'd, if Geoff was here, he would say everything's a possibility. But I think AFIC probably a bit more than we can chew.

**Matthew Haupt**:
Yeah. Never. Never say never.

**John Ayoub**:
Never say never. But it's been part of our DNA. It's been part of Wilson Asset Management's DNA we always look at making acquisitions and trying to help the lick industry. But yeah, look, I think it's just something that we'll always do and always look at but I think affix ever been contemplated so I like the idea.

**Bridget Thelander**:
Okay, great. And Paul has asked is it possible to see all of your holdings and not just the top 20?

**John Ayoub**:
A little bit of a clue. Every year in the annual report you can see the entire holding. We bury it a little bit but you can find it all in the annual report.

**Matthew Haupt**:
Yeah, we have this debate. We, we'd love to show you more but then the. All our

competitors and brokers see all our holdings and you know because we turn them over quite often we'd rather not show you any every but then for shareholders we obviously got to show you some. So we thought we landed on probably the most fair way of doing it. But yeah, like John said in the. I think in the half yearly as well you get a view and then in the annual report you'll get a view as well of the portfolio.

**Bridget Thelander**:
Great. This next one's from Bill. You mentioned the miners. Are you more comfortable at these prices or is there too much uncertainty with regards to the Onslow project and lithium?

**Matthew Haupt**:
This is related to min. I think we're pretty well covered off. I mean like the risk of reward, huge return potential, obviously high risk. But again we look we're like backing these guys that have built businesses as well. So Chris has built it. He's been through this situation before. He's got support from Gina like for that previous transaction. So we think there's options available and once you get onto on board the cash flow is. Is remarkable. Like it's actually they just need to navigate this period of, of low cash flow and high spend and, and the debt market, the, the debt they've got is unsecured.

So there's no, there's no possibility of that being called early. There's also assets are potential like Morgan Stanley have done a couple of transactions with them as well. So. And the. The mining services business is an absolute star. So people would love that business.

**Bridget Thelander**:
Great. The next one is definitely not a stock that you hold but Roger has asked do you have a view of GYG (ASX: GYG)?

**John Ayoub**:
It's an interesting question that one because we were amazed at the run from $20 to $45 and we decided to go and meet management or we met management twice and we were really surprised at the strength and the positive story that Guzman articulate and demonstrate and their success from a Store rollout and profitability standpoint has been nothing short of astonishing. So from that perspective we really are pleased of what we see. From that perspective.

The greatest question that you have to ask yourself is their ability to sustain this and their ability to do this into new markets to justify the multiple that it's trading on. And to date the growth has shown that they have that ability and they'll continue to do this. So we will monitor it. There's going to be a series of liquidity events potentially on the horizon which will make us consider if we want to pull the trigger on buying it in any sort of significant way or not.

And we are interested, which may come as a surprise. We think the business model and the franchise model and what they've been able to build in a really short period of time is wonderful. So yeah we are certainly interested and value. You need to take a leap of faith with the valuation but we think there is certainly potential to make some money if you've got in the 20s or low 30s.

**Matthew Haupt**:
I guess the other thing to point out is the, the trend we've seen in alcohol like the reduction for health reasons GYG, whether it's good marketing or not. So they're actually a beneficiary of people wanting fresh food made fast. They're saying that is a clear trend for them. Obviously the, the rollout in the US is slow and very measured. So I think there's a lot of question marks around their expansion plan. So like John said there's.

We'll get to see more evidence of the US plus the sell down. So really rate management rate the business like to see obviously like everyone cheaper valuation. But yeah, fundamentally the business is better than I thought.

**Bridget Thelander**:
Great. And the next one's from Ian. What percentage of cash are you currently holding?

**John Ayoub**:
You've got that around about 3% at the moment.

**Matthew Haupt**:
Yeah.

**John Ayoub**:
Which has been our average for the better part of four or five years.

**Bridget Thelander**:
Great. From Angus. Any chance of WAM Leaders changing to quarterly dividends? Is there a product with dividends paid more frequently than twice a year?

**Matthew Haupt**:
No, like I don't think there's any change expected on the, on the dividend front for WAM Leaders. So all our licks are paying semiannual. Like there's no more frequent. Obviously there will be at a point in time a more frequent WAM product coming to market. But yeah, WAM Leaders will not be adjusting its dependent.

**John Ayoub**:
Bridget, we can't hear you.

**Bridget Thelander**:
Must have muted myself. The next question is from Michael. He says the monthly report has the list of the top five active security weights, overweight and underweight. Could you please provide an explanation and the benefit of this measure?

**Matthew Haupt**:
Yeah, I mean for us it's, I think the why we do this is just to give you an idea of us versus the benchmark. Like we're not really hugely benchmark aware but the way we can show you

the portfolio and some of the, the way we are positioned versus the benchmark so you can make a decision. You know, do you like, would you like a passive exposure or here's something which is deviating away from the benchmark and it just gives you a good example of like maybe a bit of a top down view of our view on different sectors and stocks as well. So I think that's probably the best explanation.

**Bridget Thelander**:
Great, thank you. From Gary. He says what is the prognosis for commodity prices like iron ore and copper and what does this mean for BHP and Rio?

**Matthew Haupt**:
Yeah, I mean iron ore like we think iron ore again China will be producing around a billion tons of steel and with demand profile supply coming online, I mean around a hundred dollars a ton is probably where we see iron ore which is, is still good enough for the, the majors And FMG on copper obviously we're seeing a huge run up poster tariff announcements and we're seeing a bit of a shortage in the inventory levels across various warehouses globally. So we thought copper might actually have a weak first half of the year but the demand for copper is just going to increase, increase over the next decade. So we're long term copper bulls.

Obviously we'll trade around in variations in copper price but long term thematic is very, very strong because there's really not high quality copper mines coming online in the short term or even the medium term. You know we'd love like for, for resolution to get up for Tinto and BHP in the US which we think there's a higher probability in our trumps there. But I mean again that's, that's decades so yeah demand supply we think copper is where you need to be over the next decade.

**John Ayoub**:
And Bridget I see there's a question from Alan on WAM investing in resources. I think I'll make the distinction for Alan's purposes that Geoff had previously said that WAM Capital would not invest in resources and they do from time to time investing resource companies. But if you look at the premise of WAM Capital and the history of that product, WAM Capital was a small cap trying to identify small cap undervalued stocks with catalysts and if you look at the smaller end of Resources, it's a lot more speculative, a lot more of a leap of faith on the exploration space as opposed to WAM Leaders which was set up around nine years ago.

We're focused more on the ASX 200 and the upper end of the 200 where we're dealing with resource companies that are in the production phase and their earnings are far more visible and reliable and predictable than those smaller, more exploratory resources. So that's the distinction between WAM Capital and WAM Leaders. We have that ability to invest and when we say we like copper, the biggest copper producers in the world are BHP and Rio Tinto and we get exposure to that from really strong management teams with really robust balance sheets.

**Matthew Haupt**:
Yeah, and I can add to that as well because I used to manage WAM Capital and WAM Research back in the day as well. And like John said, like we wouldn't touch it because the very reasons John mentioned it just was at the speculative end. And to be honest, when we will be looking at BHP and Rio, we actually didn't really know much about them when we were in WAM Capital. Like we'd never spend much time analysing them whereas they're a big part of our universe. So we spent a huge amount of time analysing, speaking with the analysts and the company.

So very different from when I was back in WAM Capital and WAM Research.

**Bridget Thelander**:
Great, thank you. I'm going to pull a few questions together. You've been asked for your top picks in a few different sectors. Top picks in the Australian gold companies, healthcare companies and energy companies.

**John Ayoub**:
Okay, so gold companies. I'm going to go Newmont (ASX: NEM) because it provides a bit more defense.

**Matthew Haupt**:
Yeah, a lot of the golds we were in have run pretty hard. So yeah, probably the only one that makes sense is Newman at this point in time.

**Bridget Thelander**:
Healthcare and energy.

**Matthew Haupt**:
Okay, Healthcare. I mean we had a great meeting with CSL being sold off on concerns around Securus and also the vaccine program given the RFK's Join the Party now. So. But yeah, underlying CSL looks pretty good in the healthcare space.

**John Ayoub**:
I'll go Resmed.

**Matthew Haupt**:
I mean your resume has been solid for a long time. Reported well, it gets knocked around with GLP1 noise but again yeah, ResMed and CSL our, our two bigger weights in.

**John Ayoub**:
The portfolio and in energy. I'll take the broader spectrum of energy. It's a tossup between, I'm going to say Ampol is probably the top pick followed by Whitehaven Coa (ASX: WHC).

**Matthew Haupt**:
Yeah and we, we did really well out of WHC as well. Which falls in the energy sector. So that reported really well, but we've reduced that. But again, like if, if you're a deep value person, like they're all, yeah, they all look incredibly cheap. But again, we talk about flow of money, no one wants to invest in them in Australia. So it's really tough.

**John Ayoub**:
The one comment I'll add, just if it got some context, if we get, and we typically are in leaders where we're politically agnostic, but if we get a liberal victory in Australia, that will provide a lot of, from a federal standpoint, that provide a lot of clear air for investment into Santos and Woodside. Global investors have seen some geopolitical issues with investing in Australia, particularly under a minority labor government, where they question the ability for projects like Barossa or the Northwest Shelf to have clear conviction on their ability to continue and where the investment will go. So if we get a liberal government, I wouldn't be surprised to see Santos become a takeover target.

**Bridget Thelander**:
Interesting one that you'll be monitoring quite closely. And I'm sure the next one's from Ronald. He says over the last 12 months, what did you get wrong and what have you learned going forward?

**Matthew Haupt**:
Yeah, Ronald, great question. And something we obviously talk about every day. The bank underweight. We again, like in, in hindsight you can always. The problem in hindsight, you've, you've got to work out what lesson did you really learn rather than just try and make up an excuse. So probably ignoring the flow dynamics, we got, we got an inkling of what was happening. This is the banks probably it was like maybe October, November last year, so we missed a lot of it anyway. But we're starting to get all these sound bites around the incredible amount of flow coming into the Australian market.

So, you know, we missed the banks for a couple of, couple of months. The run up and the results were pretty good. Like they actually were reporting good results, but we were like the valuations were too expensive for us, but we probably should have, well, we should have followed the earning signal even though the valuation was silly, which we've done in, we've done previously. We will look at fundamentals but then allow the flow dynamic to play out for a bit longer. But we were probably a bit contrarian there. So that's definitely something on that front. I mean, being underweight, the banks, I mean, CBA cost us a few hundred basis points of performance because of the, the impact of the size of it. So the index, it's gone up to about 10 and a half percent of the index. So whatever Happens in the CBA has a huge impact on our performance versus the the portfolio. And then on obviously stars. It was a terrible investment.

What did we get wrong there? Probably the sizing. The asset backing looks attractive and we probably missed the. We probably got a little bit too close to the company and you know, there was always seemed like there would be a way out for the company but we probably, well, we didn't realise the impact on the operating business. We were always looking at the asset backing but the operating business deteriorated faster than we thought. So that would have been solved with sizing.

If we had a smaller portfolio weight, we probably would have been a little bit more flexible on the duration we held it to.

**John Ayoub**:
One thing we've reminded ourselves of when we did really well and when we do well is that we stay very close to companies and ensure that we understand the earnings momentum and the characteristics of the market. And over the last year we probably took too much of a contrarian view where the market had no appetite for turnaround stories or patient investing. It was all about short term momentum and we had deviated.

We premised a lot of our positions on fundamentals, on turnaround stories and no matter how cheap we thought they were, if they missed their earnings, they went down further. And that was a function of the market and the function of the economy that we're in. And hopefully with this inflection point we're seeing today, we revert to fundamentals and a little bit more patience around the ability for companies to turn around and be rewarded for investing. And that I will also just add on Star because we always get the questions on it.

Do we still hold it? We have a deminimised position and we hold that position for if it goes into default. We want to ensure that we have some access to ensure that if there are legal cases that we can participate in, get some remedies from that perspective. So we've got less than 0.1 of a percent. So it's, it's, it's nothing left. So for all intents and purposes we are no longer shareholder. What's going to happen with it? I think that's a question we've been asked a few times.

Your, your guesses are as good as mine. I think most participants in the process and there'll be lots and lots and lots of people interested in owning these assets. They would all want to own it without having the liabilities to AUSTRAC. You know, people want to do a deal with the governments and to own this without the liabilities that Star Corporation (ASX: SGR) has to AUSTRAC. So from that standpoint, you know it.

There will be lots and lots of interest parties and they will, we think they should be able to do a deal that keeps the jobs going. And that's the most important thing. But the one thing we can't believe. And you know, if you look at what happened for Star from the outset, the regulatory environment, a lot of what was happening around junkets and what has led to where they are was done in plain sight.

And the regulators that were supposed to be regulating Star at the time are still the same regulators today, and they missed all the shortcomings. So I really wonder who's really ultimately responsible for this. Now you've got board members and management of Star at the time being hauled over the coals. I'd like to see more people investigated for this because it's led to significant losses for our shareholders.

It's led to significant losses for mum and dads out there who are investing on a business that was seen as defensive, that was seen as regulated. And I feel that the politicians and regulators have let down moms and dads. You know, we'll lick our wounds, we'll bounce back, and we'll make sure that we earn every dollar that we've lost back for our shareholders. But I think there's more to be done to protect shareholders in this instance.

**Bridget Thelander**:
Thanks, John, that's great. Moving to. Back to Roger, because you touched on this earlier, John, so I think important to just cover off his question as well. He said how much risk do you think is attached to a returned labor government, especially for gas and minerals? And you touched on it earlier, it's less so.

**John Ayoub**:
And Roger, it's a great question because it's less so an outright labor government or an outright Liberal government? Because I think one thing has been clear from politics is that there is a need. There is a need for gas to become the transition fuel that allows economies and people to remain powered as we go through the battery transition, which has. Which is taking longer and longer and costing more and more.

So there is a definite need, and you can see from Chris Bowen and the others that there has been a pivot away from the negativity that attached to gas. And it's now been seen as the savior and the hope where the risk is if we have a minority labor government which starts doing deals with the Teals or the Greens, and that could actually lead to reluctance in investment, which could lead to the shortfall in gas and project development.

So that's where the risk lies. It's less so around an outright labor or an outright liberal. It's if it's a minority. And that's where the risks lie.

**Matthew Haupt**:
Just to add as well, we had a great example with APA Group (ASX: APA) where there was a talk about regulating transmission lines in gas and that was dealt with in a favorable outcome as well. So I think both parties have pivoted to realise that gas is important as John touched on around the transition fuel. So there's almost a bipartisan approach now where the risk has deteriorated or diminished a lot from where it was.

So the APA ruling was great and it's been now. Once we saw the APA ruling come out, we invested back into APA and they had a great result too. So it's actually, you can see in the top 20 there, it's come back. So we are getting some stability finally in energy markets and a finally bipartisan approach that gas is needed going forward.

**Bridget Thelander**:
Great, thank you. The next question is from Glenn. He says can you please compare the Woolworths and Coles results and do you have a pick of the two?

**Matthew Haupt**:
Yeah, yeah, great question.

**John Ayoub**:
Actually, the backdrop to both these companies right now, they are in the middle of the political spotlight. We'll have an ACCC outcome later this month where there will be more and more headlines coming out around price gouging or whatever might be suggested around Coles and Woolworths and what they've undertaken over the past few years. So the

negative flow and the negative sentiment in the space will continue for the next two to three months.

If we put that aside and look at who's delivering and who's delivering better, it's Coles. Momentum is a really big thing in retail and when you have that momentum, when you have that trust of the customer, it continues for a period of time and Coles have been executing particularly well and they've taken market share and they've grown their sales. Some of that was caused by the industrial reaction that affected Woolworths and Endeavour late last year, which led to a lot of out of stock and deshellving of their stores.

But there's been a significant change of management which will take a bit of time at Woolworths. So for us, we think Coles is better positioned for the next 12 to 18 months. And then if you look at Woolies, they've probably got a little bit more to do from big W standpoint. They've got a little bit to do from a brand and marketing perspective, but the valuation is screaming attractive to us right now.

So as we wash through some of that ACCC in government and political uncertainty which they'll face over the next month or two. It could provide a wonderful opportunity for long term investing there. So right now preference is Coles, but we think there could be an opportunity over the next few months in Woolworths.

**Matthew Haupt**:
Yeah, I mean a lot of Woolworths was incurred like bad decisions by themselves like they had. It really started off with Australia Day last year and then it's sort of like the NPS really fell off their engagement, their customers, like John said. And eventually, you know, the franchise is incredibly valuable. But going back to, you know, talk about some of your lessons we've learned like do not step in front of government intervention. So you know, while they're under the spotlight, it's happened in many, many industries within banking sector.

Casinos, casinos gambling, like with endeavor, do not put capital at risk while they're under investigation. You will not get the incremental buyer out there. And that's what we're seeing at the moment. You know, obviously Coles have traded incredibly well but for us to get more comfort, we need to see these ACCC report, we need to see where they land. Obviously divesting or breaking them up makes no sense. So we think common sense will win at the end of the day. But until that is cleared, we will not be pulling our weights up in that sector.

**Bridget Thelander**:
Great, thank you. The next one's from Andrew. Given the probability of a substantial sell off exacerbated by Trump, which sectors will will you be concentrating on for your portfolio? I know you touched on it earlier.

**Matthew Haupt**:
Yeah, I mean for us there's probably the simplest way of explaining it is defensive companies. So we talked about healthcare, so CSL and ResMed largely should be

unaffected. But you know, touch wood on that. Like, and again the defensive companies like apa, you know, we're looking at Transurban. Again we'd love to own Coles and Woolies but again too much noise around that. So you're really defensive companies.

We're pivoting back to those. So Amcor is another great one, you know, linked to just everyday consumption and not really that cyclical. So we're looking for really defensive characteristic stocks, high quality stocks and the other ones that stand out. So your utilities, consumer staples not linked to supermarkets, but you know, like a 2 mil has been a great one for us. Again China, consumers getting stimulated. So that should be good for them.

So really pivoting back to high quality. And then eventually if Trump does cause a lot of damage, we're going to see us interest Rates fall and then the global discount rates coming off which will benefit some of these companies like the utilities and infrastructure names so they look like good places to be. And then on the flip side, lower US interest rates, lower US dollar, higher commodity prices. So you get all of that coming through as well.

**Bridget Thelander**:
Great, thank you. Next one's from Nava. What is your portfolio downside risk today and does the AUD exchange rate influence in managing the downside risk?

**Matthew Haupt**:
So you want a live NTA update? I don't think we can give it.

**John Ayoub**:
But like we had a good day today.

**Matthew Haupt**:
Yeah, we had a very good day versus the market. It was probably as much as we can say, like we're saying that the market has probably in the last four weeks there's been ups and downs but the market has really moved back towards our favor. So we had a very nice way to finish off today.

**John Ayoub**:
We welcome this volatility it just brings thing as the rotation is what we've been waiting for, these inflection points but we've been waiting for and long may continue.

**Bridget Thelander**:
Great. Ian has joined late. He's asked does stock selection remain within the ASX 200 for the trust as well?

**John Ayoub**:
Yes, it does.

**Matthew Haupt**:
Yeah, it does. Like we have it like Spark is one that has fallen out but we think it will come back. So it was in the ASX 300 slipped out.

**John Ayoub**:
But if you look at the combined weighting of Spark in New Zealand, Australia, it's definitely big enough. It's just some nuances. So the way to think about is ASX 200 or things that we think have a pathway to get back into the 200 because of their own success.

**Matthew Haupt**:
Great.

**Bridget Thelander**:
And one from Anthony, he says does or would any of the WAM LICs invest in another WAM listed investment company, especially at times when it's trading at a discount.

**Matthew Haupt**:
No, but I mean WAR's had a cross holding only through a transaction but no other LICs invests in a WAM LIC. It's just nothing.

**John Ayoub**:
Keep it cleaner.

**Matthew Haupt**:
Yeah, I think ever since I've been here 15 years ago, Geoff has always said that like would never do that.

**Bridget Thelander**:
Yep. Great. And this is going to be the last one. We've had lots of stocks come through again so we'll have one final rapid fire on the stocks to close out the call. So sorry to put you on the spot here but we'll start with Nab (ASX: NAB)

**Matthew Haupt**:
I'm going to say tactical, it looks like a tactical buy but we're just cognisant of where the market is.

**John Ayoub**:
So I'm Going to say sell. There you go. But Matt will win this one.

**Matthew Haupt**:
No, no, no. Like it's, it's selling valuation, but it's probably been oversold. So we're very high frequency. Like it's a fundamental sell, but tactical. That's, that's how I advise it.

**Bridget Thelander**:
Great. ARB Corporation (ASX: ARB).

**Matthew Haupt**:
Oh, I'm gonna go sell. Like, I think I've got more to go.

**Bridget Thelander**:
Yeah, yeah, yep. Macquarie Bank.

**John Ayoub**: Oh, sub 200 by like.

**Matthew Haupt**:
Yeah, it's a market beta player. Like it's a market call. So. Yeah, not gonna call it. I'm just gonna link it to the market.

**Bridget Thelander**:
Okay. Car sales (ASX: CAR).

**Matthew Haupt**:
Oh, these are great questions because the sell off we've had.

**John Ayoub**:
Yeah, I'll answer that by saying we prefer seek to car sales. Yeah, we think seeks to buy.

**Matthew Haupt**:
I'm not going to call it.

**John Ayoub**:
We'll call car sales a hold.

**Bridget Thelander**:
Okay, great. Atlas Arteria (ASX: ALX).

**John Ayoub**:
That's a buy.

**Matthew Haupt**:
That's going to buy. Yeah, that's a buy.

**Bridget Thelander**:
Yep. Pro Medicus (ASX: PME).

**Matthew Haupt**:
These momentum stocks are tough because we're in a momentum unwind. So hold. Yeah, I'm gonna go sell.

**Bridget Thelander**:
Okay, great. Pilbara Minerals (ASX: PLS).

**Matthew Haupt**:
Hold. I'm sitting on the fence.

**John Ayoub**:
I'm going to say buy.

**Matthew Haupt**: Sitting on the fence.

**Bridget Thelander**: Okay, great. We have received this, but I think this might be more of a WAM cap on Sigma Healthcare (ASX: SIG).

**John Ayoub**: A little context on that one. It's. It's going to be. It's one of those ones that as I mentioned earlier in the call, we're spending more and more time around index inclusions and the impact of inclusions and deletions from the big global indices. And Sigma is one that's certainly benefited from the significant upweighting or basically buying that's taken place. Great business, really expensive. I'm going to go sell.

**Bridget Thelander**: Great. Just to quickly call out. There is a shareholder who's saying he's spewing that he has joined late to the call. So yes, Chris, it will be recorded and we'll share the recording with you at the end of the call. So to continue, bank of Queensland.

**Matthew Haupt**: It's definitely not a buy. Just debating whether it's a hold or a sell. It's. There's. It's very cheap, but it's cheap for a reason. It's not good. So I'm gonna say hold is. It's derated a lot.

**Bridget Thelander**: Great. Sandfire (ASX: SFR).

**John Ayoub**: Buy.

**Matthew Haupt**: I had a good run. I'm gonna say hold.

**Bridget Thelander**: Great. NIB Holdings (ASX: NHF).

**Matthew Haupt**:
Hold.

**John Ayoub**:
Hold. I actually sell. So instead of rewriting.

**Bridget Thelander**:
So great.

**John Ayoub**:
Wesfarmers, wonderful company, but too Expensive.

**Bridget Thelander**:
Yep. Beautiful. AGL Energy (ASX: AGL).

**John Ayoub**:
It's, it's. I'm gonna say once we get through the political cycle, it's a buy. So buy it in May.

**Bridget Thelander**:
Great Origin. Whoever's called out Origin we have actually touched on that earlier in the call. Telix Pharmaceuticals (ASX: TLX).

**John Ayoub**:
Gotta follow the money a little bit there. So it's, there's been some insiders and selling. Got a long. Yeah, go hold. You should follow the money a little bit.

**Bridget Thelander**:
Great. Netwealth (ASX: NWL).

**Matthew Haupt**:
WAM Cap own this one. So buy.

**John Ayoub**:
We'll follow our friends across the table.

**Bridget Thelander**:
Nuren Pharma (ASX: NEU).

**Matthew Haupt**:
Yeah, we've got a small holding in this one. Again, high risk, but yeah, it's a buy at a small weight.

**Bridget Thelander**:
Great. And the final one we're closing off on is MA Financial Group (ASX: MAF).

**Matthew Haupt**:
I don't know what.

**John Ayoub**:
Unfortunately, it's too small for us, so I can't help.

**Bridget Thelander**:
Okay, great. Well, that closes off the call. As always, please subscribe to our email insights and follow us on our social media. I'll pass back to Matt for any closing remarks.

**Matthew Haupt**:
Yeah, thanks, Bridget. And just like to thank everyone for their support. You know, it's been a pretty tough time over the past 12 months for us, but, you know, we're here fighting every day and, you know, the market has finally come back towards us. You know, we are at this inflection point. The portfolio's got momentum and we, we think we're in a great position for the remainder of the year. It does feel like it's been a long year already. We're only in March, but I was thinking the other day, it. Trump's only been in power for six weeks, but it feels like six months or six years even, like it's going to be a long year, very volatile. But we actually, this is where we make a lot of money in this volatile environment. So we're actually really happy that we've gone from a pure momentum, no fundamental market, back to a more grounded market with fundamentals coming back into the picture. So we're really optimistic about this year and just thank everyone for this continuous support. So thank you.