

Wilson Asset Management Strategic Value FY2025 Interim Results Q&A Webinar Transcript

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Speakers:

Geoff Wilson AO – Chairman and Lead Portfolio Manager

Martyn McCathie – Investment Specialist

April Lewis – Investor Relations

Geoff Wilson AO:

Thank you all for joining us today for the WAM Strategic Value (ASX: WAR) Results and Question and Answers Webinar. As you all know, this is your company, and we love investing for you on your behalf. And so please, thank you everyone who sent in the various questions and if you have any questions during the webinar, please send them in. And if you have any questions after the webinar, please feel free to email them to us and we'll make sure we answer them for you.

So this is looking at the period we've just had. And I mean it was, I suppose from an investor's perspective it was a reasonable period in terms of performance. One of the positives was the ability for the company to increase the dividends. You'll see that we increased the dividend by 33 odd percent. So it's now yielding on an after-tax basis a little over 5% and on a before tax basis a little over 7%.

And also, the pleasing thing is over the last now three or four years we've been able to build up the profit reserve from the early days where we had very little in the profit reserve. Now we've got a little over 18c or 18.2c in the profit reserve. Paying the dividend at the rate we have just paid it; we'll be able to continue to pay at that rate for the next three years at least.

Obviously, the plan from the Board's perspective is to gently increase that dividend and to provide that plus capital growth to shareholders. In terms of where the share price is versus the net tangible assets (NTA), that is disappointing from an investor's perspective, myself being a large investor and I'm sure everyone else here. We believe that we will get WAM Strategic Value trading at NTA if not a premium. One of our shareholders a number of years ago asked if they could have the look through NTA - and that's the NTA of all the companies we've invested in what the value of their assets are. That's a lot higher, around that high \$1.40 level.

So, what I'm going to do today is myself and Marty McCathie are here and we're here to answer any questions you have. Also with all the questions you've sent in we've got April from our Investor Relations team there, who will be asking specifically these questions. We're very happy to go into each individual stock, et cetera, et cetera.

If you look at, I know there's a few questions that have come in and we'll touch on them specifically, but one question was: "Hey look, I put money in the initial public offering (IPO) and I'm disappointed" and I put money in the IPO myself and I'm disappointed. Now why am I disappointed? One is the share price is trading at a discount to NTA. I know we've had a good - over the last few years - a good fully frank dividend and this year obviously a solid fully franked dividend which is significantly higher than what the market's delivering.

But in terms of returns, even if the share price was trading in NTA the returns haven't been spectacular. They've been reasonable in terms of the underlying performance of the portfolio. Broadly, the portfolio has performed in line, excluding expenses, costs, etc, the portfolio has performed in line with the market, which isn't good enough. One of the things that is worthwhile noting is the volatility of the portfolio, because we're buying discounted assets, then you know, the volatility of the portfolio has been a lot less than the market. I think the market volatility was well over 11% and the volatility of the actual underlying portfolio is just a little over 8%.

So in theory, volatility is a measure of risk. You're taking less risk and you're getting the same return as the market. As an investor, I'm happy to take less risk and I'd prefer to get a better return in the market or even take a little bit more risk and still get a better return than the market. In terms of what we've been doing, buying those discount asset plays, that'll continue to happen.

One of our goals for this next 12 months is to get the share price trading at NTA, if not a premium, and we think we'll get that from performance and also the ability to keep growing our dividend. In terms of performance, so far this year, and particularly in the last few weeks or so since the end of February, the market's been off a little bit and the portfolio has held up better than the market in this last little period where the market's been a bit soft. Why don't I leave it there and pass over to April who'll take us through the questions, and Marty and myself are obviously available to answer them.

April Lewis:

Thanks, Geoff. So, some of you sent in questions beforehand that we'll go through and as Geoff said, please ask any questions that you'd like through the Q&A chat function before I begin. Please make sure that you read the disclaimer on the screen. So the first question is for Marty and it's from Greg. Can you please touch on some of the top portfolio contributors such as QVE (ASX: QVE) and Salter Brothers (ASX: SB2)?

Martyn McCathie:

Yeah, of course. Thanks, April. Look on both of those - maybe starting with QV Equities. It's an investment that the thesis has played out for us. We were accumulating QV Equities at about a 10% discount to NAV on average. And through that investment we got market

performance plus the closing of that discount as QV Equities went into a scheme of arrangement with WAM Leaders (ASX: WLE). At the point of the scheme of arrangement there was a cash out option and also a script option. We took the cash out option there. So took the cash out and have redeployed that into new opportunities.

One of those opportunities that you mentioned in the question was Obviously Salter Brothers, SB2, is a position where we have been able to accumulate stock at a 25 to 30% discount to NTA. The NTA performance has been strong over the last 12 months with their investment portfolio, and we've seen a small narrowing of that discount as well. Look, I think to give credit to the team at Salter Brothers, they're doing a lot of work to change their shareholder register. The register was historically, and the product was designed for sophisticated investor visas. So a lot of initially offshore investors and they are looking to over time change that register composition with marketing. More recently they have announced an inaugural dividend for the company which I think will be well received by the market and one of the catalysts that we see for that discount narrowing further. So it's one that we've been opportunistic with and will continue to pick up stocks as that discount blows out.

April Lewis: Thanks, Marty. The next question comes from David, who's asked, given the ever-deepening breakdown of governance in the USA, what are your thoughts on the effects on the on WAM managed shares?

Geoff Wilson AO:

Well, that's a big question. In terms of what we're seeing at the moment from a market's perspective, the equity market in the US had performed extremely well. And the various policies and strategies that Trump had really foreshadowed before he won presidency and even after he won presidency, people are aware of that. Well, the part that's probably shaken the market a little bit more is the fact that he had some policies that would be negative for the economy that he was going to implement, and he had some policies that would be positive for the economy that he was going to implement.

What he's done to date, and I know it's only been a little under two months, has tended to be the negative policies. The ones in terms of increasing tariffs, which is inflationary, reducing costs in the public service, which obviously is negative for the economy. People lose jobs. But some of the more positive ones for the economy is, you know, cutting tax rates on the corporates, which is again promised. But, you know, there's been no real discussion or sign of that.

So yeah, I think some of the excesses have been taken out of the market. In terms of our abilities, what we're looking for, for WAR is to buy assets at a discount. If this shakeout puts any additional pressure on some of those companies that are trading at discounts, they go to bigger discounts, and this sometimes happens. What you tend to find is in the early part of when there's a bit of a market shakeout, you'll find that the discounts to NTA actually narrow because the share price holds up. You know, if it is a discount, the share price holds up a little bit more than you expect. So, you know, we're well positioned there. What we do in WAR is very systematic, obviously, in terms of the impact that the market

has on what we do. Obviously, it does have an impact because we're buying undervalued assets and if those undervalued assets decline in value because the equity market falls, then that'll have a negative impact on WAR.

This current shakeout, we don't expect that. The big risk in the US is it turns into a recession. You know, the market's forecasting a recession. Now that's not the case at this point in time, you know, what the market's doing is just forecast. It's just saying, look, it was a bit overextended on the upside and it's just - I don't like the words - but people use 'healthy profit taking'. Obviously when everyone's losing money, it doesn't feel healthy at all. But taking some of the excesses out of the market is good for markets long term.

April Lewis:

Thanks, Geoff. The next question, we've actually got a few on corporate activity. This one comes from Joe who's asked, are there any updates regarding VGI partners (ASX: VG1) or Regal Asian Investments (ASX: RG8)? Both these Regal LIC's have been trading sideways to down recently. Saba has recently sold down VG1 and is no longer a substantial holder. Will WAR become more active in VG1 to push for the discount to close?

Geoff Wilson AO: Yeah, both VG1 and RG8, I think one's at about an 8% discount, the other about a 12% discount. I mean, we have been trading the discounts. We like Saba, with VG1 selling a few shares because the discount had narrowed significantly. You must cast your mind back. A year or two ago, they were trading at 18 to 20% discounts. So the discounts have come in. Both the VG1 and the RG8, they have capital management programs. And we think what they need to do is not only have those capital management programs, but also, they have to have a really good shareholder engagement and comms program. So we've got eight listed investment companies. Five of them traded either NTA or premiums, and three of them at discounts. And of the discounts, WAR is one of them and it tends to be the most recent three are the ones trading at discounts. And that gives you a little bit of a hint of what needs to be done, is the shareholder bases have to be aligned with what the individual company is trying to do and that everyone who's a shareholder understands what the company's trying to do. So then you don't have the selling pressure, and then you need to get more buyers. Now with WAR, we were trading at a bigger discount. The discount has come in. It actually had come in quite a bit at the end of the last half, it's actually drifted out a little bit more. So, we've got to do some more work in terms of telling the story and so people understand that with WAR, I think at the moment you're buying a dollar of assets and you're paying, you know, \$0.88 or something like that.

In terms of being more active from our perspective, we communicate with Regal, they know what's required to do. It needs to be done, and they are doing it. You know, whether they achieve it, trading at NTA or a premium, they've been able to do that with their other listed investment company. So to me, we think they can do it with this. And I suppose what I've learned in investing is patience is very important, and I think what has happened to WAR is a lot of the investors that invested in WAR don't realise that our strategies take time to play out. There's no use for us being an activist for RG8 or VG1, I mean we'd have to use,

you know, how do you become an activist? We communicate with the company. We could use one of our vehicles to bid if it made sense. But it's got to make sense, and we've got to be able to continue to pay fully frank dividends and growing ones in the vehicles we use.

So, there are a number of factors and Saba hasn't sold out totally. They're just not a substantial shareholder anymore. So, they've gone under the 5%. They've probably got 4.5%.

April Lewis:

Thanks, Geoff. Joe also has some follow up questions in relation to this. Will WAR push for corporate activity to either combine the two LICs (VG1 and RG8) to increase liquidity and reduce admin costs or - there's another one that I'll ask in a minute but maybe we'll start with that.

Geoff Wilson AO:

Well, that's an option they've got but the interesting thing is they've also got the PM Capital LIC (ASX: PGF) and that's actually made a bid for the Platinum LICs. So you know, there was a scenario where, RG8 could have been merged with the other PM Capital LIC which is trading at a premium or VG1 could have merged with them or as you said, the two could be merged together. Yeah, so to me, I don't necessarily think merging the two together if they're both trading around that 8 to 12% discount, will help significantly. Obviously merging with something trading at NTA if not a premium allows everyone to have an arbitrage opportunity. That's more interesting from our perspective.

April Lewis:

Well, you've already answered Joe's follow up question which is on PM Capital. The next question comes from David which is on the share price. We have a few on the share price. David's asked with WAR not matching the ASX 300, what do the directors intend to do? There seems to be little pressure put on any of the funds to return to net tangible assets.

Geoff Wilson AO:

You might think there's little pressure put on, but we look at them on a daily basis consistently and we've been able to grow our business by making sure our listed investment companies reflect their true value over time. As I mentioned, of our eight listed investment companies, five of them are trading at NTA if not premiums. And the three more recent ones are trading at discounts. And the good thing is we understand why they're at discounts because it takes time to tighten up the share register and once you get that share register tighter, then you don't need much buying for the share price to fully reflect the NTA.

If you look at WAR as an example, say you know the last month's NTA, the end of Feb stated NTA was \$1.29 and we said the look through NTA was \$1.49. So you'd assume that over time that the NTA should trade between that \$1.29 and the \$1.49 because the \$1.49 is actually: if all the companies we've invested in were trading at NTA then that's the value you'd get.

So yeah, it's a constant, it's a constant concern for us. You know we're constantly aware about it. Now we have 13, 14 people in shareholder engagement and comms and if you have any ideas or thoughts, please come through with them. Now we're confident that the three LICs that we manage that are trading at discounts will trade at NTA if not premiums. The problem is I can't tell you exactly when. And if we don't get the WAM Global (ASX: WGB) ... April, can you ask me about WAM Global a little later about and premium and discounts? Because that's a point in case. Thanks.

April Lewis:

Will do. Thanks Geoff. The next question comes from Derek and it's also on the share price. He's wondering is part of the problem WAR's practice of amortising dividends instead of distributing profits when they're earned? Perhaps as other LIC's have done, WAR could be converted into an open-ended fund.

Geoff Wilson AO:

Okay, two parts of the question there. I'll do the second part first. We could turn into an open-ended fund and that, I mean what that would do for the people, it would be more of a trust structure and then that changes the whole tax dynamics for the investor base. So that could be the case and then people would have an opportunity then to get out or if they wanted to sell then they could redeem at NTA for all those people that didn't want to sell. It would change their tax base but also it would take away from them the ability to sell at a premium.

And as I mentioned, effectively of our eight LICs, one's trading around NTA and four of them are trading at premiums. And the premiums I think the highest premium, April, what's the highest premium at the moment? Is it about a 9% premium for one of them?

April Lewis:

I think Global is about...

Geoff Wilson AO:

Global's a discount but no, one of them I think in Micro (ASX: WMI) is trading at about 8 or 9% premium and those premiums can go to - I think the most extreme premium was WAM Research (ASX: WAX) which got to a 50 something percent premium to NTA. So, if you turn it to me, it's two sides of the coin. If you turn it into a trust structure, it trades at NTA and then you'll never get the benefit of something trading at a premium. And we've shown over time that our listed investment companies do trade at premiums.

And when do they trade at premiums? It's when the share register has tightened up and people are prepared to pay above what the value of the assets are worth. To me WAR is a pretty simple story in terms of assets I mentioned, \$1.29 of real assets. Look through value of \$1.49 at the end of last month. So where should they be trading? Maybe in between the two. I wouldn't want to leave before that happens.

If we turned into a trust then the best case, you'd get is \$1.29 and you'd actually lose some franking credits because of what the government brought in terms of tax changes about a year ago. The first part of the question, what was that? I've answered the second part. What was the first part?

April Lowis: The first part was... Sorry, I've just lost it. We also have a question from Gary actually which is in relation to WAM Global which you alluded to Geoff, Gary's asked how many shares does WAM Strategic Value own in WAM Global and what price will WAM Strategic Value exit that company?

Geoff Wilson AO:

Do we have the first part of that last question? If you can look that up while I answer this. Hey Marty, how many shares is it exactly? Can you look that up? Yep, of course we'll give you the exact number of shares, but the more interesting question is when we sell them, and I think I was talking about WAM Global a bit earlier. Yeah, WAM Global is, one of the three LIC's that we have is currently trading at discount to NTA, and it's the larger of the three.

So we've been working on, shareholder engagement communications; our strategies. Go back a year and a bit ago it was trading at about a 15 to 18% discount. We had a detailed shareholder engagement communication strategy. Six months ago, that discount came in again and then we had another shareholder engagement communication strategy more recently. The discount came in to about, I think it was trading at about a 5.5% discount at some point in time. Because what you've got to remember is listed investment companies, it's a simple first year economics when they teach you about supply and demand, and NTA is equilibrium.

So if you have more supply and less demand, then you trade below equilibrium or NTA, if you have more demand and less supply, then you move back up to NTA. If you have still more demand and less supply, then you trade at a premium to NTA. So that's what we spend a lot of time on from our perspective and making investors understand what they've invested in. Because if, and all the investors that are on the call or shareholders, if you're not interested in a company, that's what our mandate is, is buying assets at a discount.

So we're trying to get the exposure to those assets and the uplift of the discount. And I think a few people have been concerned that we haven't done more in terms of the activism side of things. It takes time for all those things to play out. I think we've been involved in four or five or even six corporate act takeovers or corporate actions, which is probably more than most other participants.

But as Marty talked about, say we've been buying shares in Salter Brothers at a 30% discount, you know, 28% discount to NTA, and we've gone from none to - Marty, what are we up to? 11 or 12%? Yeah. So, it just takes time, it just takes time to build a position. You want to build a position at the price you want to buy things at. Yeah, so, you need to have patience.

If you're not looking for that, we're giving you the exposure of the underlying assets and we're giving it to you cheaply. And we believe that the ones that we invest in will eventually trade at the value of the assets, so we'll be able to sell. But back on WAM Global, we've been able to get that more recently to less than a 6% discount. The discounts drifted a little bit now with a bit of volatility in the market.

Back to answer your question is when are we going to sell it? Now, first of all, we made a mistake with the takeover. When WAM Global bid for Templeton's (ASX: TGG), we took shares because it was 6%. We're 6% better off in hindsight. Not because we should have taken the cash because then A) it would have freed up the cash, B) we wouldn't have to keep talking about each result and C) we don't get a management fee on that part of the portfolio.

So for all those reasons, and it would have given us cash to do various other things potentially. But our plan is to sell down and, and we'll, we'll decide when that is, when it's the right time. You know, obviously it was trading at NTA if not a premium, then we'd be on the selling side. You know, like we, we, if we can find other investment opportunities at a bigger discount, then maybe we sell some at a discount if we don't think in the short term it's going to trade at NTA. Or even excluding, don't think in the short term it's going to trade at NTA, if we can find something that's trading at a bigger discount.

Yeah, then we're actually, we're switching a smaller discount for a bigger discount which is better for shareholders. So these are all our options.

April Lewis:

Thanks, Geoff. The last part of Derek's question is:

Geoff Wilson AO:

Yeah, April, I think I've lost you.

April Lewis:

Yes, circling back Derek's question: the first part of it was whether part of the problem of WAR's share price might be the practice of amortising dividends instead of distributing profits when they're earned.

Geoff Wilson AO:

Oh yeah, just on that, you know the, with our profit reserve, that is the change in the value, the realised and unrealised change in the value of the assets. A lot of that profit reserve isn't realised. So in terms of our ability to pay dividends. Well, history shows that investors prefer consistent growing stream of fully franked dividends. Not like a high dividend then a low dividend and then a high dividend and a low dividend.

So yeah, so that strategy doesn't really work with listed investment companies. It might work with trusts. They have to distribute 100% of what they've realised. But companies, that's the beautiful thing about the listed investment company, they don't have to do that.

April Lewis:

Thanks, Geoff. And we've got a question from Samuel. He has asked: Platinum Capital (ASX: PMC) and Platinum Asia (ASX: PAI) are subject to takeover offers from another LIC. Are you able to rule out accepting the script offers for them so as to avoid getting into the same mess that happened when Templeton was taken over?

Geoff Wilson AO:

Yeah, well to me that. That's not necessarily the same case, Samuel. I mean we'll look at each on its own merits. So, like when WAM Capital (ASX: WAM) made a bid for Westoz (ASX: WIC) and Ozgrowth (ASX: OZG), we actually accepted script because it wasn't a cash alternative and then we sold the WAM Capital script. So we'll take a number of factors into consideration: the price and the liquidity of the underlying business that we're investing in.

So PM Capital, the liquidity of that company. If you had to ask us now, we'd probably be more inclined for the cash. When we get there, we'll make a logical consideration accepting that sometimes people take cash and then they sell the shares afterwards. Trying to work out the impact we think that'll have on the underlying value of the bidding company if assuming the bids go ahead.

April Lewis:

Thanks, Geoff. We've got a question from Roger. Naos (ASX: NCC) was once a LIC that you liked. What are your thoughts now?

Geoff Wilson AO:

Yeah, incredibly disappointing performance. We like the discount. Unfortunately, you know, the underlying manager has performed poorly. It's a very small percentage of our portfolio. I'm just trying to think. Yeah, it's about one - less than 1.5% of the portfolio. It's really disappointed. Really disappointed. So I'm not that excited about it.

April Lewis:

Thanks, Geoff. We've got a question from Steve. This might be more for WAM Leaders and WAM Capital, but do you have a view on A2 Milk (ASX: A2M)?

Geoff Wilson AO: Yeah, it's more the Leaders and Capital guys. April will come back to you, Steve and tell you the guy's view on A2 Milk.

April Lewis:

Yeah, I'll reach out Steve. Thank you. We've got a question from Rodney. Geoff, which stock in the portfolio is most misunderstood by the market and that you are most excited about?

Geoff Wilson AO:

Oh, Rodney, good question. I wouldn't want to tell you because that's the one we're buying. That's the problem. I don't want everyone to buy it because then the opportunity evaporates. Yeah, sorry about that, Rodney. In six months' time ask that question again and say; six months ago I asked you which was that stock? And I'll tell you, the thing is, the

tough thing is the liquidity in some of these companies. It does take time to build positions and you have to be patient if you want to build a position at the right price. So yeah.

April Lewis: Thanks Geoff, another follow up from Rodney which you have touched on a little bit before. But why should you stay in a closed end fund?

Geoff Wilson AO:

Well, I actually think closed end funds, one of the holy grails of closed end funds is the fact that they can trade at discounts to NTA and they can trade at premiums. So to me it's nearly unbelievable that you can get exposure to all these underlying fund managers effectively \$1.49 of assets and you're paying \$1.12, \$1.13, \$1.14. And then obviously you've got to assess whether you believe that one day that those assets will be fully reflected of the market value and we've got enormous confidence that'll be the case.

So to me the listed investment company or the closed end pool of capital is a great pool of capital for a fund manager because they can take a long-term view and they don't get caught with money coming in and money coming out. If you had an open-ended fund at the moment, I was looking at the numbers of the money that's flown out of the open-ended funds in the US there's trillions of dollars. Maybe it's not trillions.

I know the market's lost four and a half trillion, but maybe it's billions of dollars that have come out of the market since its peak a number of weeks ago. So then if we had an open-ended fund and then you have redemptions, then you're forced selling. So, you're selling companies that you think are cheap. And as an investor that's yeah, it's frustrating behavior as an investor because you want to be buying companies that are cheap, not selling them.

April Lewis:

Thanks Geoff. We've got a question from James. How do unlisted assets impact your investment approach?

Geoff Wilson AO:

Yeah, unlisted assets, not really much at all. Only occasionally, you know, some of the underlying funds or underlying companies we invest in will invest in unlisted assets and then we make an assessment of the value of those unlisted assets when we're trying to work out what we believe the value of the assets of the underlying company is and we usually put, if they're unlisted, we usually, because if we don't know the assets well, then we'll put a little bit of a discount from our perspective.

But on the other side you could know the assets well and they might be worth more than what they're in the books at. Usually that's not the case, but occasionally it can be.

April Lewis:

Thanks, Geoff. And we've got a question from Paul. Can you please update us on the government's plan to impose a 30% tax on superannuation balances over 3 million?

Geoff Wilson AO:

Update you. Ok, so it looks like we're having an election in May some time. The current government was looking at increasing the tax from 15% to 30% on balances over \$3 million. And we didn't, you know, we didn't have a strong view on that. One thing that both governments need to do is they need to fix the tax system. To me it's very, yeah, it's not an equitable system, particularly for younger Australians.

So work has to be done on that. What we were concerned about is the fact that the government wanted to allow the taxing of unrealised gains. And they only came out with that because their initial policy was to not tax, it was only a tax on realised gains for Super. But because the big industry and union funds couldn't work out what that was on a per client basis, they said they can only work it out on a unrealised gains basis.

Geoff Wilson AO:

So therefore, the government said, oh look, we'll tax unrealised gains. And, and that's just like, it's just bad policy. You've got people that have relied on this system to, yeah, the superannuation system to buy assets and then all of a sudden they might be unlisted assets and they're going to be taxed on the change in the value which they have no liquidity in. And some farmers will be caught with it.

One of our shareholders is a farmer outside a rural city. He nearly went under during the GFC. His banks, wanted the money back. He sold half his farm, put the other half his farm in his super fund because he didn't want to ever be at that in that position again. He's quite elderly. And now that if this comes in the tax on unrealised gains, he'll have to sell the other half his farm just to pay the tax because the gain hasn't been realised. It's just bad policy. And also people are concerned that it might end up becoming they might bring in tax on unrealised gains in other areas, which is just. It discourages people investing.

What we want is a tax system that's fair, that treats younger people fairly and encourages younger people to work and get ahead. Because we all know there's. Yeah, it's a pretty tough environment out there, particularly in the housing market, where we've had housing inflation for the last 25 years running double the rate of normal inflation. So every year your chance of buying a house unfortunately goes against you. So, anyway, I'm off topic there.

April Lewis:

No, it's a big topic. I've got two questions for Marty. Rodney's asked, what is the cash limit of the fund? Once proceeds from Australian Unity Office Fund (ASX: AOF) and Global Data Centre (ASX: GDC) come in, do you need to deploy that capital back into markets or can you be patient?

Martyn McCathie:

Thanks, April and Rodney. Look, we can be patient. Sorry, we've got no limits in the fund. We've got a very flexible mandate on the cash. We have in the past held high levels of cash. I think financial year to date, we've averaged around 17% cash. Obviously at the end of February, it was a little bit lower. Through the month of March, you'll see it has dialed up. So live we're sitting around 11% cash. Obviously, GDC is about 4% of the portfolio - AOF is

5%. So when those two come back through, we'd be sitting on a healthy cash balance. Those two are effectively cash boxes as we stand today, with the proceeds from GDC coming in and eof, hopefully by the end of this financial year largely paid back to us, so gives us a little bit of protection in the portfolio and a bit of a buffer from the volatility we're seeing at the moment, given they are quasi cash positions already.

April Lewis:

Thanks, Marty. The next question comes from Rob. What is the logic to invest and hold in Lark Distilling (ASX: LRK) as it's not a listed investment company.

Martyn McCathie:

Yeah, and that one was one that sits in the discount asset sleeve of our portfolio. The thesis there was that Lark was trading at a discount to its whiskey under maturation, and that there would be a way for the company to unlock that value. Obviously, the share price hasn't performed as we would have hoped it to, and the company still trading at a discount to its asset backing, being that property with the whiskey barrels and maturity under maturity.

So, one that's a small position of the portfolio that we continue to hold. There was a change 12, 18 months ago with the management team there. They have signed a number of strategic partnerships into the Asian market to look to turn over that whiskey bank and increase cash flow and generate returns for investors. So expect that one to be cash flow positive in the next 18, 24 months. Hopefully that's reflected in the share price and we're not thinking about it as an asset play as we are at the moment and more a company that's more trading like an operating business would so still believe that there's value from that transaction for investors.

April Lewis:

Thanks, Marty. The next question comes from Brian and is for Geoff, which industry sectors are likely to be the growth areas for the year ahead?

Geoff Wilson AO:

Hey Brian, that's a good question. I think it'll be a tough year ahead. The market had performed pretty strongly. We've got the adjustment in the U.S. obviously the adjustment globally with Trump's various plans are, there's no doubt. I'm not sure how, whether you've read or how old you are, but the, you know, back when the Berlin Wall came down, there was a big growth dividend globally because people had to spend less money on, on protecting themselves.

And now that it's actually nearly the reverse of that growth dividend. So the, you know, the uncertainty that Trump's creating, you know, globally and particularly with Europe just increases the cost of all those countries cost in terms of spending for defense. And that's got to come from somewhere. Yeah, it comes from high taxes. Which is negative for the economy.

So I think it's going to be, I think it's going to be a challenging year. You know, that's sort of, that's my view in terms of any individual sector. I'd probably defer to whether it's Matt or Oscar or Katrina, the lead PMs for the various other companies, they'll have all their strategies. Obviously, technology even though that's been overhyped. Yeah. There's still significant wealth that's going to be created through the utilisation of smart technologies, etc.

So yeah, the good thing is on WAR we don't have to worry about that that much. We just need to find a company that's trading at a discount assets and then understand how it'll trade it though at NTA again. And if we believe it will, then, and we can see a catalyst can do that, then we buy it.

April Lewis:

Thanks, Geoff. And while we're on that topic, Rodney's asked, The S&P 500 is down 10% from its peak and the NASDAQ is down 14%. Are we in a broader bear market and how do you position to come out the other side.

Geoff Wilson AO:

We're not in a bear market yet because obviously the market's got to fall 20%. So then we'll enter the bear market. I mean, what we do know is markets go up and down and so you don't want to get too concerned about a market falling because the challenge is how quickly you make the money back in terms of how we're positioned. I know we mentioned earlier on the call is we're holding a bit of cash already about a little under 12% cash.

And then also when AOF turns into cash and Global Data Centers, when we get our rest of our money for that, you know, then. Yeah, then that gives us quite a bit of flexibility in terms of. Yeah, our cash levels will be at a reasonable level. Broadly. What I've discovered over time is when I was a lot younger, I sort of focused on market timing a lot more and as I've seen more market cycles and probably the inability to pick the tops and bottoms of markets, I realised it's really time in the market rather than timing of the market.

And a nice statistic is if over the last 20 years, I think if you missed the best performing day each year, that's 20 days over 20 years. But the best performing day, your return as an investor in the market would be close to zero. If you were in the market and got all those the best performing 20 days over the 20 years, then your performance is close to 8 to 10%. So to me it's, we will increase our cash levels, but broadly we'll be invested and we'll draw them down when we can see good opportunities.

April Lewis:

Thanks, Geoff. We've got a question from Paul. Why the sudden drop in Thorney Opportunities (ASX: TOP)?

Geoff Wilson AO:

Yeah. Marty, have you got a strong view on that?

Martyn McCathie:

Not a strong view. So obviously I had a really strong performance from a share price perspective last year. I think it was up over 40% through the last financial year. I think share price up until closed business last night was down about 11% this financial year. There'll have been a little bit of NTA decline there and a little bit of widening of the discount. So it is sitting around a 40% discount today, but it was about 35% discount at the end of last financial year. So, yeah, I'd say just a bit of a correction after the strong share price performance over the last financial year.

Geoff Wilson AO:

Yeah. And also, what you tend to find is sometimes because there'll be. There can easily be periods where there's just a lack of liquidity, when the market's a bit volatile, there could be a lack of buying, and then if there's a seller, then all of a sudden they push the price down quite a bit, particularly in periods where there's a bit of volatility, which has been over the last couple of weeks.

April Lewis:

Thanks, Geoff and Marty. We've got a question from Graham for Geoff. He says he's getting worried about the number of new funds and Geoff seems to be phasing himself out in terms of the seminars. Is this a reason for the various share price declines?

Geoff Wilson AO:

Well, first of all, the share price haven't declined. They've actually all gone up, particularly since we've announced our results. And secondly, I suppose one thing that people have got to realise is, you know, I think we're. What are we. Are we up to 70 people? Do you know how many are we. Do you know how many employees?

Martyn McCathie:

65, I think.

Geoff Wilson AO:

Yeah, 65 employees. You know, on the investing side, you know, we've nearly got. Or is it 17? 20. Geez. 20 investing professionals which have significant experience. And in terms of managing the portfolios, they have been managing the portfolios. I can go on all the webinars, but there's no value me being on the webinars if I'm just sort of there as the figurehead where in WAR, Marty, myself and Jesse, we manage the portfolio. So that's why it makes sense to be here. Does that answer the question? April, was there any parts of the question I missed?

April Lewis:

No, I think you covered it off. Thanks, Geoff. We've got a question from Trent that's I think, for Marty and I think Geoff has already touched on a little bit before, but can you please speak to the amount of cash that's currently held in WAR portfolio and where you see this level setting?

Martyn McCathie:

Yeah, and just to reiterate what I said earlier, I think at the end of February, we were 7.8% cash AOF, which is one of our discount assets, has announced a special dividend late last month which has gone ex this month and will be paid in the coming days. So that's cash receivable for the fund and that takes us to a little over 11%. When you add in AOF and GDC, we're getting closer to 20% given they have both sold their underlying investments and are just waiting for the settlement of those investments to return capital to shareholders. So, as I said earlier, sitting with a bit of dry powder in the portfolio, obviously protecting us from some of the volatility at the moment and gives us the opportunity to selectively deploy that capital opportunities as we do see discounts widen through this period of volatility.

April Lewis:

Marty, we've had a few questions and we've touched on it before. One question is from Ian on WAR's holdings in Platinum and Platinum Asia Investments at the end of February. Will WAR be supporting the PGF alternative?

Martyn McCathie:

Yeah, and, and yeah, I think Geoff touched on it earlier.

Geoff Wilson AO:

Is that yes, we will be or no?

Martyn McCathie:

No, it was, I was more just. I'll take the question since there was a silence. Look, I, I think the, you know, it's fluid the situation. I think when they came out with the announcement it was, you know, they were reporting a 6% premium to the cash out option because of the, the share price premium of PGF. We've got relatively small holdings there. But as Geoff said earlier, consideration would be given to the premium of the stock option versus the cash out option at the time of conversion.

The liquidity of PGF being the acquirer and an assessment on what we think the potential flow back might be from Platinum investors who want to exit on market. Obviously, as we saw with Templeton, the larger the premium they are probably the more unnatural holders take the script option which causes undue pressure on the, on the subset they acquire a share price post transaction. So a few moving parts.

Martyn McCathie:

I think Geoff said earlier as well. Given where the dynamic is live today, we'd probably be inclined to take cash over script. So that's where our head's at at the moment. But yeah, watching it, if the transaction goes ahead, watching where the dynamics will end closer to the endpoint.

April Lewis:

Thanks, Marty. Ian has asked Glennon is trading at a 35% discount to NTA. Why doesn't someone buy it like WAM Strategic Value.

Geoff Wilson AO:

Very good point, Very good point. The tough thing is when it was, when it floated is before we had WAM Strategic Value set up. I personally put some money in at a dollar and so I've, I've got a reasonable position in the company now. Obviously I'm not that pleased. It's trading at a big discount and something will, you know, something will work out eventually on Glennon (ASX: GC1). It just, it would be to me it's just too much of a conflict of interest. If as I have a position then WAR builds a position in Glennon as well.

April Lewis:

Thanks, Geoff. And on this topic, Trent has asked about WAM Global. Actually, how do you protect against internal biases and interest on this investment?

Geoff Wilson AO:

Yeah, well, I mean that's I suppose it's like you just got to be aware of that, you know, we're managing the portfolio as if we're managing the portfolio. Yeah. Our view was when I was trading at a sort of that 18-20% discount, it was too big a discount, so we didn't sell any then. And I mentioned, well, it would actually be in our interest if we didn't own any shares because we'd get paid a management fee on whatever the money would be used for. And we currently don't get that in WAR.

But you just like, there's nothing. To me, there's nothing wrong with having conflicts of interests. It's just, you know, you've got to be aware of them and you've got to act independently. And that's what we focus on. And also, it's. It's. There's nothing wrong with having inside information, because now we're given inside information all the time by companies. The only thing that's wrong is if you trade on it, then you go to jail.

So, yeah, again with conflicts of interest, we're aware of them. And we'll do what, as the portfolio managers of WAR, we'll do what is in WAR's best interest.

Martyn McCathie:

And maybe just following on from that, Geoff, it's just one of the questions that was asked earlier was our holding in WAM Global, and I don't think we came back to it. So we're a little over 18 point million, about 5.1% of the company. So 18.1, 18.4 million shares.

Geoff Wilson AO:

Okay.

Martyn McCathie:

A little over 5.1% of the company. And I think if we look at WAM Global, it has been a really strong performer for us in particular over the last two years. Obviously, it went from a premium to a discount at the time we went into the Templeton transaction. And we've talked to some of the dynamics there in relation to Platinum and potential for selling pressure. The investment team there have delivered plus 20% performance over the last two calendar years.

Martyn McCathie:

And we have seen that discount narrow, as Geoff said, from that 18% to live around about 9%. From our portfolio perspective, it is delivering a really healthy, fully franked income as well, which is allowing us to pass that fully franked income through to our investor base. So not one that we want to hold for forever. As the discount narrows, we'll look to opportunistically sell that one down, as Geoff has said.

April Lewis:

Thank you. The next question comes from Andrew. He says MFF Capital Investments (ASX: MFF) is still trading at a 10% discount. Is there any interest?

Geoff Wilson AO:

It's probably not a big enough discount for us. We were in MFF when it was a bigger discount and then we're in the other Magellan funds and then we actually switched out of MFF into the other Magellan funds because we thought it was more likely that they would do something in terms of capital management, which they ended up doing. If MFF was a 20% discount, then it would be more interesting from our perspective.

April Lewis:

Thanks, Geoff. We've got a question on Steven and he says you touched on this at the start of the webinar. Geoff, however, can you please explain the investment rationale for continuing to hold a substantial holding in the Naos Small Cap Opportunities company?

Geoff Wilson AO:

Yeah, well, I didn't, I probably didn't really touch on why we're a shareholder in terms of the. Yeah, it currently makes up, I think 1.47% of the portfolio. And you know, the, the way that NAOS performed, which has been incredibly disappointing. You know, we think there could easily be, you know, like something has to happen. I, I don't think NAOS can continue. Yeah. As. As they have been because the, you know, the performance has been, you know, been disappointing. If, if we can get out at NTA, you know, then.

Yeah, then we're very interested in now we can move on to something else. So, yeah, the performance has been disappointing.

April Lewis:

Thanks, Geoff. And we've got a question from Charles and this is for Marty. What is the latest on Keybridge? Is Bolton any closer to jail? He says he was a Keybridge shareholder until Bolton blew it up.

Geoff Wilson AO: Oh, hey Marty, you better not. I think the Keybridge guys listen to all this and we put this on our website. So actually we're currently in court and actually I think we're waiting for a judgment. So it's probably, you know, sorry, we, we take your question with, you know, we hear your question to hear your comments, but probably best if we don't, you know where. What are we doing? Well actually, do we, do we. Do we own any in. Oh, I think we. Yeah, we own.

Martyn McCathie:

Attaining a little bit. Yeah, I think we leave it there.

Geoff Wilson AO:

\$800 worth in WAR.

Martyn McCathie:

Yeah, that's all we can say on that one.

Geoff Wilson AO:

It's not relevant to WAR. Yeah.

April Lewis:

The next question comes from Graham. Could you advise which companies are trading at NTA or a premium?

Geoff Wilson AO:

What of now? Graham, of our listed investment companies.

April Lewis:

I assume that's what Graham means. Yep.

Geoff Wilson AO:

Yeah, yeah, yeah. Marty, have you got the figure there?

Martyn McCathie:

Yeah, well, it's WAM Capital. WAM Active (ASX: WAA) WAM Research, WAM Microcap (ASX: WMI) and WAM Leaders is at NTA of our stable. One Micro Cap's the largest premium in the stable at the moment around about that 8 to 9%. Obviously markets are moving around a little bit so a bit of volatility there. But the other three are at a low single digit premium and Leaders is kind of oscillating between a very small discount and small premium. So it's there or thereabouts.

April Lewis:

Thank you. The next question is for Geoff and it comes from Kieran. The government's proposed changes to the super legislation was narrowly not passed, which you touched on earlier. But specifically what are your views on the market environment if unrealised gains are taxable?

Geoff Wilson AO:

Well, initially it's only unrealised gains in super funds and it's people that have more than \$3 million. So it really will impact small business and farmers mainly. One of the negatives we see is it sort of takes people's aspirations away and the real risk is if it spreads out from there because you want to encourage people to invest risk capital to try to get returns. If you want to look at an example of what's happened globally, in Norway they brought in taxes on unrealised gains but at a higher level, not in super funds but just, just taxes. And, and I think half of the richest people in Norway and I think the, their first unicorn, like a

technology guy, they've all left, they've got gone to domicile themselves somewhere else because you know they, they get negatively impacted and taxing unrealised gains.

If you, if it was broadly the tax on unrealised gains, why would you, if you're a young entrepreneur, set up a technology company, you could be losing money for years but the value of your business might go up a lot. And then you got to pay tax on something that may never eventuate, you may never get that value. So to me it's not a great tax.

April Lewis:

Thanks Geoff. We've got a question for Marty from Andre. Do you own Morphic Ethical Equities Fund (ASX: MEC)?

Martyn McCathie: We don't within the WAM Strategic Value portfolio. So MEC I think discounts around about 10 12% at the moment. We do however have a holding in Future Generation Global (ASX: FGG). Geoff and I are both from the investment committee of FGG. At a point in time we were invested in the, the unlisted version of the Morphic Ethical Fund. We were increasing our investment and there was a line of stock in, in the LIC at a discount.

So we took the stock at a discount and the plan was to air that out as it went back to NTA parity. Unfortunately that hasn't occurred more recently we have been accumulating or FGG has been accumulating. Stock changed substantial recently. The company's going through a bit of capital management initiatives at the moment. So it does have a kind of capital management strategy at play. Discounts come in but again just with potential perceived conflicts of interest.

We haven't muddied the waters and acquired it in WAR as well as having a holding in Future Generation Global. So try to keep those two separate.

April Lewis:

Thanks, Marty. Trent has asked direct discount assets like Lark and Dusk (ASX: DSK) make up only a small part of the fund. Can you share your thoughts on these investments and their role in the strategy moving forward? Acknowledging we did touch on Lark a little bit earlier.

Geoff Wilson AO:

Yeah. And the. I mean Global Data Centers, you could argue that's that sort of. That was more an operating business that we put in there and we ended up making very good money on amp. We've had that at various points in time and made some good money on it. Effectively what we've focused on is buying assets at a discount. So there are various periods of time in a cycle where operating businesses will get sold down and trade below the value of their assets.

And so even though our main focus is on the closed end fund sector, there's 80 odd companies in that and there's more listing recently. We'll look at that and we'll look at also REITs that are trading at discounts. But we've got to be confident as we've got AOF

effectively was a REIT trading at a discount. We could see a clear catalyst that the money that they were going to sell all the assets and give the money back. So it's really trying to find those companies that are trading at discounts and as you said, like the Lark one, it's a minuscule position.

What is it? Is it less than a percent of the portfolio or like. Yeah, 0.5% of the portfolio literally. And dusk 0.3% again dusk was a discounted value asset play which we'd been letting some. It rallied strongly since the price we put bought it at and we'd been selling some. So to me it's again they could be a big part of the portfolio. Just depends what value say all the banks traded at a 30 or 40% discount to NTA.

They're not at the moment, CommBank (ASX: CBA) is trading at a 350% premium or 300% premium. But it could be there can be opportunities where operating businesses trade at big discounts to nta. So there's opportunities there. And the best one for us was Global Data Centers, which we made really good money on.

April Lewis:

Thanks, Geoff. We've got a question from Gary: WAM Global recently announced an increased dividend and a special dividend. Regal Asian Investments and VGI Partners Global Investments have increased their dividends from \$0.05 to \$0.06. Can we hold these companies to collect dividends?

Geoff Wilson AO:

We can, but that's not our main focus. That's sort of the side benefit. Our main focus is getting as close to NTA as we can, buying at a discount and selling close to NTA and making profit that way. The secondary benefit is getting some very nice, fully franked dividends.

April Lewis:

Thanks, Geoff. And we've got a question from Angus which is also for you, Geoff. I see you are starting a LIC with monthly dividends. Any chance of WAM Strategic Value paying quarterly dividends?

Geoff Wilson AO:

Oh, actually, yeah. And we had it on our slides today, I think. Is it the second last slide we talked about? Yeah, WAM Income Maximiser (ASX: WMX) which we lodged the prospectus for about a week ago. That is pretty much. It's interesting you say that. The reason we've created this new company, and I think someone asked a question earlier on about are you doing all these new companies? The reason we created this was because probably for the last five to TEN years people have been asking us, can you pay more regular dividends?

With the LIC structure as it is historically, we've paid six monthly dividends. People have said, look, will you pay quarterly dividends? And we haven't been that keen. And over the journey a lot of people have been saying, can you pay monthly dividends? We did a survey at the end of last year just asking people about dividends and they said, yes, we would. I think 63% of the people that responded said they'd like monthly dividends. So we hear

clearly what you want. Probably for the last four years we've been looking at creating a product that can do that.

And we started with a blank piece of paper and a product that can give you the maximum return with the minimum risk. And that's where Wam Income Maximiser comes from, because you're shareholders, you get an entitlement. So if you want to apply for shares, then you can go onto our website and apply for shares. And we put \$180 million worth of stock aside, you know, for all the WAM entity, 130,000 odd shareholders.

And yeah, and so this one will give you monthly income and we specifically created this. And it's, it's broadly 60% equities, large caps and 40% debt. But it's high quality. It's high-quality debt, investment grade debt and high-quality equities. And so, we'll use our traditional way of investing in both equities and debt to get the best returns for shareholders over time. So if this will be our monthly income product.

Now the plan is it'll be really interesting to see how this goes because, yeah, there are other monthly income products listed. There's a couple which trade at premium, consistent premiums to nta I think there is something people, as you quite rightly pointed out, do want more regular income. Historically we've held off, but this, depending on how this goes, this may change our view in terms of how we pay the dividend. So I won't say we'll never change, but the plan isn't in the short term.

April Lewis:

Thanks, Geoff. We've got a question from Lawrence. Lawrence has asked which current holding that you already have built a good position in are you most positive about and why?

Geoff Wilson AO: Oh, well, see the, the, oh, this is the easy one. The easy one is AOF because we're getting our money back. So it's just to annualise. What's it, what annualised return is it at the moment, Marty?

Martyn McCathie:

If we get the full proceeds that we expect, it's 4% return, about 13% annualised return.

Geoff Wilson AO:

Yeah, that's incredible confidence with that one because all the assets are sold. Oh, yeah. Actually we're still buying one of them. Pretty confident in. To me. One of the, one of the interesting ones is Carlton Investments. It's just interesting because it's, it's a very big discount. I can't see a short term catalyst. We've got a very small position, like it's 2% of the portfolio, but something at some point in time will happen there.

Geoff Wilson AO:

Marty, is there any, any others you're.

Martyn McCathie:

Oh, I assume you thought of it.

Geoff Wilson AO:

But more just which one. Are we still buying it?

Martyn McCathie: No. More Perpetual (ASX: PPT) It's one we've traded exceptionally well as the discounts blown out over time and again. You know, someone was asking the question earlier about, you know, public, publicly, us being active and you know, whether through the media or calling shareholder meetings. I think Perpetual and Pick is one that we've played behind the scenes very well. We've bought that one as the discounts approach 10% and we've been able to dispose of it as the discounts narrowed or is traded at a premium. So it has been one that's been very cyclical. That share price premium, obviously perpetual is going through a bit of a corporate restructure at the moment.

It's their only equity listed investment company that they've got and it's just about 10% of our portfolio at the moment. Again as we've been able to buy at a big discount. So either naturally or unnaturally, I think that one will close at some point. So I'd be confident in that one, wouldn't you, Geoff?

Geoff Wilson AO:

Yeah, I think it's pretty fair. Pretty fair assessment.

April Lewis:

Thanks. Both. We've got a question from Greg. He's asked Cadence Capital (ASX: CDM) and Cadence Opportunities Fund (ASX: CDO) have traded at persistent discounts to their NTA Would you consider including these licks in the WAM Strategic Value Portfolio?

Geoff Wilson AO:

Yeah, it's a bit tricky with Cadence Capital. Carl worked with us for a while and we helped him set up Cadence Capital, the first LIC. So we've got a conflict of interest there. We actually get a very small part of the management fee there. So that would be. Yeah, like that wouldn't be fair on you guys. So. And then the other one, the Opportunities Fund, that's the second one he did which is not very liquid. Yeah. And to me that could be interesting. It could be interesting.

1:14:44 April Lewis: Thanks, Geoff. We've got a question for Marty from George. Are you still invested in the US Masters Residential Property Fund (ASX: URF)? George said he notices that Global Value Fund recently purchased more units in URF and is wondering what your view is.

Martyn McCathie:

Yeah, it's actually one that we've disposed of more recently. And the share price had a really strong rally at the start of the financial year. Share price got up to 41 and a half cents which was significantly ahead of our cost price. And we took some profits from that one. NTA at the moment, mid \$0.60. And there was a few risks that we could see with that one. I think on paper it looks like a really solid discount.

Martyn McCathie:

Obviously they're going through the wind down and they did come up with positive news from a tax perspective. The portfolio is levered so there's debt in the portfolio, high interest costs. Obviously interest rates have gone up a lot. So as they renew that debt facility, it'll

increase operating costs there. While they have exited investments at close to book value. There is a 6% selling fee in the US and because of the leverage in the portfolio grossed up. That's about a 10% haircut that you'd take and then just a view on the U.S. property market. We did a bit of analysis on the investments that they hold relatively concentrated areas as they do go through the disposal. There's a small risk that they kind of flood the market from a supply perspective which will push down prices. And then I kind of view that potentially they've been selling the better assets and kind of hold on to the rump of the carcass for want of a better term.

So look, not saying we wouldn't hold it again, but at low 40s we were happy to take the capital off the table there. And if the share price goes down, great. Otherwise there's plenty of opportunities at the moment that we can deploy that capital elsewhere.

April Lewis:

Thanks, Marty. We've got a question from both David and George. Why do you hold WCM Global Growth (ASX: WQG) and what is your outlook for the company?

Martyn McCathie:

Happy for me to go there, Geoff?

Geoff Wilson AO:

Yeah, yeah, Marty, happy.

Martyn McCathie:

No worries. So look again, it was just a discount, you know, discount to NTA. The WCM guys do have really strong long-term performance. Geoff and I have followed them pretty closely from a Future Generation Global perspective. They're one of the managers in Future Generation Global, so we followed them and their performance for a long time. They've got quite a unique investment philosophy focused around the culture of the business that they invest in and that has delivered strong performance over time.

More recently they went through a challenging period of performance and then sentiment bled into the share price. So that kind of supply demand imbalance provided us an opportunity to pick some up. So it's not a big position in the portfolio. However, it was one that opportunistically we were able to pick up at a discount. We think the investment team can deliver. They have over a long period of time and hopefully they can get, you know, but on the back of strong performance, the market will appreciate that and it will trade closer to NTA at which point we'll be happily happy to exit with NTA uplift and that share price narrowing and kind of compounding our return hopefully.

April Lewis:

Thanks, Marty. Another question for you from George. At last week's webinar, Oscar and Tobias said they've been buying AMP (ASX: AMP), which is trading at a discount to NTA. Is this a company that WAM Strategic Value would consider investing in?

Martyn McCathie:

Yeah, I think Geoff touched on AMP a little bit earlier. It's been one of the positions we've

had in the portfolio and one we made a fair bit of money out in that discount asset perspective back in late '22, early '23, I think we were buying it at close to a dollar and sold it twice at close to \$1.30 as the share price went through a bit of volatility and they had some extensive capital management. So definitely one that's always on our radar given we've had a positive experience with it and obviously leverage the benefit of the wider WAM investment team with Oscar, Tobias and their team's views on the stock. So one that we're monitoring along with the other team at the moment.

April Lewis:

Thanks, Marty. I've got a question from Derek for Geoff. In answers to several questions you've mentioned waiting for the register to tighten up. What do you mean by that?

Geoff Wilson AO:

So effectively it's, I mean effectively the drivers for a listed investment company to trade it to NTA or a premium is when there's enough buyers at NTA or a premium to NTA. And what you find is what tends to happen is when a share price trades at a discount, then people are selling because they're selling. Like, why would you sell now when you know the NTA is \$1.29? Why would you sell at \$1.14 below what it's worth?

So there's effectively excess supply. And what I mean by tighten up is that excess supply reduces. So effectively people are selling a discount, you've got excess supply, eventually you don't have any excess supply and the NTA the number of sellers disappear and so there's less selling and then you just need the same amount of buying or a bit more buying and the share price moves from the discount to trade at NTA and if not a premium. So tighten up means reduction in sellers. Yeah. And then eventually increase in buyers.

April Lewis:

Thanks, Geoff. We've got a question from Jim who's asked why has the fund performed poorly and what were the original investments? So were the original investments wrong?

Geoff Wilson AO:

Well, first of all, I don't think original investments were wrong. And on a risk adjusted basis, you could argue the funds performed reasonably well. From my perspective, I'm a large shareholder, like I suppose you're all shareholders because you're on the call and sorry, back on the volatility of the markets. 11 and a bit percent over the period of time the fund's been running and the fund volatility is only 8%.

So you'd assume what that means is you're taking less risk. We've taken less risk investing in the fund and we've actually excluding our costs, which you can't, but excluding costs we've performed over that period of time in line with the market. Now the, you know, so to me is you know, like that is, that's, you know, that's, that's disappointing. What could we do differently? Yeah, our strategy has been buying the discounted asset plays and the problem is it just takes time for them to be realised.

What could have we done differently? Maybe we could have. Well first of all we could have accepted cash for WAM Global and then we wouldn't be talking about WAM Global. We

probably could have, you know, had bigger positions. Well, if we had bigger positions in the, in, you know, in our, in the positions in the companies that were bid for or you know, like the Magellan. We had positions in both the Magellan funds.

We have positions in Westoz and Ozgrowth that got bid for. We had positions in what's, what was that one in Melbourne? AEF?

Martyn McCathie:

Yeah, AEG (ASX: AEG).

Geoff Wilson AO:

AEG, sorry, what was that called? The old. Anyway then, yeah, another, another listed investment company that was, was taken over. So yeah, if we'd had bigger positions in those and probably, you know, smaller positions in. Well and then yeah, smaller positions in any of them that went down. So, you know, yeah, that's what could have we done differently. Would have. Would have the performance been exceptionally different.

It would have been. Well, if we had bigger positions in the winners and smaller positions and losers, it actually would be, would have been better, you know, would have, would have the, you know, would have the portfolio increased, you know, 50%. No, you know, this is a, this is. You're buying assets at a discount. Like, you know, this is a medium-term play where you're trying to do the market, you know, plus the discount because the underlying funds you hope perform in line with the market and your discount is where you make the profit.

Martyn McCathie:

And I think Geoff, as you said, that's all with the benefit of hindsight and as I look back, kind of maybe some missed opportunities that we've had and again with the benefit of hindsight is probably the income. The fixed income sector with Partners Group (ASX: PGG), KKR (ASX: KKC) Neuberger Berman (ASX: NBI). Two out of three of them have closed shop and the third one, the discounts narrowed materially. We did a fair bit of work on them at the time and just couldn't get comfort around the risk that investors were taking to get the yield. So, while there was a good discount on offer and on paper they looked like great opportunities.

Martyn McCathie:

It's how confident we were that we were going to get that capital back and that the discount wasn't going to be eroded by loss of value through the underlying investment. So I think all of that is with the benefit of hindsight, you can't get it right all the time.

April Lewis:

Thanks, Geoff. Thanks, Marty. And Marty, while I've got you, I've got a question from Dennis. With the market correction, stock volatility and many LICs trading at a discount to NTA, do you see this as a golden opportunity to invest?

Martyn McCathie:

Yeah, obviously volatility always brings with it opportunity. What we're seeing at the

moment, and I think Geoff touched on it earlier, what you tend to see in initial periods of volatility is the registers of LICs are a little bit slower to react. So while there's some big discounts on offer at the moment, those discounts have narrowed a little bit over the last couple of days. So live discounts aren't as attractive as they were for us.

You kind of want to get a bit of comfort that the market isn't continuing to fall. You don't want to try and catch a falling knife. So obviously we want the opportunity, the volatility to shake out a little bit, registers to settle. And I think there will at that point be lots of opportunities for us. As we've already said, our cash is relatively healthy. We've got a couple of assets that are going to return cash in the next couple of months.

So we're in a good position to take advantage of those opportunities once the volatility has died down and things have shaken out a little bit.

April Lewis:

Thanks, Marty. And George has asked you, Marty, what is the maximum percentage holding a stock that you can have in the portfolio?

Geoff Wilson AO:

Yeah.

Martyn McCathie:

So there is no hard limits under the prospectus. We've got a flexible mandate to allow the investment manager to express their best ideas within the prospectus. We did say it would be formally reviewed if a position was in excess of 20% of the portfolio. So that formal review process would be with Geoff as the lead portfolio manager and the rest of the board. We don't have to necessarily sell. If we do breach that soft 20% limit and we could continue to accumulate. So as long as the investment manager and the board were comfortable with the.

Martyn McCathie:

The risk return we were taking and the concentration we were taking in the portfolio, there is no hard limit.

April Lewis:

Thanks, Marty. We have a few questions for Geoff. We've got a question from Navar who's asked, why not keep stocks that pay dividends? Geoff said that doesn't align with the strategy of buying at a discount to NTA. If a stock provides strong cash flow through dividends, isn't that achieving the same goal over time? Am I misunderstanding WAR strategy?

Geoff Wilson AO:

No, but the, the what we're focusing on mainly is capital risk. You know, say we buy a stock at a dollar and it pays, you know, good dividends and the Stock falls from a dollar to 50 cents, you know, then you wouldn't be very happy with us. So there's, you know, if we can buy the stock at a dollar and it stays at a dollar and it has asset, well, we'd hope it goes from a dollar to \$1.30 or \$1.10 and we get a dividend as well.

So, you know, WAR's strategy is, buying undervalued assets and paying you fully frank dividends from the capital we make and the tax we pay along the way, we get fully frank dividends from the companies we invest in. So you're close to the right track. What else was there?

April Lewis:

Yeah, no, I think that covers it up just in terms of the strategy. So that's good. We've got a question from George and Todd. Can you comment on the CD Equity Fund's (ASX: CD1), (ASX: CD2), (ASX: CD3).

Geoff Wilson AO:

Yeah. Big discounts and at various points in time we buy them and we think at some point in time we'll get close to our. The money back. Yep. Highly illiquid. So that we can't get much in the way of positions.

April Lewis:

Thanks, Geoff. And it looks like this is our last question that we've got from Irene. Are monthly dividends good for growth? I'm assuming she's referring to the WAM Income Maximiser.

Geoff Wilson AO:

Yeah, the WAM Income Maximiser. We. We specifically put that together. So the income, the dividends and the debt that we invest in in Income Maximiser, that'll cover the dividends. So it really depends how the underlying assets perform after that, whether we get the capital growth or not.

April Lewis:

Thanks, Geoff. And we've had one more sneak in from Jim, the last question. Have you had a look at Pacific Current (ASX: PAC)?

Geoff Wilson AO:

Yeah, Pacific Current is really interesting. Yeah. Yeah, we've got a really small position there. The discount just isn't big enough. And the interesting thing is the chairman who I spoke to recently, he accepted the recent buyback, so. And they're saying the last three funds they've got, even though it's trading at about a 17% discount NTA after the buyback, I think they're saying that the last three fund managers, they don't expect to sell them in the foreseeable future.

So you just can't see the catalyst. And to me, I think the chairman accepting the buyback was sort of indicating what his view is.

April Lewis:

Thanks, Geoff. Thanks, Marty. And thanks to everyone for submitting your questions. This now closes the Q&A component of the webinar. If we're unable to get to any of your questions today, we'll definitely contact you afterwards. I'll now pass over to Geoff for closing remarks.

Geoff Wilson AO:

Yeah, look, thanks, April, and thanks, Marty, and thanks for all the shareholders for engagement. Again, this is was a very high-quality level of questions and, and a long webinar. So, you know, this is your company and you know, we're managing it on your behalf. Please, you know, our plan is to have, you know, the share price trading at NTA, if not a premium over, over the medium-term. And if you do have any questions or comments, please come back to us. Thank you very much.