

WAM Global Portfolio Update and Q&A Webinar Transcript

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Speakers:

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Camilla Jones – Corporate Affairs

Transcript

Catriona Burns

Good morning, everyone, and thank you for joining us for the WAM Global (ASX: WGB) Investment Update and Q&A Webinar. This is your company, and we're pleased to provide you with an update on the portfolio. I am Catriona Burns, the Lead Portfolio Manager, and with me today, in the room is Nick Healy, Portfolio Manager, and joining us from New York is William Liu, Deputy Portfolio Manager, and William Thompson, Investment Analyst.

Camilla Jones from our Corporate Affairs team will facilitate the Q&A. But before we begin, a disclaimer is on the screen. What we talk about today is general in nature and should not be considered financial advice.

So, I'll start by going through the investment portfolio itself. The numbers we have are up until the 31st of May. In terms of the performance for the fund, we're pleased with the performance. The Fund is up 18.8% year to date, which is ahead of the MSCI World Index (AUD). And in terms of the TSR (total shareholder return) for the fund over the last three years, that's running at 16.4% per annum. In terms of the dividends that we've announced for the fund, we're very pleased that over the life of the fund we've continued to increase the dividends steadily and with the extra benefit announced of a special dividend of 4.0 cents per share.

So, we've paid the interim dividend at the end of May, but the special dividend of 4.0 cents is still to be paid and will be paid on 31 July. In terms of the dividend yield relative to global markets, we're very much ahead of that in terms of what we offer. When you buy WAM

Global shares, the dividend before the special is running at a yield of 5.4% or 7.7% grossed up. And when you include the special, that's 7.1% and a grossed-up dividend of 10.1%.

As I said, that global equity market yield is 1.8% and the U.S. average equity market yield is 1.3% - so you get a much better yield owning WAM Global than you do on the general index. In terms of the discount to NTA, that has been very pleasingly coming in significantly. We've done a lot of work in terms of call campaigns engaging with shareholders to really close that discount. At the end of January, it was closer to 18% and it's back in today running about 4 or 5%, which is, which is terrific.

We'll continue to really push to close that discount, but are very pleased with both the TSR for the fund and more generally the investment portfolio performance that we've delivered. The profits reserve (per share) is at 80.6 cents after the payment of the interim dividend and we do have over six years dividend coverage. One of the questions we do get asked is why haven't we increased, you know, paid a bigger special or increased the dividend more? And that's really, we have fully franked the dividends for the entire life of the fund, and we generate franking only as we pay tax. So, while we have the profit reserve accumulated, we don't have the full franking. So, we prefer to gradually increase the dividends but pay a special where we do have the franking to cover that.

In terms of the market more generally, what we're seeing, it's been an interesting ride for markets and there has been volatility and lots and lots of noise. Since Trump came in and was announced as president that he'd won the election back in November, there was a lot of optimism at that point around deregulation, tax cuts. But then we've had concern over tariffs, and so the markets around Liberation Day were very volatile.

Interestingly, since then, we've had a degree of complacency come back into the markets with the threat of tariffs being put on hold, largely with the pause in the more dramatic tariffs that were announced. So, to our mind, we do continue to find lots of interesting stock ideas but you do have that backdrop of the market being very strong.

When we talk to companies, which is a huge part of our process, I'd say in general the area that has been affected is capital expenditure (CapEx) decisions. With the amount of uncertainty at the moment, if you're trying to make a big decision around capital investment, there has been a degree of caution around that whilst CEO's work out: What is going to be the operating environment? What are the tariffs going to be?

Whereas when you look more generally across the U.S., certainly if I was talking about sectors that are in the firing line; it's areas that we don't really have holdings in, such as electronics, shipping companies, where they're not exactly sure what their cost base is going to look like. They're trying to make decisions around inventory. But when you look at

other sectors around the market, there's a huge number that really haven't been affected and the U.S. Economy more generally is continuing to chug along and areas that are actually growing really nicely is things that are exposed to say, cloud migration or AI spend more generally.

When we look around Europe, the optimism around Europe has certainly increased year to date, particularly as some investors look for opportunities outside the U.S. given the uncertainty, and also as you've had governments in places like Germany become more pro-business investing in infrastructure, defense, etc. which is a positive for markets like that. In Japan, you've got some inflation for the first time in decades. You've got interest rates ticking up and you are seeing again some capital flows back into that market.

China has been an interesting place in terms of the unwind of a boom in the housing sector that has since subsequently come off and you are seeing some a degree of stimulus. But really, they haven't done the big bazooka firing there and it does appear that they're holding fire depending on what happens with tariffs. So, they will have more to do if they need to if the economy comes under pressure with increased tariffs going forward. In terms of the actual portfolio itself, you know, we've got the charts there around the sectors that we're exposed to and the countries.

As I said, we continue to have a reasonable amount - a large number of holdings in the U.S. And a lot of these holdings; our view around the types of companies that we like to buy, it's those undervalued, quality companies. When we look at the U.S. despite all the noise, there's still an amazing amount of wonderful companies to invest in that really have incredible barriers to entry and really strong opportunities for growth.

So happy to continue to be invested in various companies in the U.S. In Europe, we've had various investments this year that have done well and Will Liu and Will Thompson will talk about a few of those as well. But we continue to buy those, as I said, those undervalued quality growth companies where we think that they, despite over the last few years growth that actually hasn't been outstanding in any way, the actual earnings growth has been very strong and impressive, and their market share and market positioning has improved over the years.

In terms of what we've done through this volatile period, we had a view going into the elections last year that it was increasingly likely as the year went on that Trump would get in. Trump for decades has talked about tariffs. So we thought and as we saw from the, you know, the last administration, we thought that would be a key, you know, issue and so we had deliberately positioned the portfolio away from companies that we thought would be affected by tariffs and we had positioned in businesses like the exchanges which actually

benefit from volatility. So businesses like CME (NASDAQ: CME) , ICE (NYSE: ICE), Tradeweb (NASDAQ: TW), Marketaxess (NASDAQ: MKTX) , these businesses have benefited, as I said, from volatility and are benefiting even today from areas like the volatility around Iran and Israel and so forth because they're large traders of derivatives around oil and gas as an example, and so continue to benefit from volatility. Other companies that have done well for the portfolio include SAP (ETR: SAP), CTS Eventim (ATR: EVD), Tradeweb and Quanta Services (NYSE: PWR), et cetera. So, there's been a number of key contributors to the portfolio, but it is wide in terms of those sector exposures and geographic exposure that we have.

In terms of the investment process, this is a slide we have almost every time in terms of our process remains the same. We look for undervalued quality growth companies around the world. We're looking for those key attributes of strong industry positions, really high-quality management teams, strong earnings growth potential, valuation discipline, and then a catalyst that we think will drive the share prices of the companies that we invest in.

With that backdrop, why don't I hand over to the team in New York, Will Thompson and Will Liu, to give us an update on on-the-ground insights that they've had there and some of the companies that we continue to like at this point.

Will Thompson:

Thanks, Catriona. I just wanted to start by giving you some on-the-ground feedback and some insights that we're hearing from management teams throughout our meetings. As we've told you guys a lot of the time, is how much we love meeting with companies. And part of that is seeing companies we own, seeing companies we're doing the work on, seeing companies that we've owned previously and also seeing companies that we've never seen before. We learn something from pretty much every single meeting and that helps us with the insights for our investment process.

I've got four insights today, two related to tariffs and two related to AI. The first one related to tariffs was that companies were telling us that they were well prepared. The first time they've dealt with this was when Trump first came into administration he put tariffs in place. The next time they've dealt with supply chain disruptions was during COVID so felt this time that they were able to manage the risks and manage their supply chain accordingly. The second insight was that management teams weren't yet seeing any impacts and there were a lot of companies that weren't seeing any impacts at all. However, there was a broad-based sell off in the market which we saw in April with stocks selling off more than 20% which were not impacted.

The third insight, this one's related to AI, was that CEOs and CFOs were really excited by the opportunity and CEOs in particular are excited about the customer experience and how they can use AI to enhance the customer experience to hopefully drive revenue growth. CFOs in particular, they like the productivity element to it. So, a lot of them were talking about their ability to use AI to help with their management and staffing and having the right team there at the right time. Nick's going to go into a little bit of detail about one company we own in the portfolio that relates to that. And then the last insight, and this was common feedback across not only just meeting with management teams, but talking to other investors, talking to key analysts and industry experts: we're early. We're really early. There's a lot of unknowns still - there's probably a few companies with valuations that have gone way overboard - but there's a lot of opportunities where companies are seeing benefits which are impacting both their revenue growth and their margins right now.

One company I quickly wanted to touch on was Lottomatica (MI: LTMC) and the reason I want to touch on it is because it gives you an insight into our process in terms of meeting with management. So, I met with them in London, in March, and I met with the CFO and then I met with the CEO in New York in May. It was really good to actually catch up with two different executives and talk about the same story and the different trends within the industry that that company is seeing - and it confirmed our investment thesis. Now, investment thesis is simply that the gaming market within Italy is going to go from offline to online and there's a huge margin uplift in that process. The best part about this and looping it all together is the reason we actually invested the company in, I think it was 2023, was actually Catriona went to Italy and met with management there. Throughout this journey we've all had a relationship with the management team and it gives us a great insight and ability to find these small growth companies that the market isn't looking at.

Last year, Lottomatica, we kept looking at going "it's so cheap, why isn't the stock going up?" "It's so cheap, why isn't the stock going up?" This year it's up 70% and it's up 30% from the April sell-down. Now, why I think that's important is because during this period we've been able to keep up with management and understand that even though the stock price isn't doing exactly what we want every day, we're able to stay convicted. Will?

William Liu:

Yeah, as Will Thompson have said, we seeing a lot of opportunities globally and we're really excited about the prospects. One of the things we've noticed in capital markets is what Catriona mentioned, which is the shift of capital away from Europe to the U.S. at the margin. And we think this is really due to three key things. Firstly, the valuations in Europe became extremely discounted. Secondly, there was some uncertainty in the U.S. tariffs and policy with President Trump and that's led to some capital outflows. Finally, Europe is

earlier on in its interest rate cutting cycle and that's providing some cyclical tailwinds. So today we thought we'd give you an opportunity to talk you through some of our undervalued growth companies in Europe. The first company I want to talk to you about is Alphawave Semi (LSE: AWE). Alphawave Semi is listed in London: it's a leading connectivity solutions provider for the world's technology infrastructure. It has applications in data centers, artificial intelligence and networking, and it is mission critical. It enables more, faster, reliable and efficient transfer of data. And that's a key bottleneck for a lot of its customers and they're helping to solve that.

We invested in Alphawave Semi because we had conviction that they were the leader in their technology, particularly in the connectivity product space and custom silicon. Secondly, we also thought there was really strong sector thematics with artificial intelligence and data center investment. And then finally, we talked to management and they were extremely well aligned. In fact, insiders owned more than 40% of the stock and couldn't actually buy more, even though they'd explored legal options to do so.

Our investment thesis was validated earlier this month. A large U.S. semiconductor player called Qualcomm (NASDAQ: QCOM) bid for Alphawave Semi at a 96% premium to its unaffected share price, and we think this deal makes complete strategic sense for their entry into the data center. We're not surprised that this happened just given the unique technology on hand and the discounted valuation. And it's been a great outcome for our shareholders. It's a good example of discovering these undervalued growth companies within the AI space that may be a little bit less known to the broader market and the work that we're doing on the ground.

The second name I want to talk to our investors about is Allfunds Group (NA: ALLFG), which is listed in the Netherlands. Allfunds Group is a leading wealth technology platform for fund managers and wealth advisors, and they connect the two. They're the leading player in Europe and they have over 1.5 trillion euros in assets under advice - and they're the scale player. Our investment in Allfunds really centers down to three key points as well.

So, the first one: there's the cyclical shift away from us to Europe and that's going to be a strong tailwind for their near-term earnings. But on top of that, there's also a sector tailwind where wealth managers are moving towards open architecture platforms, of which Allfunds is the leading provider because this gives their customers increased choice, cost efficiencies, and there's regulatory considerations as well.

Secondly, All Funds Groups benefits from network effects. The more fund managers and the more wealth advisors they connect on the platform, the more valuable that its asset becomes. And we've seen that in effect over the last decade where they've consistently

taken market share. The final point is that Allfunds is simply too cheap. The company trades on 13x price to earnings (P/E) ratio, despite being on track to deliver low double digit earnings growth, and the company does 65% adjusted EBITDA margins. That's incredibly attractive. If this asset was listed in the U.S., we think this could trade at more than double its current valuation. In fact, Allfunds Group has had bids in the past as well. So in 2023 Euronext (EPA: ENX), which is a big stock exchange in Europe, they bid for Allfunds Group at a 36% premium to today's price. That was two years ago and the business is in a much stronger position today, so we clearly think this is still being underappreciated by the market. I hope that gives you a bit of flavour of some of the names that we've talked about. Lottamatica, Alphawave Semi and Allfunds Group are all great examples of undervalued growth companies that are being underappreciated by the market. Whether it be a function of being smaller in market capitalisation, less analyst coverage, or simply being in Europe where the capital has not historically flowed - we think the setup is incredibly attractive right now and the market is only just starting to warm up to the growth prospects of these companies. We think there's many positive catalysts to come. But we're not only finding opportunities in Europe, but we are finding opportunities in the U.S., in Europe, and across the world. Eith that, I'll pass over to Nick who'll give you some insights into some of the U.S. opportunities.

Nick Healy:

Yeah, great thanks, Will. As Will mentioned, those were a few of our European holdings in the fund and I'll take a few moments just to take us through some of the holdings we have in the U.S. side of things. And as Catriona mentioned, look, there is some negative rhetoric around the U.S. for obvious reasons. It is just worth reiterating we do continue to find extremely high quality, very dynamic, very innovative companies in the U.S. so we do have a good collection of holdings here.

We expect that to be the case going forward as well. The two examples I wanted to give you today are Intuit (NASDAQ: INTU) and MSCI (NYSE: MSCI). So if we start with Intuit, it's a great business. They're the leading accounting software provider in the U.S., so very similar to a Xero (ASX: XRO) here in Australia. They also have the leading digital tax platform. As well as these core areas, they've been very successful in building out platforms around them. So in consumer they have finance offerings and for the business side of the business they have payroll, payments, marketing and customer relationship management.

Now, we've held into it for over two years. The thesis was pretty simple, a great core business. But as they build out those platform adjacencies, they would accelerate growth and see increased customer lock in. And we saw them as a company that was really well positioned to benefit from artificial intelligence.

So the reason for this is they have years of proprietary data across accounting and tax, they have obvious use cases that will benefit from AI. And the CEO actually led the investment into these capabilities back in 2018, which was incredibly foresighted. We've been pleased with how the thesis has developed over time. But actually, the most recent result from a few weeks ago we thought was the strongest evidence yet of the success of this thesis.

They grew revenues 15% and earnings 18%, which were strong numbers. But even more pleasing to us was the underlying drivers behind that growth. Their 'do it for me' tax offering grew almost 50%. And this is growing into an extremely large \$30 billion market opportunity. So, we see this as a great opportunity to grow that business over coming years. And the business side with the QuickBooks and the Intuit Enterprise Suite had really strong growth as they went up towards the mid-market.

Again, a really large market opportunity where they're really well positioned to win. Another reason we think there's strong growth to that side of the business as well. Really pleasingly in the quarter, they didn't just have strong revenue growth, they actually took up margins very well as well. The CFO, when asked about this, made it clear that this was thanks to AI within the business. So he mentioned that they're actually seeing 40% faster coding from their developers thanks to the use of AI.

So if you put together the quality and the catalyst, we think Intuit is going to be a great holding for the fund in coming years. The other company I want to talk to you about is MSCI. MSCI are the leading provider of global indices as well as data analytics and customisation, and they have an increasingly strong business in private assets. They're providing increased visibility, which many market participants want across private equity and private credit.

We see that as another part of the business that's set to grow extremely well. The quality of MSCI is extremely high thanks to the very low cost to the total cost of the customer, as well as the very high switching costs. MSCI enjoys customer relationships that on average, are about 20 years long.

In terms of catalysts for MSCI. So it's what Will Liu talked about. We are seeing an increase in flows going into Europe after many years of U.S. markets simply performing stronger. Now, MSCI's key competitors are S&P and NASDAQ, who have U.S. focused indices. So as global flows occur, MSCI is a natural beneficiary with these really strongly positioned global indices. So if you combine the quality and that catalyst from outperformance of European and global markets, we think MSCI is just a great holding in the fund that we think will perform well for us as well.

So MSCI and Intuit, there are only two examples of the types of businesses we look to hold in the fund, but we think bring to light the kind of quality and growth that gives us that

optimism in what we hold. With that, why don't I pass back to Catriona to take us through to questions?

Catriona Burns:

Great. Thank you, Nick and Will and Will for those insights. So, yeah, they're just a few of the companies that we're invested in that we're excited about. As I said, we have a whole portfolio of businesses that, you know, that we think are undervalued quality growth companies that will continue to deliver performance for the portfolio going forward. More generally. We're pleased that we've been able to steadily increase the dividends of the fund over the life of the fund, and that we have been able to announce that special dividend of 4 cents a share that is still to be paid and that we've been working consistently to close the discount to NTA. And as I said it's come in dramatically and is closer to that 4-5% level right now. Going forward in terms of the portfolio of companies, we think they will continue to continue to deliver very strong earnings growth and excited about the prospects for the fund going forward.

But with that why don't I hand over to Camilla to facilitate Q&A. So please send through your questions.

Camilla Jones:

Thanks so much Catriona. We'll get straight into it because they are coming through quickly. First question is from Deborah. She says: can you share examples of recent additions to the portfolio that you've been able to buy as a result of the volatility.

Catriona Burns:

Thanks. Thank you for the question. So it's been with the recent volatility there's been a mix of new additions to the portfolio that we didn't have before. And then also take examples of taking advantage of where we think a share price of a company that we already held in the portfolio had come off without reason and where we thought the earnings would continue to deliver. So why don't I'll give an example of one which was already in the portfolio which we added to and then I'll hand over to the guys to give a couple of other examples of ones where we didn't own but we added.

So Quanta Services would be one that I would talk to that we've talked about in the past where we think, you know, they do the transmission and upgrade work of the electrical grid infrastructure across the U.S. Largest player in what they do, very high quality management team that we've known for over 15 years. It's a business we originally bought in the fund during COVID in the sell off because they were one of the areas which was able to continue working in the field despite all the COVID lockdowns. And so we've owned it since then.

It's done incredibly well for the fund and we've trimmed and added as we've gotten opportunities but again we got an opportunity in April to add when it got sold off. So that's one that, that we've added to that was already what do you want to talk to another couple?

Nick Healy:

Yeah, I'll, I'll mention one and then I'll pass over to the team in New York. So this is where we do like to find positions where we think companies have a clear, we love catalysts in all our holdings but a trading position where we have a clear catalyst in the short term is a company we have taken a position in called Masimo (NASDAQ: MASI). They're the leading provider of the oxygen monitoring devices that go on your finger in hospitals, emergency rooms and rehab centers.

Now Masimo is a very simple one. They actually guided their current year earnings based upon really draconian assumptions around tariffs which we've seen since significantly reduced. So we see a mechanical upgrade to the earnings that actually we don't think the market's pricing in. We can see the fact that the street estimates are not pricing this in. Now I think in thinking about this opportunity we are also it is helpful that the quality of this business is extremely high.

This is a company I've talked to many times over the years. I know the management team well. I actually met them in March. So we love the quality of the business. We love the management team. It's a high growth business. But then just that clear catalyst around tariff upgrades. Given what they've assumed we thought that was a really interesting potentially short-term play. But yet one we've taken. Why don't. I'll pass over to the team.

William Liu:

Sure. Thanks Nick. So one of the positions that Will and I did a lot of work on was Synopsys (NASDAQ: SNPS). So it's a position that stock we've been monitoring for a while but it was always a bit too expensive for us. And then during this indiscriminate sell off we had an opportunity to buy a really attractive asset at a good price. The key thing here is they're the picks and shovels way to play R&D spending for chip making, artificial intelligence, data center spend and their biggest customers are the likes of Nvidia (NASDAQ: NVDA), Microsoft (NASDAQ: MSFT), Amazon (NASDAQ: AMZN) Web Services.

It's an incredibly strong business. It grows consistently at low double digits. R&D spending for AI is not really that volatile at all. So we had a really attractive opportunity to buy that business. Low double digit growth, incredibly attractive earnings outlook. And there's a potential acquisition on the horizon with Ansys (NASDAQ: ANSS) which we think will be very accretive when that comes into fruition.

So that would be the name I would highlight that we added. We bought new position in April and we're quite excited about future prospects and leverage to the theme of artificial intelligence.

Camilla Jones:

Okay, thanks everyone. We'll move on to the next question which is from Peter. He says does WAM Global invest in AI technology and if so, what tailwinds or sectors along the supply chain are you most interested in?

William Liu:

Thanks Peter. That's a good question. Because AI is such a strong sector thematic, we spend a lot of time looking at where the value is going to accrue. Within the supply chain, looking at the infrastructure layer, platform layer, application layer, the chip makers. And we spend a lot of time trying to find where can we find the best ideas, where the risk reward opportunities are most favorable. And on a high level, Quanta is a good example. They're modernising the grid. Data centers are very energy intensive and Quanta enables that for the data centers to be constructed. And so that's one way we're winning. That's earlier on in the process.

Synopsys, which I just spoke about, is a software play on designing chips and the EDA space that's incredibly attractive as well. And then we also own companies in the application layer Nick mentioned. Intuit SAP is one we've talked about previously. And so Adobe (NASDAQ: ADBE) is another one that we own that we think will benefit from AI. So we, we're finding where the best opportunities are across the supply chain and where the risk reward opportunities are best. And that's really how we're approaching it.

Camilla Jones:

Thanks, Will. And then we'll go to Catriona next. This one's from Daryl who says why does the share price remain subdued? Can returns lift to 7% and help push the share price above \$2.50 rather than hovering around \$2.25 to \$2.36?

Catriona Burns:

Thanks for the question. So I'm just looking live, it's \$2.47, which is good. So we're nearly at the, at that \$2.50 level. And in terms of returns, we've done a bit over 10% a year since the fund started. So, I would hope that we will continue, you know, to do, to do that. And in terms of the, that has enabled us to really accumulate that profits reserve, which gives us that visibility over dividends, as I said, for the next kind of six years at the current level.

So look, the share price has continued to track up more recently, which is pleasing. But that will be alongside the NTA which we're working hard to continue to grow over time. So

absolutely we're on the same page in terms of wanting to drive both the share price higher, the NTA higher and be able to consistently pay dividends over time.

Nick Healy:

And just one extra thought, as Catriona mentioned, just pleased with that cumulative dividend payout over the life of the fund. So when thinking about the share price, it's always important to consider that when those dividends are paid, the share price reduces by that amount. So yeah, that's also been pleasing.

Catriona Burns:

Very good point. And so over the life of the fund we've paid about \$0.87 a share per share in dividends and franking. So that really has to be considered, as Nick said, in terms of adding that on to the original IPO price.

Camilla Jones:

Thanks, both. This one is from Ken. The topic of the minute. Has the recent volatility caused by President Trump shifted your investment outlook?

Nick Healy:

Yeah, look, why don't. I'll kick it off. Thank you, Ken, for the question and any additional thoughts. Let's add those at the end. So I think Catriona covered it well. We actually had a fairly strong view that it was likely Trump was going to win the election. We were somewhat surprised the extent to which the market was just extremely complacent around areas that we thought he would have an impact.

Again, as Catriona mentioned, he's been extremely clear over the years that he loves tariffs and he sees them as a very positive policy tool. And yet the market was really complacent around tariff affected businesses back in January, February. That gave us the easy option of just being not exposed to those areas. Then we see it as about this is a highly volatile market, so it's about taking advantage during periods of fear and uncertainty.

In April, we were adding positions in the fund, which we've given you some details around. I think going forward, a reasonable assumption is Trump will continue to drive volatility in the market, which we actually love. We think that's a great setup for active managers who are willing to stick to process and be quite disciplined. Absolutely. Trump has changed our approach and hopefully that gives you some insight into how we're navigating taking advantage. I think of the situation.

Camilla Jones:

Perfect. Thanks, guys. This next one is from Brett. He says why is the management expense ratio 1.25%?

Catriona Burns:

So the other funds across the business have a expense ratio or management fee of 1%. When we did the global fund, there's more expenses of running a global fund. We obviously travel around the world to see our companies. And so there's additional costs of running a global fund compared to the domestic funds. So that's why it's higher than the normal 1% that we charge across the other funds like WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE).

Camilla Jones:

Thanks, Catriona. The next two are from Cathy. The first one being what impact does the revolving reduction in interest rates in major economies have on the investment thesis that's used to determine the equities that you buy in the fund?

Nick Healy:

Yeah, look, I'll kick it off. Thank you, Cathy. That's a very good question. I think in terms of interest rates, as, I mean, the best way to describe them is they're kind of like gravity that sits across the entirety of capital markets. Higher interest rates naturally require a higher return on investment because you have that alternative opportunity in those interest rates. Kathy's right. We think it's a reasonable assumption, you can already see it, that interest rates across the world are coming down.

I think what that will naturally do is that will naturally increase the valuation of stocks. I suppose an observation that I would make is I think there are certain companies that are already pricing in quite a lot of optimism and hope. We see it as our job broadly to really increase the level of discipline we have when investing, when we can observe that other market participants are getting extremely excited.

Now, this isn't my quote, but I know Catriona saw Howard Marks recently and I think his quote on the valuation of the market was it's full but not nutty was the quote. I think that's pretty spot on. 2021. And way back in 1999, 2000, there were periods in the market where you see just extreme valuation levels and optimism. We don't think we're there today, but we do see a situation where there is quite a lot of complacency and optimism out there. I think for us, that's just be very disciplined. Make sure you're sticking to the investment process.

Camilla Jones:

Thank you. Cathy's second question next. With the growing trend of private equity buyouts and mergers of publicly listed companies, how does this change the sectors and countries in the investment landscape of WAM Global?

Catriona Burns:

Why don't I hand that over to New York?

William Liu:

Yeah, we're happy to answer that. I think it's great for us. I think in terms of how we invest, it doesn't really, really change. Like we're still on the ground meeting with management companies looking for undervalued growth companies. What it does mean is that some of these companies, which was a little bit frustrating, they were achieving their earnings growth, they were performing to investment thesis, but then they weren't getting bid. This creates an alternative avenue because interest rates are now largely stable to declining. You've got private equity with a lot of dry powder, having raised a lot of money over the past couple of years.

And in particular, when you look at the U.S. valuations versus the European valuations, there's a really attractive opportunity for some of these private equity companies to take these smaller European companies private, change it, relist them in the U.S. if they have U.S. operations. So we're seeing a lot of that and we're starting to see a little bit of pickup in activity.

Will Thompson:

Yeah, I actually went and saw KKR (NYSE: KKR). They have the best office I have ever seen. It's in Hudson Yards in New York. It's got amazing artwork everywhere. They have so much money to spend on all these different deals. And I saw them at the end of. It was the start of May and they were just so excited by the volatility in the market because they were saying that all these assets they've been wanting to buy, they can finally come out and do it because valuations and they had come back to where they wanted to be and ready to go. So I think they're just as excited as we are about the opportunities and that's good for capital markets.

Camilla Jones:

Thanks so much, guys. This next question was actually asked by three different people, Steve, Dale and Francis. They said if there was a U.S. led ground invasion of Iran, what stocks in Global would you expect to have increased share prices and which stocks would suffer as a result of this?

Nick Healy:

Yeah, that's. That is a very topical question. So I'm not surprised that that has come in from a few. Look, I think the first thing to note and probably the most important thing to note is as we look across the collection of businesses that we have in the fund, we feel very confident that they would be either completely unaffected and fine or actually natural beneficiaries

of this situation. The most obvious examples of beneficiaries would be those exchanges we hold, CME and ICE.

They naturally benefit from volatility and they do a lot of futures trading in oil and gas and energy. Any action in the Middle east, the first thought is this will affect energy markets. So I see that as a beneficiary to CME and ICE in terms of the fund. So I think the fund's well positioned for this eventuality in terms of the broader outlook on the world. It's fairly true to say that the Middle east is probably not a significant contributor to global GDP, but it is very important from an energy perspective.

You also have a lot of shipping going through the Suez Canal, which there's been talk of. If this escalates, it could impact shipping lanes, which would primarily affect Europe because that's the path from China and Asia shipping goods into Europe. So at the margin, I think this would broadly be potentially inflationary, both in oil and shipping costs. Not a huge hit to global consumer demand, GDP.

And you have prior analogs like you.

The 1991 invasion of Iraq and so forth. To look at this, this is often not actually a terrible thing for markets, these invasions, but those would be the areas we would see potentially affected but very confident with how the fund is.

Catriona Burns:

Positioned and even just to add on energy markets with the straight of a mass that's being debated as if that potentially was affected that the energy supply oil going into China and Asia. So yes, would have more broad effects on energy markets. But it's interesting if you compare to prior Middle east conflicts, the energy self sufficiency of the U.S now versus the past is considerably better given the shale gas boom.

And so the U.S. per se is in a better position in terms of energy supply than it would have been, you know, in prior years.

Nick Healy:

Yeah, absolutely. Which is reflected in the fact that the price of oil like Brent or WTI (NYSE: WTI) didn't massively increase on this on this situation.

Camilla Jones:

Yeah, very topical. Thanks both. Catriona, I'll go to you for this next one. It's switching to advocacy. Peter has written and he said my question relates to the government's proposed changes to superannuation tax law for fund balances over 3 milligrams. Do you oppose any all tax on superannuation or would you support the legislation if it was moderated? If so, what amendments would you make to the bill? So it is fair and effective?

Catriona Burns:

Yes, thank you for the question. This has been a very, you know, top important topic that Geoff's really taken on since, you know, in, in recent months and dating back to when we initially took on, you know, the topic of franking back in 2019. And as a general business, you know, we are very passionate about advocating for retail shareholders as a business. This isn't, you know, the advocacy work we're doing here doesn't stand to benefit. Actually the licks could be beneficiaries if it was an environment where unrealised capital gains tax was implemented. So we're doing this as, as a point around advocating for our shareholders.

And why we got involved in this case is not around the fact that people with super balances of 3 million plus were going to be affected. And actually I was talking to Geoff about this yesterday and the point he makes is we actually weren't going to get involved when that initial policy was announced. It was only once they talked about taxing unrealised gains where we had an issue because that is just crazy policy that you could have a situation where you were paying tax on asset prices that had gone up where you hadn't realised the value of those assets. So for us it's not about the fact that it's taxing people with big super balances.

It's really about the illogical policy of taxing out unrealised capital gains. So yeah, that's the point we're advocating around and not about the fact that, you know, people with big balances in super are going to, going to be affected. So yeah, it's really just how illogical the situation is on unrealised capital gains.

Thanks, Catriona. And there should be a QR code on everyone's screen right now to sign the petition if they would like to support and we'll continue to keep investors informed. Back to stocks, this one is from Greg. Is ASML (AMS: ASML) holding a stock you would include in the portfolio?

Nick Healy:

Yeah, thanks Greg. We love talking stocks. So ASML, I think, as I think about it, is a truly very high quality business. So they're the only player in EUV lithography and it's a reasonable assumption that they will continue to be the only player at this leading-edge lithography machine market. So ASML is a potential investment in the funds. It certainly fits the quality criteria and we like the exposure that it has broadly to the semi cap industry.

I think the reason we don't hold it currently is the business model of ASML is to primarily sell these machines that can retail, that can go for over \$300 million each. And so with any large piece of capital equipment you will get the risk of machines slipping out into the

future. The management are being quite clear that they see a lot of opportunity in high NA machinery. But again there's this risk that this machinery potentially slips into the future.

You also have a significant proportion of the business selling into China. It's over 20% of the business now. There are risks around capital controls there. I think the U.S. in particular has already disallowed the EUV machines going into China and there is a risk potentially they will also impact their DUV market as well. So I think reflecting on the quality and the growth opportunities, it is one we could potentially hold. But we just would need a little bit more confidence around that forward path of earnings.

Just making sure that we're not buying earnings that are overstated because at the end of the day we absolutely think earnings drive stocks. But that is a great company. By all means.

Camilla Jones:

Thank you. The next one is from Campbell. Would you ever hold Nvidia if the entry price was attractive?

William Liu:

Happy to take that one, Campbell. So it's probably a similar question to ASML in the sense that there's undoubtedly Nvidia is a great business Jensen Farm, where he's done as an enabler for artificial intelligence and data center infrastructure. It's been a game changer. The issue with Nvidia, it's just it's had such a strong period of earnings acceleration and it can be quite a cyclical business. So we're just being wary of the potential risks and whether there's enough margin of safety for us to go into a name like that. I think when I talk, when we talk about Artificial Intelligence Data center and that thematic, we're finding better opportunities in other parts of the market. Whether it's Alphawave Semi, which has just gotten acquired by Qualcomm, or as I mentioned earlier, Synopsys, which is one of the leading players in the oligopoly market.

They're more resilient because even if the semi cycle starts to become a little bit more volatile, traditionally R&D spend on chip making has been a bottom left to top right chart where it's been relatively consistent. There's good visibility of earnings and you're starting to see some green shoots of an acceleration in investment, particularly into custom silicon, which there will be a beneficiary of.

And so when we look at, when we weigh up the valuation, the opportunity cost, Nvidia is a great business, but we're seeing better opportunities elsewhere. It's not to say we can maybe one day go back and invest in it if the numbers backed up. And we thought we had a good level of insight into name but for the time being we don't hold Nvidia in the fund and we're finding other opportunities in other areas of the market.

Camilla Jones:

Thanks, Will. This one is from Rosalynn. What do you make of the current interest rate environment in the U.S. and how is it impacting the WAM global investment portfolio?

Catriona Burns:

Well, Nick sort of covered some of that before, but happy to reiterate in terms of if in terms of the general path of interest rates, when we look around the world it is mixed and I guess Nick covered off more on the U.S. but the Fed reserve in the U.S. in particular is in a little bit of a tough position right now because he's being batted over the head by Trump to cut rates. But they're very much on pause just at the moment while they work out whether tariffs will have some inflationary pressure.

So they're in a does look like on a downward path and would like to reduce rates, but a bit on hold captured by the fact that they're not sure where tariffs will end up and exactly what the effect on the economy will be. And then when you look around the world, Europe is cutting more aggressively whereas Japan is actually has been increasing because they were very much behind the rest of the world and inflation took a lot longer there to come through because they opened up a lot more slowly than the U.S. And Europe.

So it is a mixed interest rate picture around the world generally, as Nick pointed to, in terms of as you get rates coming down, generally that's supportive of valuations. So we would expect that to be the case if we do continue to see rates, for example, in the U.S. come down. But generally in terms of, I mean, our positions in the fund, in terms of the companies that we invest in, we do love businesses that have very strong industry positions, which generally enables a degree of pricing power.

So we do have a somewhat relaxed view on whether rates go up or down.

Camilla Jones:

Thank you. This next one is from Joshua. What surprised you the most out of the recent U.S. Reporting season?

Nick Healy:

Well, that might be a good one to give over to the team in New York. I think they might have some views there.

William Liu:

Yeah, maybe I'll kick off from, from our management meetings, I think. And I think the market's been a bit slower to catch up on this, but the consumer's been super resilient. Like there's all these concerns on inflation, Doge with Elon Musk, all this uncertainty of tariffs. But when we actually spoke to the companies, we found the man was pretty

resilient. As we'll mentioned earlier, they were managing their supply chains reasonably well.

And at the end of the day, spending's really held up. Like one of our positions, big positions is Visa (NYSE: V), and they pretty good barometer on the overall economy in the U.S. and globally. And since April, spending's really held up quite well. And they provided another positive update today. And it shows that unemployment is still low, inflation is moderating, there's potential for rate cuts in the U.S., so the setup is actually not as bad as what a lot of investors had feared.

And the fear had gotten way ahead of what was actually the reality happening in the economy. And that's what we spent a lot of time on.

Will Thompson:

Yeah, and I think it's really, it's a really interesting point right now because you've had every single company at the previous reporting period, when you talk about what was the surprise, the surprise was that half the companies pulled their guidance and said, we're not sure what's going to happen for the rest of the year. Probably about 25% said, well, there's going to be tariff impacts and try to disclose, you know, if there's no tariffs, it's this much. If there's, if there's no tariffs there's no impact but if there's big tariffs it's this much.

There are other companies that like through the kitchen sink at the numbers whereas now because we've been operating really well it's probably it sets up for quite a difficult next reporting season because you could try to work out like the company set a really low bar. But where are investor expectations right now? Because if you look at the share market at the index level since April the market's really run well and a lot of these companies prices have run well since their most recent update. So the next part of the market, the next update which is going to be the half yearly earnings that's probably going to be where you might see the most surprises that are different to what investor expectations are.

Camilla Jones:

Thanks Will. And Will, the next one not sure who wants to take this and bear with me, it is a longer one. This one is from Greg. On a five year comparative total return basis excluding franking I have compared WAM Global with IVV (ASX: IVV), QLTY (ASX: QLTY) and BHY (ASX: BHY). The returns are in order IVV: 107%, QLTY: 66%, BHY: 44%, and Global: 31%. If despite all the WGB investigations and due diligence you underperform, do you see near to medium term prospects improving?

Is the market under appreciating the actual portfolio? Yep.

Catriona Burns:

Thank you for the question. Sorry, just it froze for a second. Yes. So, in terms of the portfolio

performance over the life of the fund we're a couple of percent behind MSCI World and ahead of the small mid cap index and we do have over 65% of the portfolio in small mid cap stocks. This has been the hunting ground for, you know, when we started the fund we said we were kind of like WAM Capital going global which is always hunted in that small mid cap end of the market.

We can invest across the entire market cap spectrum and we do. We own some bigger cap stocks but as I said over 60% of the fund is invested in small mid cap stocks where we think there is incredible value and as I mentioned we're at 20 year lows in terms of the discount for small mid cap companies relative to large. So there's enormous latent opportunity in that small mid cap end of the market where we have really strong exposure.

And as you know, Will pointed to before we've had a couple of examples like Alphawave where they have been taken out and by you know, by buyers whether it's a trade buyer like Qualcomm in that case or in other cases we've had private equity come and take out some of the holdings in the fund. So I think look absolutely in terms of, we do think the portfolio has massive, you know, under latent potential and underappreciated stocks in there.

Ultimately earnings drive share prices and as I said with the small mid cap discount to large, in a lot of cases the earnings for the businesses that we've invested in have continued to grow very strongly over the last seven years but the share prices sometimes lag and, and either at the end of the day, ultimately our view is that either they get taken out, which has been the case say for Alpha Wave, or we had Biffa or we've had Applause in Spain, we've had a number of holdings that have gotten taken out or eventually the market does recognise the value of the businesses. And Lottomatica, which Will Thompson pointed to is a great example there where when I first went to meet the company and we first invested in it, the stock was trading on an 8 times PE.

It had actually been owned by Apollo and had been listed on the Italian stock market but had been completely left behind, forgotten. As I said, eight times pe, growing earnings double digit. With this great story in terms of transition, transitioning gaming from offline to online with a massive margin upside potential as they did that. But the share price had actually gone backwards since IPO and we went and saw the company, we got in front of them and, and, and as Thomas said, since you know, since then the share price is up 70% and up more than that since we first, first invested. So sometimes, you know, these things take time to play out. But if ultimately you're investing in great businesses that you think can grow earnings significantly over time, share prices catch up or they get, they get taken over, particularly in that small mid-cap end of the market.

So we'll continue to, you know, apply the process, find these great opportunities and we do think over time that that will continue to drive the NTA higher and, and the portfolio more generally that drive the performance.

Camilla Jones:

Thanks Catriona. This next one is from Greg. He said obviously WAM Global can generate income from both dividends and realised gains. What is the current mix and is there a particular focus going forward?

Catriona Burns:

Yep. So look, I mean if you look at what equity markets and what the portfolio has done over time, you know it's sort of around that 10% per annum level. We are paying out a grossed up dividend yield of a bit over 7% so you can sort of expect that the rest is, is capital growth with the lick structure, we do tend to pay out, you know, decent dividends that, that are a component of, of the return and, and then you can choose then to put them in through the DRP and reinvest them or, or take the, the cash that we, that we pay out.

So it is a combination of, of dividends and capital growth. But the lick structure and the benefit of being able to pay out the franking credits as we generate them does mean that you do get a decent proportion of the return coming through in, in dividends and fully franked dividends.

Camilla Jones:

Thank you. This one is from Dennis and while it's not a holding, he has asked from what you see in the US and elsewhere outside Australia, will you please comment on CBA which continues to surge price wise even though many commentaries indicate it's materially overvalued.

Catriona Burns:

Yes, sure. So I mean we don't clearly own CBA and you know, it's obviously been a contentious one in terms of it for the WAM Leaders Fund. Just given how overvalued CBA is when you look at it and its valuation relative to every other bank around the world, I think it's, you know, one of the most expensive, if not the most expensive bank in the world at over three times book. And, and really it, it appears that the reason it is continuing to, to go higher even though the, even the equivalent dividend yield you're now getting from owning it, despite the fact that it's a bank and a highly levered vehicle, you know, is the yields low and, and the valuation is high is because of fund flows and you've had, you know, enormous flows of money into superannuation for, into the big super funds where in a lot of cases they'll just buy the index and that CBA is an increasing proportion of the index. So there's just blind passive buying of CBA despite, despite the valuation.

So I think, you know, there is that that is definitely appears to be a factor both from the super fronts and just more generally. Index and passive buying continues to drive CBA higher despite the fundamentals. Not, not stacking up would be my observation. But as I said, don't own it. Don't plan to own it actually. Don't own, we don't own a bank in the entire fund and we think you can get, yeah. Better investments elsewhere.

Camilla Jones:

Thanks, Catriona. Next one from Ian. He says he can't see alpha wave or all funds appear in Your may top 20 holdings. Why is that? So given your commitment to the companies and on top of this bill has asked what percentage of the overall portfolio are your top 10 holdings?

William Liu:

Yeah, happy to answer that. Maybe I'll take the second one first. So our top 10 holdings together account for more than 37% of the fund and so quite a significant portion there. And then in relation to Alphawave and Allfunds, I'll go back to our investment process which is undervalued growth companies with a catalyst. And the catalyst point is very key here because we don't ideally, we don't want to be sitting in dead money, we want our investment thesis to play out. We want the market to reward the earnings growth and for the multiple to re rate as earnings growth goes higher.

And so we have to be incredibly selective with some of these smaller positions. So Allfunds Group sits just outside the top 20. It's a name we're incredibly convicted on and we encouraged by the long-term outlook, but we need to start to see it deliver and they're starting to see some inklings of that. As I said earlier, European capital flows starting to increase. They've also got a new CEO who's Australian by background, she's got an incredible resume in the wealth management space. So we're starting to see the catalyst play out.

Alphawave was we managed the weighting a little bit just because it was a smaller market capitalisation, whilst we weren't surprised to see a takeover coming. Like it's very hard to predict these things. So, we were managing the weighting in terms of how they were going to navigate the backlog, the tariff impacts, the uncertainty within the chip space. So, whilst they've been good contributors to us, we're really focused on reflecting the weightings with our conviction and making sure we're not taking disproportionate amount of risk.

And I think we'll say a lot of the small and mid-cap names do sit outside the top 20 and webinars like these are a great opportunity for us to share some of those names with you guys and happy to answer any questions on them.

Camilla Jones:

Thank you. Will this next question Alec and Martin have both asked about Alphabet

(NASDAQ: GOOG). Alphabet appears attractive on a valuation basis, although there seems to be uncertainty relating to future earnings. Can you touch on your view on the medium long term outlook for the business and how they're placed to benefit or be disrupted by AI? And are you concerned about the use of chatbots on Google search businesses?

Nick Healy:

Yeah, that is a great question and frankly very well phrased because that gets to all the major questions. So I think our holding in Alphabet is predicated on a few things. Firstly, as the question observes, this is of the Mag 7, the Magnificent 7 companies, easily the cheapest, it trades under the market multiple. It's a net cash balance sheet trading on 18 times even ignoring that. So yes, the valuation is cheap.

Now the reason I think the value, or we think the valuation is cheap is clearly even though Google pioneered the generative AI technologies that we're all talking about with their 2017 paper, Attention is all you need, they then kind of fell asleep at the wheel and obviously let OpenAI become the dominant verb in AI, particularly for consumer. So clearly that's a mistake. However, when we looked at the stock a year to two years ago, we saw a situation where the market had written Google off as an AI loser, a clear AI loser.

And yet when we looked at it, we saw they had remarkable engineering talent. The founder Sergey Brin had stepped back in aggressively to make it clear inside the company that AI was existential for them. Wonderful data assets across YouTube, Android, Chrome, search. So we saw the market as being our divergent view was we saw the market as writing Google off in AI and we actually thought they had a really strong positioning as long as they took it seriously.

And with Sergey coming back into the business, we saw that as occurring. Now there is an open debate as to whether ChatGPT has won the consumer side of AI. All the leaderboards indicate that Google has a better model in Gemini, but that once you win market share and mind share with the consumer, often that is too late. I think the important thing for us to note is we think enterprise AI is going to be extremely large.

They still have a chance on the consumer AI side, but as long as they're powerful on the enterprise side, the market is simply undervaluing them as an AI winner, which we think they will be. And then the last point I think around our holding is just the criticality that they don't do what prior firms did. So IBM with the shift away from them, or you know, Kodak with the shift away from those forms of cameras, it's critical a firm like Google takes this threat seriously and self-disrupts.

Seeing what they're doing in AI embedded in search, we think it's pretty clear that they are taking the right actions to make sure that they're not left behind by this technology. But a

great question like clearly this is a debate in the market and it's why you're getting the company for such a cheap valuation.

Catriona Burns:

Great.

Camilla Jones:

Thanks Nick. Kevin has said do you see a recession coming, particularly in the U.S. and what would be the trigger.

Nick Healy:

If so, yeah, look, I'll kick it off. I think the important thing to note is our process is certainly bottoms up stock picking. But as the saying goes, if you ignore the macro, the macro doesn't ignore you or whatever it is. I would say there's probably heightened risks of a U.S. recession versus a normal period of time in that clearly you have a softer, lower end consumer. We are hearing from the likes of Walmart that this is starting to affect the middle-end consumer.

Even if the high-end consumer is holding up very well. You do have potential uncertainty around tariffs which have come in and then being paused. And you do have a restarting of the consumer loan repayments which I was reading this morning potentially impact up to 6 million consumers in the US so that's potentially impactful. So my view would be you probably have a heightened risk of recession versus any other time, any normal time.

But at the same time it's hard not to respect just the strength of the U.S. consumer, their ability to work through interest rates going from zero to over 5% in that 2022 period. And the government frankly that with the big, beautiful bill, the government is looking to continue to spend a significant amount of money into the economy. So I don't think we would take the view that it's a guaranteed recession outcome. I think it's kind of an open question and importantly our investment process is holding those high quality businesses with earnings power.

So we would feel quite well positioned for either eventuality.

Catriona Burns:

And I think you'd poll. It's interesting. If you polled the whole team, we'd all have differing views on that which has been the view of the market for the last few, you know, like there's been how many times is the mark, you know the risk around recession like 10 times in the last three years itself. So and you know ultimately if rates are coming down, you know that will be supportive of the economy.

And I think if you ask the team in New York they'd probably say things on the ground don't feel that are pretty, pretty strong with that be. Would that be fair, Thomo?

Will Thompson:

Very fair, yeah.

William Liu:

We're keeping an eye on the unemployment rate. I think that's, that's the key. That's what, that's what we're looking out for in any wobbles there.

Catriona Burns:

Yeah.

Will Thompson:

And I think you know, the market is trying to look to what's happening over the next couple of years and Trump is very putting a lot of pressure on the Fed and He's going to select a Fed member who could potentially be uber dovish, as Paul Tudor Jones put it. And the market will start to ignore Jay Powell and start to focus on who the next person will be and start pricing potentially who the next person is and not listen to J.Powell anymore. Trump has a very good way of making some people irrelevant.

Nick Healy:

And look, the most important thing is the process is not, we're not macro prognosticators. We're looking to find those companies that have clear catalysts. Yes, underpinning the funds.

Catriona Burns:

Exactly. And that's exactly it. It's like we can all have a view, but ultimately it's all about earnings growth and finding companies that regardless of any macro outcome, can continue to grow earnings and have great addressable markets and opportunities to push earnings higher and in which case share prices follow earnings ultimately and they will deliver, you know, should deliver strong share price returns and earnings for the, you know, returns for the fund more generally. So we can all, we can all punt on whether there'd be, it will be a recession or not. But ultimately it's finding those great companies that can compound earnings.

Camilla Jones:

Very detailed. Thanks everyone. Next one is a stock question. Are you still positive on Avantor (NYSE: AVTR)?

Nick Healy:

Yeah, look, that's a great question. I think we are still positive on Avantor because there is a

lot of attractiveness to the long term growth of the markets they're exposed to. It would be Avanta and Thermo Fisher (NYSE: TMO) who are both in similar end markets. I think clearly the rising interest rate impacted the funding for biotechnology companies. And then more recently there's been uncertainty around RFK having a very negative view on vaccines.

At the same time, I think the market's not really paying enough attention to the fact that the recently announced FDA commissioner is actually really pro speeding up trials and getting more drugs to market. I see it as a situation where there is a long term great goal to go after. There are positives and negatives in the short term and I think the market's really just too focused on the negative side of the ledger.

So from here, very attractive returns. Although yes, clearly the impacts to the Biotech funding and RFK's announcements have been a headwind to this point.

Camilla Jones:

Great, thank you. The next one is interesting question from Philip. What other WAM LICs would you personally buy and why?

Catriona Burns:

Well, for us it's all about what's trading at the biggest discounts and the biggest discounts are WAM Alternative Assets (ASX: WMA) and then, well actually WAM Leaders (ASX: WLE). If I look at the discounts today, has actually gone to quite to around a similar discount to us. So probably WAM Global, WAM Leaders and WAM Alternative Assets, but we look at the discounts daily, so it's really what's trading at the biggest discount to NTA on the day.

Camilla Jones:

Great, thanks, Catriona. David has said in the seven years since inception, share price has only grown around 10%. Yields have been strong. But is there a focus on improving share price?

Catriona Burns:

Yeah, look, in terms of the share price and there's obviously with the share price versus the NTA, the share price can lag the NTA growth and we did see that particularly as we came into this year and we. What's been pleasing is that we have continued to close that discount to NTA. Absolutely. In terms of the ultimate NTA, we want to drive that as hard as we can whilst maintaining a very disciplined focus around our investment process, valuation discipline. So when the market's running crazy on stocks that are highly speculative, that is not where we're going to be investing and chasing.

We have, as I said, a focus around understanding that our shareholders love the fully franked dividend yield that WGB offers to them, that they know that we're focused on preservation of capital at the same time as strong investment returns and consistent

dividend yields. So we do have. We are factoring all those considerations into when we're picking stocks, but absolutely we want the share price to continue to go up. But as Nick pointed to earlier, every time we do have a very high dividend yield. So each time we pay a dividend, you would expect that the share price falls by the amount of the dividend and we have ticked up the dividend over time and are tracking at that \$0.13 level annualised dividend before the special and \$0.17 when you include the special dividend being paid out, that has to be taken off the NTA and ultimately, you know, the share price follows.

Camilla Jones:

Thanks, Catriona. Next one is from Wayne. He says, given the opportunities that you're seeing present in regards to new purchases, what are the prospects for a capital raising to inject additional capital into the fund in the near term?

Nick Healy:

Yes, absolutely. Look, I think this is a pretty straightforward one. We will never raise capital if the vehicle is at a discount and our primary focus has been to drive the vehicle back to NTA or a slight premium, which we've been putting a lot of effort into. So that is, you know, we can say that 100%, we wouldn't raise capital at a discount.

Camilla Jones:

Thanks, Nick. This next one is from Valerio. Would you consider silver miners and companies in the energy sector. What's your view on precious metals and energy going forward? And I might just add in that Les asked earlier, not that you hold, but could BHP (ASX: BHP) and FMG (ASX: FMG) go lower and if so, how much do you think Thomo?

Will Thompson:

I'll take that. I think with the BHP and FMG it's not particularly within our investment process here within Global. So the WAM Leaders guys are really good at picking the commodity companies and I think from a commodity perspective you really need to have a top down view. So what's happening on the supply demand for iron ore and how that impacts the individual companies? For us we like to look at more quality growth companies especially in the small cap space.

And both BHP and FMG don't necessarily fit in that silver miners are super interesting especially with the volatility in the silver price right now. And the view on precious metals like in the portfolio, we don't own any precious metal at the moment. The view, it's hard. They've had a really good run. So whether they can continue to go on from here is probably another. It's a top down view. What's happening, they seem to be pretty correlated with Bitcoin as well. And what's happening within, you know, with the debt levels of each government.

And then I think the last one was on energy. Energy is super exciting. Whether you're looking at the new energy within nuclear and the potential opportunities there. Like there's some really interesting opportunities. And I think within our portfolio that's where Quanta comes in which is exposed to that new energy out of the infrastructure like data centers. AI do need a lot of energy. So that means there's a lot of infrastructure investment and we feel like that's a big high quality and could potentially offer like a better return than actually being exposed to the commodities themselves.

Being the. It's like Warren Buffett always used to talk about. You can either own the trains or you can own the railroads and when you own the railroads you can charge whatever you want. So I think that's the important thing. You don't have to take the exact commodity exposure but you can still be exposed to the end commodities.

Camilla Jones:

Thanks Will. Good timing with the Warren Buffett quote. Dave has just asked.

William Liu:

Thanks.

Camilla Jones:

Does Warren Buffett's pivot away from the U.S. towards Japan hold any significance for WAM Global?

Nick Healy:

Look, I think there's a few of us on the team that love Warren Buffett and follow him closely through his career. Look, the thing to remember about Warren Buffett's portfolio is by far the vast majority. Majority is still in U.S. assets. The way he structured that Japanese trade is really clever in that because of his size at Berkshire Hathaway, he was able to get really long term low interest yen denominated debt, then put that capital into the Japanese equities, which was really clever because he was able to borrow at low rates and get companies that were paying decent dividend yields.

I think we're assessing the world in terms of the best opportunities across the world and certainly some of those will fall in Japan over time. But I would still say Warren Buffett's got a very proud U.S. companies and U.S. investment stance despite these recent Japanese investments.

Camilla Jones:

Thanks, Nick. Next one is from Neil. How do you see a falling U.S. dollar affecting the fund?

Catriona Burns:

Yep. So in terms of, I mean there's multifaceted in terms of the currency effects with the

portfolio, we don't tend to, we can hedge the fund if we thought we were at extremes, but don't tend to. As you know, when we started the fund, most of our investors have huge amounts of and most majority of their assets in Aussie dollars. So part of the benefit of going global is that you get exposure to currencies outside the Aussie dollar.

And then at the company level, it really depends on the earnings and where the earnings for each company are being generated. So if you're a U.S. company but you have earnings offshore, then when you're translating those back, if the U.S. dollar is going down, you're getting higher. Translation more broadly for the portfolio, the investments that we have in U.S. companies, as they go down, they will translate into a lower number if the U.S. dollar has gone down versus the Aussie dollar.

But we relative to the benchmark are underweight the U.S. more generally. So we would still, WGB would still be benefiting from having a lower exposure to the U.S. and the U.S. dollar than the index.

Camilla Jones:

Thanks, Catriona. I think this one could go for Will Lewds from Gary, do you have any comment on the potential impact of Section 899 of Trump's Taxpayer bill on the portfolio?

William Liu:

Yeah, thanks, Gary. Like we've had a brief look at section 899.

Will Thompson:

What does he call it?

William Liu:

The Big Beautiful Bill? Something along those lines. But what Essentially it's a bit of like a retaliatory tax on foreign companies and persons where they deem tax practices to be unfair. So maybe you're domiciled overseas, you're not paying your fair share of tax in the U.S. the things we would note is it's a proposed bill. We're still yet to see it. See what happens with how it comes into action or fruition with Trump. We know historically he's used these levers as bargaining chips. So we'll have to see how the process plays out.

The second point I note is in terms of evaluating our portfolio level companies, we would look at the tax rates that they pay and like as a general, generally when I look across the tax rates of our portfolio companies, they're generally paying their fair share of taxes. So maybe it's a risk at some point in time, but it will affect all companies and it'll be a one off reset and then there'll be the tax rate going forward. So they're just very preliminary thoughts.

Nick Healy:

Yeah, look, I think we'll really hit the big thoughts just to add a couple of extra thoughts. So

this would only affect dividends flowing and interest flowing. When we look at the companies we hold, the dividend yields broadly on stocks in the U.S. Market aren't significant. You get most of your returns through the buybacks or capital appreciation. Buybacks help capital appreciation. So it would be fairly small in terms of the proportion of the returns we get coming through that dividend channel.

Also, it's proposed in the House and the Senate bills as only a 5% increase in each year. So if it's a 5% increase on a fairly small number, I think at this point it looks very manageable. Exactly what Will said is true though you never like to see these kind of policies even be proposed. So it is something we're keeping a pretty close eye on. But I think at the moment probably there is a sufficiently negative reaction from market participants and the size of the impact is sufficiently contained that it's not the most significant risk we see. But we think it's a really good question.

Camilla Jones:

Thanks, Nick. Thanks, Will. This one's from Mark and we have had this one before. Can you move to a weekly NTA announcement?

Catriona Burns:

Yep. So thank you. I mean the policy that we've had over time is to do monthly with the view that our shareholders, you know, we hope are being long term in nature that, you know, will be invested with us for the long term rather than being too focused on, on the shorter-term periods. And I think that's, you know, very much been Geoff's view and the view that we've taken across, across the, across our licks.

We will certainly take it on board though. And yeah, we can, we can take it on board and, and consider it for, for, for the future. But our general Policy over time has been we want to encourage our shareholders to think longer term and, you know, to be invested with us for the long term, such that monthly is fine rather than weekly. But as I said, we'll take it on board.

Camilla Jones:

Thanks, Catriona. Staying on reporting, Stephen's asked why does WAM emphasise gross returns rather than net returns?

Catriona Burns:

Yeah, sure. So, I mean, what we've done over time is because there are so many different ways that when we look at peers and indexes, et cetera, that people report whether it's the tax treatment, whether it's the performance with unrealised versus realised. There's so many different ways to report performance that aren't consistent when we look at all the different players across the industry, so that we instead choose in the annual report to give

all the different metrics at that point in time so that you can see whether it's gross net, unrealised, realised, TSR.

And we break it all down in the annual report so that you have that information. But rather than when we look at the monthly, you know, the NTAs that go out each month, there's no consistency across with the LIC industry or when you look at indexes and even index ETFs with how they treat their fees, et cetera. So our preference is to lay it all out with all the different lines in that annual report rather than trying to, you know, put all the different various lines and ways of reporting in each monthly NTA.

Camilla Jones:

Thanks Treen. Will Liu, let's go to you next. This one's from Philip. Do you ever apply any ethical parameters on stock choice?

William Liu:

Yeah, it's a good question, I think, because we are fundamental bottoms up investors. We like to get to know companies inside and out. And so we wouldn't invest in a company if we thought like there was risk, that they had slave labor or they were engaging unethical practices. The common question we get is sometimes with our gaming exposures, and that's a more difficult question because we believe the U.S. Sports betting opportunity is significant, increases engagement with the leagues, the NBA, the NFL, and it takes a lot of the money bells in the black market and generates tax returns for states.

So when you think of it, it's like gaming gambling, like that's, it's a bit controversial, but at the same time we think there's a place for it. And historically these companies have been quite good at addressing those ESG issues where making sure they're socially responsible, preparing the right ad campaigns, monitoring for people who are going overboard. So we want to see the companies taking appropriate measures. And so we do, we do keep it in mind. We don't completely ignore the issues that come out and we look for red flags. But we don't have a set policy on psg and that's not part of the fund.

Camilla Jones:

Thanks, Will. This next one is from Harvey. He said you've touched on supply chain issues in AI, but can you please expand on the broad issues in the chain, that is not investing direct in data centers, but in the identified benefits in the chain.

Nick Healy:

Yeah, why don't. I'll kick it off. I think the answers. So we've discussed AI quite a bit on the call already. And look, I think the answers that Will Lou spoke about in particular really are the truth. We see AI as a true, really important technology that will continue to drive markets and economies over the coming years. So we want to make sure we're really well

invested in the fund, but we're very happy to take exposure across a wide variety, a wide part of the ecosystem.

So Quanta is a perfect example of an AI beneficiary that isn't providing chips or building data or they're helping to construct data centers. But we're very happy to be in the application layer in electricity. We talked about ASML and so we're happy to be in the semiconductor part of the ecosystem. It really comes back to us to making sure that we're investing in the best opportunities, the best risk return characteristics across the space.

So I think broadly it's a happiness to be exposed wherever we see opportunity. And going forward, we will invest in, I think, other parts of the ecosystem. We're continuing to turn over stones and look for those best opportunities with exposure to AI.

Catriona Burns:

Yes, and I'd say in terms of data centers per se, I mean, there's a lot of debate around what is the edge in, in invest in investing and creating a data center and is it just access to capital? So we have some question marks there. And so that's why investing in, say, Quanta, which is hooking up all the data centers to the grid, where there's limited players that can do what they do, where they have a solutions approach that others in the industry don't have, but where we can see advantage in what they do versus just investing in a data center player that is able to spend a lot of capital.

And sure, while demand is incredibly strong right now, they're doing, you know, they're able to fill it. We don't necessarily believe in the longer term competitive advantage that they have. So we do take a very you know, disciplined approach, as I said, in terms of identifying whether it fits our process. But exactly as Nick said and as Will Lou pointed to earlier, like there are lots of opportunities that we're continuing to identify that have great exposure to AI.

We just do it within the lens of our investment process.

Nick Healy:

Yeah, 100%. And one, one final thought is there's, there's going to be, as with any technology disruption, there are going to be a significant amount of losers from this technology. So I think the job is to gain exposure to those companies that will benefit from AI, but also to have a mind to the fact that this will negatively impact some companies. So making sure that we're thinking about playing both offense and defense when it comes to this thematic.

Camilla Jones:

Thank you. And I will keep you on AI just for one more. Rod and Lee have both asked, do you use AI to help you identify potential investments?

Nick Healy:

Yeah, look, I think we're all using AI in the day-to-day operation of the fund. I'm increasingly seeing the AI LLMs as a really useful resource that might be approaching the equivalent of kind of like a graduate analyst or maybe even slightly better. You're able to pose questions to AI, get answers back in very quick time. I think the technology is still at a point where you absolutely want to check the accuracy and veracity of those answers, but it is increasingly providing a really useful copilot to the investment process.

I know the guys in New York use it a lot as well, so interested if they have thoughts as well.

William Liu:

Yeah, I think the way it's definitely been a huge productivity tool for us. I think in terms of active management, the view that we've always had is you either need an analytical information or behavioral advantage to really get an edge on a name. And that's very hard to replicate on the LLM and that requires human input. But in terms of processing information, in terms of making quick summaries, it's been super useful and we're pretty excited to see how it develops from here.

Will Thompson:

Yeah, it's super useful because you spend part of our job the whole time is reading and so being able to summarise certain things to get a concise answer quickly that is explained well to you saves you a significant amount of time. So that when you do go and meet with new management teams that you haven't met before, you can be informed on a discussion and have a more informed discussion about be better prepared for those meetings.

That's the way I've been using it. I find it super useful because also when you change the Management teams, they don't just want these 101 questions about what the industry is like. They want someone who can talk in detail because then they're going to give you more insights and you're going to get more out of that conversation. And actually having, as Nick said, a copilot to help you prepare for that meeting to make sure that you're up to date with what's happening in a certain industry. It's really, really helpful.

William Liu:

Yeah. At the same time, we're acutely aware everyone has access to these tools. So we need to make sure that we're making the decisions, sticking to our process and leveraging what I must process our skill set and making sure we're coming up with a differentiated view because these tools are going to be pervasive through the whole industry.

Will Thompson:

They're not very good at making decisions.

William Liu:

No.

Catriona Burns:

Well, they get things wrong still. So they're useful for productivity, but ultimately in front of, in front of the management teams and seeing them react to questions you ask and so forth, like none of that personal element can be done by the LLM. So absolutely, completely concur in terms of the usefulness that we're all seeing from using the models. But the overlay of actually getting in front of the management teams and seeing reactions to questions and seeing body language, et cetera, we think is that overlay that an LLM at this point can't do.

Nick Healy:

Well, it's probably not going away. Yeah.

Camilla Jones:

Thanks everyone. This one is from Eddie. Do you invest in emerging biotech stocks? If so, would the ASX listed stock ATX be considered?

Nick Healy:

I think it was Will Thompson before who mentioned that there's the view that often it's better to own the picks and shovels in a space. We do have actually a quite positive view on some of the technology advancements that are occurring and we would be open to own biotech if we thought that it was a really attractive opportunity. I think historically we've looked to gain exposure just through those picks and shovels plays that will benefit as that broad tide increases.

There are a handful of examples of biotech companies that have great results from their trials and the stocks go up. There are equally a handful of examples of companies who have bad results and the stocks can go down more than 50% in a day. So I think certainly the broad idea is that we love those picks and shovels as a way to play this thematic and often a way to play many other thematics as well.

Camilla Jones:

Thank you. This next one from Stan. What is the lower limit of capitalisation that you would consider?

Nick Healy:

Yep. Great question, Stan. I guess we think of it more in terms of liquidity. So it's not so much as a market capitalisation limit, as a requirement that we can get into and out of the stock in reasonably short order if we require. The answer here, as with many things, is kind of an it depends answer in that as you go down on that liquidity availability, you just want to

have more and more confidence that the long term is very attractive and you won't have to exit the stock.

I think to put some numbers around it, we're quite comfortable if a company trades more than 10 million AUD a day on average and we can go below that level. But that's kind of like some line in the sand in terms of when we start really thinking about that liquidity impact.

Catriona Burns:

And when we look at the liquidity generally of the portfolio, it's very high. Like if you said in three days, could we exit like 95% of the portfolio? You'd say yes. So we look at the liquidity and ability because things change and you want to be able to have the flexibility to exit a position if the thesis breaks. So absolutely we will look, go down the market cap, as Nick said, and look at smaller, smaller companies. But as a general portfolio, we're looking for liquidity so that you have optionality to exit.

Nick Healy:

Yeah.

Camilla Jones:

Great, thank you. This next one is from Joseph. Apparently announced today will WAM Global invest in the Xero institutional fundraising.

Nick Healy:

I believe the answer is we will not. We're quite happy with our holding Intuit, which plays on a similar area of accounting software and building that into a platform solution. I certainly understand what Xero is doing. Buying a payments provider is a clever thing to do and that's a natural adjacency to the accounting software. The evidence we're seeing from Intuit is they're already having a lot of success in this area. So really comfortable with our holding in Intuit.

Camilla Jones:

Thanks, Nick. John and Mark have both asked the next question. PL8 (ASX: PL8) is trading at a 20% premium to NTA due to it paying monthly fully franked dividends. If WAM Global switched to paying fully franked monthly dividends and had the same premium, it would be trading over \$3. Has this been considered?

Catriona Burns:

Well, actually that's a good reason for me to pitch WAM Income Maximiser (ASX: WMX), which was our monthly income that we listed on 30 April, so under the ticker WMX for exactly that reason in terms of we were seeing demand from our shareholders for A monthly income product and why. Yeah, we launched that fund and you're right, it is actually also trading at a premium. It's about a 7% premium to NTA right now.

And look, it's a fair point in terms of considering it for, for the other, the other funds we do obviously have to think about the franking component and when we pay tax and right now, you know, we're doing interim and final dividends and we, you know, structure when we pay tax and around that, et cetera. So we will absolutely take it on board and, and, but would highlight that that that wmx which doesn't pay, I have to point out though is playing in the Australian market in terms of investing in both a portfolio of high quality debt and then Australian equities but does provide monthly income but isn't investing in global stocks. So it is different but it is sort of solving that need for our shareholders for those who did want monthly income. But we'll absolutely take it on board to the board in terms of whether that would be something we could look at for WAM Global.

Camilla Jones:

Thanks Catriona. Bill has asked is there a maximum position in a stock as a percentage of the portfolio that you would take and if so, what is that number?

Catriona Burns:

Yep. So in terms of the position sizes that we have at the moment, in terms of the biggest position sizes, they're around that 5% level. And how we tend to enter a stock is we'll often buy a position at a smaller weighting from say 1 to 1.5%, even lower if it's got lower liquidity. And then as we get confidence in the management team in the earn, the delivery ability of the management team to deliver on earnings growth that they're able to guide appropriately will often increase the weighting we have in a stock.

But the bands tend to range from that sort of 1 to 5% weighting. We could go higher if we wanted to but we think in terms of that balance between risk mitigation and conviction. That 5% level has been a great level for the fund, the life of the fund in terms of what our weightings have been. I mean we have about 50 stocks in the portfolio so are relatively well diversified. But that top 20 do tend to be those higher weightings from sort of that 5% down to 2%.

Camilla Jones:

Okay, the next one just back to reporting. Given the importance of total shareholder return in LICs to shareholders, would it be possible to provide this more often than is currently provided? Please.

Catriona Burns:

Yes, we can take that on board as well. Yeah, we did tend to as provided in terms of the interim and the annual report and then when we do webinars, et cetera. But again, we can take that on board as something you'd like to see more regularly.

Nick Healy:

Just a quick thought. So those who've tuned into our webinar in the past, we will just continue. We love answering your questions and we love being available to you. So we are just continuing to answer questions as they come in. Please send them in by all means. And we'll just stay on as long as we can to answer all of your questions just in case you're noticing that we have gone over the hour and a half mark.

Camilla Jones:

Thanks, Nick. Next one. This is an interesting question. If markets were closed for five years, what stock would you pick if everyone wants to share one?

Nick Healy:

Yeah, what a great question. I'll kick it off I suppose. I think we'll all want to have a go at that. Look, I think if I picked one, the company I ran through Intuit, with multi year tailwinds behind both the tax and the business services side of their of their business is really high quality, very good growth, attractive valuation, clear catalysts. I think that's a great company to hold on a multi-year view.

There are many other others but I'll keep it to one and maybe pass it over to the guys in New York.

William Liu:

Mine would be SAP. I've spoken about it at length before, but I just feel like they're incredibly well positioned for the next five years and beyond. You've got this incredible dynamic of their own. They're the most trusted partner of an organisation's most valuable data. They have the software capability to leverage LLMs. They're going to be a winner in AI and they're already using it within the current business and they the customers assigned to use the AI assistant jewel.

People think it's a migration story from license to cloud, whereas in fact the transition is going to accelerate revenue growth post the migration. Initially they thought it was a 3x revenue lift. They're seeing as much as 5x revenue live post migration. So it's going to be an incredibly attractive organic revenue growth story going forward. And we believe it's one of the biggest winners in AI.

Will Thompson:

I think mine would be CTS Eventim because we met them this morning and it was a really interesting meeting. They are like the Ticketmaster or Ticket Tech. They started in Germany last year, they bought a French company or they ended up taking full control of a French company. So in the short term there's, you know, the share prices come Off a little bit.

There's a couple of concerns about the integration, but really it's exposure to Beyonce and Taylor Swift and all these big concerts that are coming in.

I think the most interesting fact that he said, he said for the Taylor Swift conference in Europe, 25% of people are going, are from America. So they're flying over, doing the journey, going to Paris to see Taylor Swift or London. There's a huge demand for these big ticket shows and they're just there again as the railroads that are clipping the ticket. As everyone wants to go out, they own few of the venues themselves, so they can continue to monetise it that way. And they're also looking at getting into the U.S. so over five years, I just think there's going to be continued demand for people who want to do experiences, which is a tailwind that's continued from COVID. Everyone loves getting outside, everyone loves seeing Taylor Swift, Beyonce, whoever it is. Nick's a Spice Girls man, so you never know who it is. But yeah, I really like it.

Nick Healy:

Thanks.

William Liu:

It's true.

Nick Healy:

I am historically a Spice Girls man.

Catriona Burns:

And I would say Hemnet, which is the REA equivalent in Sweden, it is, you know, 10+ years behind Rea in terms of monetising, came out of being owned in a co op structure by the agents, but is now listed in Sweden. But as you know, over 90% market share. Long journey ahead in terms of monetising the opportunity that they have. And you've got rea, you know, an X rea, you've got directors on the board, you've got other massive opportunities in terms of monetising. When you look at how the percentage of the sale price of a house that is paid to Hemnet versus other players around the world. So I think that's a, it's, it's a great opportunity and actually getting an opportunity to buy it as it's come off more recently just on some concerns around the competition, authority, et cetera, which I think on A five, yes, absolutely. There's some noise right now as they've put in a new agent model. But when you look on a five year basis, I think the story is really solid and exciting.

Catriona Burns:

But the other stock that I would say that if I had to put away for 5 years is WGB. Great. 6 years of dividends in the profit reserve. Really great portfolio of companies that you can access any of these ideas through. So I'd say WGB as well.

Camilla Jones:

Thanks. All very insightful, especially Spice Girls insights. That's actually our last question, so a great place to end. Catriona, if you have any final thoughts, want to close the call?

Catriona Burns:

Thanks so much to Camilla for moderating the Q and A and to Will and Will from New York and Nick for joining me. And a massive thank you to all the shareholders who have joined a great group of questions that as I said we're and as Nick said, we're very happy to be able to get on the webinar and answer any questions that you have. Please continue to reach out to the team. We're always happy to engage and answer questions.

As I said earlier though, in terms of the portfolio, very excited about the companies that we own in the portfolio and the special dividend still to be paid on the 31st of July for all our shareholders. And please join us next time on our next webinar or reach out as I said at any time. But thank you to everyone for joining today and for the team for joining me on the webinar.