

## **WAM Capital, WAM Microcap, WAM Research and WAM Active FY2025 Full Years Results Webinar Transcript**

Wednesday 11 September 2025

### **Speakers:**

Tobias Yao – Portfolio Manager

Shaun Weick – Deputy Portfolio Manager

Emiko Reed – Corporate Affairs Advisor

### **Tobias Yao:**

Good morning. I'd like to welcome and thank everyone for joining us today for the WAM Capital (ASX: WAM), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX) and WAM Active (ASX: WAA) Full Year 2025 results webinar. My name is Tobias Yao and I'm the portfolio manager across the four funds we manage. And with me today is Shaun Weick, Deputy Portfolio Manager. And Emiko Reed is also on the call. She will be moderating the question and answer session.

Now before we begin, a disclaimer is displayed for you. And as a reminder that what we discussed today is general in nature and should not be construed as financial advice. We also want to express our gratitude for the support of all of our shareholders. We are all investors in the LICs ourselves and thank you for allowing us the opportunity to manage your capital. As Geoff always says, these are your companies and we love to get the questions from you. So feel free to send through your questions for the Q&A session.

Now in terms of how the call will run today, I'll give an update on the 2025 financial year and our current views on the market. I will then hand it over to Shaun Weick who will discuss the recent reporting season and how we've positioned the fund, and we'll both provide two stock picks before moving on to the Q&A session. Now, I think the last 12 months has been extremely volatile and when we had the webinar six months ago, we were right in the thick of things. But the Trump's Liberation Day and a tariff war induced significant dislocations in the equity markets.

This was further exacerbated by the various geopolitical tensions. And so, the market was actually very volatile. As we've seen with previous market uncertainty and turmoils, the team rallied together. We focused on what we can control and more importantly, we focused on sticking to our investment process. And for those of you that have been with us along the journey, you know the investment process hasn't changed since Jeff first started the business close to 30 years ago.

And that is to find and invest in undervalued growth companies with catalysts that could re-rate the share price over time. Luckily, the team has done a good job in acting decisively, in playing offense, and using the market volatility as an opportunity to replenish our portfolio with high-quality companies with catalysts that we are holding, and that we think will get paid over the next one, two, and three years.

Now with that said, let's look at the 2025 full year results. I'm pleased to report that all funds outperformed their benchmarks. In 2025, WAM Capital and WAM Research outperformed the All Ordinaries Index by 9% and 9.2% respectively. In 2025, WAM Capital and WAM Research also outperformed the Small Ordinaries Index by 9.9% and 10.1% respectively. WAM Microcap outperformed the Small Ordinaries Index by 6.5%.

And we were very pleased with the performance of WAM Active. The investment portfolio returned 26.4% for the financial year. Now on the next slide you can see the dividends announced for each of the funds and the current yield based on the share price as at yesterday. Given the companies which we invest in, our performance against the Small Ordinaries Index is probably more representative of the stock selection process given 50% of the All Ords Index is in banks and resources, which is outside of our investable universe as it doesn't really fit with our investment process.

And we've spoken about the underperformance of small cap companies over the last four years versus the broader market so far this year. Luckily, we've seen a reversal of this trend. The Small Ords Index is up about 5% relative to the broader market. And as we've spoken about in the past, one of the reasons is the reduction in interest rates in Australia. And so we are quite positive on the next 12 months for small cap investing.

And now I'd like to pass it on to Shaun Weick to provide a summary of the reporting season and also how we've positioned the fund.

**Shaun Weick:**

Great. Thanks Tobias. Thank you all for joining us today. I'm pleased to share our insights from the recent reporting season, outline some key market themes and discuss our portfolio strategy to capitalise on the emerging opportunities in the Australian equity market, with a particular focus on our expectations for a period of small cap outperformance. So in terms of the reporting season we just had, the ASX industrials delivered robust performance.

We saw around 11% net earnings beat with resilience of margins the key feature. Small cap companies were the standout. They posted a solid 21% net earnings beat ratio, driving share price gains that outpaced their large cap peers. And as Tobias mentioned, this has been a reversal of the trend we have observed over the past four years. Why is this happening? Well, it's RBA rate cuts and we think an improving economic outlook which is supporting the early stages of a rotation into small caps.

We've observed increased investor attendance at group presentations throughout reporting season, which is consistent with broker feedback suggesting renewed interest in what are more economically sensitive smaller companies, which is a dynamic consistent with this stage of the economic cycle. However, the period was not without its challenges. One particular thing I'd call out was the share price volatility.

This reached truly extreme levels at times, among the highest in recent memory, which we would attribute to the rising influence of systematic investing and also passive strategies. This volatility, while challenging, does present very compelling trading opportunities, in particular for the WAM Active strategy. A prime example of this was Megaport (ASX: MP1), which saw its share price drop around 20% at the open due to perceptions of an earnings downgrade with aggressive reinvestment flagged for the FY26 outlook.

Our analysis supported a contrarian view to this. We believed a sustained reacceleration in revenue growth is really what aligns with investor priorities and, given management's proven ability to deliver operating leverage in the past, this conviction was validated as the stock rallied over 20% during the earnings call. This reflects growing confidence in CEO Michael Reid's strategic vision for the business.

Digging deeper now into some of the market themes from the reporting period, it's very clear to us that falling interest rates are driving positive momentum across the Australian economy, particularly in the consumer discretionary sectors, with CEOs much more optimistic in the conversations we had versus 12 to 18 months ago. Our portfolio maintains an overweight position in this space. We've got holdings such as AP Eagers (ASX: APE), Harvey Norman (ASX: HVN), which reported 8.5% like-for-like growth in current trading, and Nick Scali (ASX: NCK), which was up about 7%.

You're clearly seeing strong momentum flow through from these initial rate cuts we've had so far, which really does reflect their sensitivity to this interest rate dynamic. The housing sector broadly is also benefiting. Companies like mortgage aggregator AFG (ASX: AFG) reported very robust lodgement activity. Land lease communities operators like GemLife (not listed), exceeded their prospectus forecasts, and peers such as Ingenia (ASX: INA) and Aspen Group (ASX: APZ) delivered earnings upgrades driven by higher home settlements.

In the construction materials space, Maas Group (ASX: MGH)'s optimistic outlook positions it as a rare pure-play beneficiary of the broad-based spend we're seeing in infrastructure and the residential market. Amid geopolitical uncertainties and tariff-related risks, we have maintained a strategic tilt towards domestically focused companies.

The mining services sector recorded what I think was its strongest reporting period in a decade. Companies like Monadelphous (ASX: MND), SRG Global (ASX: SRG), NRW

Holdings (ASX: NWH) and Tasma Group (ASX: TAS) posted significant share price gains. Robust commodity prices, gold's obviously at record highs, iron ore is holding strongly, tight labour markets and a strong capital expenditure outlook, are seeing negotiating power much more evenly balanced. This is paving the way, we believe, for continued margin expansion in the sector.

Within the tech space, results were more mixed, but we're encouraged by the exceptional performance of some of our key holdings, the likes of Life360 (ASX: 360) and Energy One (ASX: EOL), which posted strong results and maintained attractive growth outlooks.

Global optimism around artificial intelligence continues to drive elevated capital expenditure expectations. Just this morning Oracle (NYSE:ORCL) came out with huge upgrades, the stock up 27% after market. From a domestic point of view, exposure to this trend remains relatively limited. We think Megaport is the highest quality, capital-light play in this space and is very well positioned to capitalise on this AI-driven infrastructure demand.

Looking ahead, equity markets have staged a strong recovery post Liberation Day, but we remain constructive on the outlook, particularly for domestic small caps, which we believe are in the early stages of sustained outperformance. You've got improving economic indicators such as rising house prices, increasing consumer spending and positive business surveys, reinforcing our optimism for the Australian market.

Global risks clearly remain, tariffs, geopolitical instability, and some bond market volatility. We're always mindful of what's happening on the global front. But our base case anticipates continued global monetary easing, which should help sustain cyclical momentum. On top of that, the ongoing AI-driven capital expenditure boom is bolstering global liquidity and investor confidence, we think into year end.

In terms of portfolio positioning, we think the portfolios are well placed to capture the upside from this improving domestic economic cycle. Cash levels are at approximately 12% at the moment, so we're retaining ample flexibility to seize on emerging opportunities. Deal activity has accelerated in recent weeks with companies raising capital to fund growth initiatives, including earnings-accretive acquisitions. A notable example within our portfolio is Tobias' favourite stock Tuas (ASX: TUA), which executed a transformative acquisition in the Singaporean telco market.

The IPO market's also showing signs of revitalisation. We've had successful listings of GemLife and Virgin, and from our conversations with ECM teams there's a robust pipeline of future deals. This environment supports our overweight exposure to small caps, which we believe are well positioned to benefit from ongoing cyclical tailwinds. From a valuation standpoint, small caps remain attractive relative to large cap peers and are supported by stronger earnings momentum. We're maintaining a disciplined

approach, focusing on high-quality companies with strong fundamentals. Overall, we're confident in our ability to continue to deliver superior returns for our investors.

**Tobias Yao:**

Stock picks.

**Shaun Weick:**

Yeah, stock picks. I'll go first. My first pick is Tasma (ASX: TAS). It's a founder-led provider of specialised maintenance services to the mining, resources and industrial sectors. It's far from being a mere acquisitive roll-up in our view. The company's achieving organic growth north of 20% and its differentiation really lies in a strategy of identifying and incentivising dynamic young entrepreneurs, giving them equity to drive growth in their businesses and allowing them to scale.

We think the stock's very catalyst-rich. It has prospects of earnings upgrades, further accretive M&A post the recent \$30 million equity raise which puts them in a great position. We think they're well placed at the moment for index inclusion within the ASX 300 in March 2026, which you'll hear many people talk about as an important catalyst. My second pick is Zip (ASX: ZIP).

It's the leading buy now, pay later provider in Australia and the United States. Cynthia Scott is doing a great job turning that business around and we believe it was one of the standout results of the reporting season. The FY26 guidance points to accelerating growth in the key US market. The stock remains under-owned by institutional investors domestically and we think there's significant upside in terms of earnings growth and valuation re-rate catalysts, including potential NASDAQ listing next year.

And obviously, you know, Peer Klarna is looking to list very shortly and it's going to list above the top end of the guided range and is about eight times oversubscribed. So those are my two picks. I'll pass it over to Tobias for his two stock picks.

**Tobias Yao:**

Thanks Shaun. As Shaun mentioned earlier, the first stock pick I want to talk about is Tuas (ASX: TUA), the Singaporean telco. Three or four weeks ago they entered into a transformational acquisition of M1 Telecommunication, which is the third largest player in Singapore. Tuas is the fourth largest player. This will consolidate the market back to a three-player market. We believe it's a step-change in the growth trajectory of this business, on the back of flawless execution by founder David Teoh and CEO Richard Tan.

While the acquisition will yield many synergy benefits, what the market is perhaps missing is the longer-term market share opportunity for Tuas and the platform that is

now being created to not only execute in Singapore but potentially outside of Singapore as well. So Tuas continues to be a core and large holding in our funds.

The other stock I want to touch on today is Energy One (ASX: EOL). We are a substantial shareholder in Energy One and only started buying about 12 months ago. The business provides trading and compliance software for electricity markets in Australia and Europe and is a beneficiary of the growth in renewable energy projects. If you are a renewable project you need to sell electricity into the grid and their software facilitates that. They've guided to around 15% top line growth and have had a very strong start to FY26. They're a very profitable software business.

We quite like the management and the board as well. While we've only been recent investors in the story, we've done many industry meetings with customers and advisors and are very positive on the stock. Over time the catalyst for Energy One will be continuing to beat earnings and revenue expectations. It's a high-quality software business.

Before I finish up, just wanted to say we've had a pleasing and positive start to the first two months of FY26, particularly WAM Active which on our estimates is up 18.1% over those two months. We're really looking forward to working hard to deliver continued performance for our shareholders. I would now like to hand it over to Emiko Reed who will go through any questions.

**Emiko Reed:**

Thank you so much Tobias and Shaun. We've received quite a few questions from our shareholders. We'll start with Mads' question: what is your highest conviction investment across all the funds?

**Tobias Yao:**

For me, in the next 12 months it would be Tuas (ASX: TUA), the Singaporean telecommunications company. That would be my highest conviction.

**Shaun Weick:**

I'm going to run with one I mentioned earlier, Tasma (ASX: TAS). This business looks incredibly well placed. The tailwinds across commodity markets position them really well. Management owns 50% of the stock, they're heavily incentivised, and we're all running in the same direction. The balance sheet's in excellent shape. We think they'll do some accretive M&A near term. The stock is under-owned institutionally and we think it will be included in the ASX 300 in March. We really like the look of that one.

**Emiko Reed:**

Great, thanks so much both. The next question is from Mauro. He says: with markets at all-time highs and unsustainable multiples, how is the portfolio being positioned for downside risk?

**Tobias Yao:**

From our perspective, there are two elements: cash levels and valuations. We had a good reporting season and took the opportunity to increase our cash level by taking profit in some of the winners, so cash is high. The market has had a very good run, however small cap companies have underperformed quite a bit over the last four and a half years. From our perspective, the valuations for many of these businesses are quite reasonable. We're seeing things trading on 10–11x P/E with very good growth prospects. So we think the valuation in the small cap space is much more attractive and we're seeing many opportunities there.

**Emiko Reed:**

Great. With the next one, we've had a question from Michael, Lucio, Errol and a few others about franking. When will we have 100% franking in WAM Capital (ASX: WAM) and WAM Research (ASX: WAX)?

**Tobias Yao:**

Thanks for the question. I'll try my best to provide some context. I'm not on the board, but franking and dividend policy is a board decision. WAM Capital and WAM Research are currently paying partially franked dividends of about 60%. In the annual report, there were comments that if we maintain the same dividend as last year, they will continue to be partially franked in FY26.

The franking credit balance is important in determining the franking percentage. The funds have had strong performance and progress on rebuilding franking credits, but to lift to 100% the board would need more confidence on the outlook. The last thing they'd want is to increase to 100% and then have to decrease it. For new investors, just a reminder: to pay fully franked dividends, the funds need to sell shares in companies where we've made profits, pay tax, and then pass that franking credit back to shareholders.

It's a little different to the profit reserve, which is based on both unrealised and realised gains. Currently, WAM Capital and WAM Research are partially franked. The LICs have consistently paid high levels of dividends, even during COVID, which benefited shareholders then, but it also ate into the franking balance.

**Emiko Reed:**

Great, thanks so much Tobias. This next one is from Alsan. She says: why has the dividend not increased since 2018? Will WAM Capital increase its dividend given the profits reserve of 27.2 cents at the end of August?

**Tobias Yao:**

Thanks for the question. Again, it's a question for the board, but for context: the four LICs are paying pretty attractive yields, fully grossed up dividend yields of about 11%, 9%, and 10% across the four. We didn't want to erode capital returns. The more we pay out, the lower the capital base. To maintain the current dividend, we need to deliver pre-fee returns of about 15% each year. That's the key. We're working hard to deliver performance as shareholders ourselves in the LICs. But from the board's perspective, maintaining current levels of dividends is prudent in this market. It's highly unlikely WAM Capital will increase dividends at this stage.

**Emiko Reed:**

We've had a number of stock pick questions come through. Could you please give us your Buy, Hold, Sell calls? We'll start with the first one, XRF Scientific (ASX: XRF).

**Shaun Weick:**

I'd say XRF is a Hold at this stage. The key thing we're looking for is a return to improved top line growth. The cyclical dynamics are very favourable. One of our largest positions is ALS Ltd (ASX: ALQ), which is benefiting from a significant uplift in capital raising activity across the commodities complex. We do like the space and the tailwinds, but we just want more conviction that top line growth can return strongly. That's what will ultimately drive the valuation re-rate in that one.

**Emiko Reed:**

Great. And what about FleetPartners Group (ASX: FPR)?

**Shaun Weick:**

FleetPartners is not one we're in at the moment. I'd say it's a Hold. The one we do like in that space is COG Financial (ASX: COG). Paul Dwyer from PSC Insurance has gone across there and made a substantial personal investment in the business. One of their key verticals is within fleet management. We think COG has a much stronger runway for growth via M&A and organic expansion across panels. It trades on 13x P/E, and we think they can grow 15–20% annually organically and then layer in acquisitions. So COG is the one we're backing in that space.

**Emiko Reed:**

Next one is Qualitas Real Estate Income Fund (ASX: QRI).

**Tobias Yao:**

We don't hold QRI, but we do hold Qualitas Ltd (ASX: QAL), the fund manager. The reason we've invested in QAL is that they're the largest and most conservative manager in private credit in Australia. With so much institutional money flowing into private credit, Qualitas' scale and track record make them the preferred manager. They've been able to deliver 20% growth. With the seismic shift in private credit and the mandates they have in the pipeline, it's an attractive fund manager. The founder also owns a significant equity stake and has been running it very conservatively.

**Shaun Weick:**

Feedback across the industry is very positive on Qualitas' risk management framework, which is critical in real estate credit. We think they're well placed and QRI also looks attractive.

**Emiko Reed:**

What about Judo Bank (ASX: JDO)?

**Shaun Weick:**

Judo's a Buy for us. The stock's trading at a discount to book value. There have been concerns about competition creating elevated runoff in their book and pressure on margins, but we think that's overstated. They've shown strong gross lending momentum in June and July. Front-book margins are remaining strong. They only have 4% market share, so there's still ample runway. They're guiding for over 50% profit growth in FY26. We're only just starting to see operating leverage come through. If they achieve scale metrics in FY27-28, we think the stock doubles.

**Emiko Reed:**

And what about MA Financial (ASX: MAF)?

**Shaun Weick:**

MA Financial is a Hold at the moment on valuation grounds, it's trading on about 23x earnings. There's probably upside risk of further earnings upgrades, and it's a pro-cyclical business that benefits from improved capital markets activity. They've done a great job with MA Money, and their private credit business is strong. If it wasn't for valuation, I'd be more positive.

**Emiko Reed:**

Great. So 4DMedical (ASX: 4DX), is it a Buy, Hold or Sell?

**Shaun Weick:**

It's gone up a lot. I'd probably call it a Hold leaning toward a Sell, purely because there's a lot of retail speculation built into this one. The more difficult part will be commercialisation. Atria Health (ASX: AYA) is one we actually really like in this space. They've got AI-based software for CT scans, they just got approval for plaque detection and have another approval coming for blood flow analysis. They've raised \$75m and are well capitalised, with a strong hospital pipeline. We think that stock is more attractive. At only \$250m market cap, it looks better than 4DX, which hit almost \$1b.

**Emiko Reed:**

And the last one in this batch, Southern Cross Gold (ASX: SXG).

**Shaun Weick:**

Southern Cross Gold is a Buy for us. The deposit they've announced has the potential to be massive. There's still good catalysts and near-term news flow. The gold price environment is very supportive. So yes, still a Buy here.

**Emiko Reed:**

This next question is from Michael. He asks: why did you sell Myer (ASX: MYR)? You had high expectations for the company.

**Tobias Yao:**

We reduced our holding in Myer but we are still shareholders. With the fund, we need to balance short-term and medium-term catalysts. We like the management and board, and we think they'll deliver on targets. But from a portfolio standpoint, we weigh up shorter-term opportunities in the market to maximise performance for shareholders. So while we've reduced, we remain shareholders and are backing management.

**Emiko Reed:**

Great. The next one is from Ashok. He asks: will small/mid caps outperform the ASX100 during this lower interest rate cycle?

**Shaun Weick:**

If history is a guide, then yes. We strongly believe small/mid caps will outperform. We've already seen signs of this in the past two months. With further rate cuts, small caps are well positioned. Interestingly, we saw savage moves this reporting season among highly rated large caps like CSL (ASX: CSL), James Hardie (ASX: JHX), and Woolworths (ASX: WOW). Woolworths is still on 35x PE with 1% earnings growth. I'd much rather buy a small cap retailer like Adairs (ASX: ADH), on 10-11x PE with double-digit earnings growth. We think we're in the early stages of a small cap rotation and outperformance.

**Emiko Reed:**

Great. This one's from Krish: what is the target for the company's capital, growth, distributions, or both?

**Tobias Yao:**

For the companies we invest in, the key is catalysts. We look for what could move the share price over the medium to long term. Catalysts could be earnings-accretive acquisitions, earnings upgrades, or other events that shift the share price trajectory. That's the essence of our process and always has been.

**Emiko Reed:**

Great. This one's from Joseph: did WAM Capital subscribe to the Tuas (ASX: TUA) offer a few weeks ago?

**Shaun Weick:**

Yes, we took every share we could get.

**Emiko Reed:**

Great. This one's from Hung and it's for Tobias on Tuas (ASX: TUA). What are your thoughts about the Simba-M1 merger being blocked by the Singapore regulator? Do you expect the company to enter nearby markets in the medium term, and are there any regulatory issues you foresee?

**Tobias Yao:**

Great question. The regulatory environment in Singapore is different, but from our perspective this merger, the third and fourth players combining, is the easiest scenario to get through. Harder would be #2 and #4, or #2 and #3 merging. So we think regulatory risk here isn't very high. Over time, David Teoh and Richard Tan have proven opportunistic and focused, driving strong customer propositions while holding prices steady. That's gained them market share. We think the business is in great hands. If opportunities arise outside Singapore, they'll pursue them, but we're not overly concerned about regulatory risk.

**Emiko Reed:**

Joseph and Deep have asked about capital raising. Would any of the LICs you manage consider a share purchase plan?

**Tobias Yao:**

On capital raisings, it will be a decision for the board.

**Emiko Reed:**

Great, thanks so much Tobias. This one is from George. Is HealthCo (ASX: HCW) oversold, and do you have a position in any of the HMC Capital (ASX: HMC) investment vehicles?

**Shaun Weick:**

HMC Capital was a stock we did really well on, particularly after the 2022 weakness. We made over 100% on the stock. As we see it today, the HMC HeadCo has challenges tied to underlying satellites. We're not holding any HMC or satellites currently.

HealthCo (HCW) specifically has just been deleted from the ASX300, so there will be short-term selling pressure. It trades at a 30–40% discount to NTA, despite only minor reductions in the last results. The main issue is clarity around Healthscope and the funding model. Optically it looks cheap, but there's still work to do before we'd gain confidence.

**Emiko Reed:**

Great. Sydney has asked about resource stocks held in WAM Active. What is unique about Greatland Gold (ASX: GGP) and Latrobe Resources (assume ASX: LVR)?

**Shaun Weick:** Turnover in WAM Active is very high. Greatland Gold was a trade after the stock got smashed on disappointing FY26 updates, just months after an IPO. We don't hold it anymore, management need to rebuild credibility.

Latrobe (LVR) is still held, though not a large position. The trade is based on potential news flow for gold intercepts, plus the restart of the Hillgrove antimony mine, which will be 7% of global supply when it ramps up in Q1 next year. With an 8-month payback, it's one of the cheapest mining stocks on the ASX.

**Emiko Reed:**

Great, thanks so much Shaun. This one is from Phil. What steps will WAM Capital take to rebuild its profit reserves, noting the reserve was 27.2 cents at end of August?

**Tobias Yao:**

The key is to keep investing in companies that go up, generating positive portfolio performance. We need pre-fees returns of ~15% for WAM Capital to maintain dividends, and that's what drives reserves higher.

**Emiko Reed:**

Great. This one is again from Ashok. How has WAM Microcap been performing this financial year, and what is driving it?

**Tobias Yao:**

WAM Microcap has had a positive start to FY2026. Over the last four years, microcaps lagged due to lack of liquidity and no passive flows. With the small cap rebound, we believe more opportunities are emerging. Historically, outperformance has come from a few concentrated large positions.

One advantage is the same investment team runs both WAM Microcap and WAM Capital, so ideas often flow between funds. We're positive on the space as the early turn in microcaps continues.

**Shaun Weick:**

To add, the Small Resources Index was up 15% in August. That's a big headwind for us as pure industrial stock pickers, since we own no gold or commodities in WAM Microcap. The index is gold-heavy, while we're not exposed.

**Emiko Reed:**

Great. This next question is from Eric. Are there any significant detractors in the WAM portfolio, and what's the plan for those?

**Tobias Yao:**

Plenty. Mistakes happen. In reporting season, IPH Ltd (ASX: IPH) downgraded at results, the share price fell, and we sold out. Another is Event Hospitality (ASX: EVT), we still like it, but results disappointed. We reduced into strength as shares rose 40% into July.

**Shaun Weick:**

We're still positive on EVT. Strong asset backing and we've been buying back shares recently. That's the benefit of being active.

**Emiko Reed:**

Great, thanks so much both. This one is from Mark. What is your view on Generation Development Group (ASX: GDG) following the Evidentia acquisition?

**Tobias Yao:**

We've held GDG for six years. The team led by Grant Hackett, Rob Coombe, and Terrence have done an amazing job growing the business. The Evidentia acquisition is important, asset consultants are gatekeepers for capital. They've also seen strong flows into both bond products and Evidentia. It's a growth company, and we think it's well placed for the next five years.

**Shaun Weick:**

Some pushback is around flow timing, but management are confident of hitting guidance. They've left room for upside, in classic style. A big opportunity could be investment bonds for super funds, especially with Div296 changes. That could mean significant flows.

**Emiko Reed:**

The next one is from George. Is Curia (ASX: CU6) or Qoria (ASX: QOR) the next Life360 (ASX: 360)?

**Shaun Weick:**

We're bullish on both. We were early in Life360 at \$4, and it's been one of our best performers. Core/Qoria we started buying at 25–30c in WAM Microcap and now it's in WAM Capital too. It's passed free cash flow breakeven this year, growing ARR strongly, with structural tailwinds from US funding markets. It has potential for bolt-on M&A. September is its big cash quarter, so we see catalysts near term. It was just added to the ASX300.

**Emiko Reed:**

Great, thanks. This one is from Soham: how do you factor Australia's declining productivity into your outlook?

**Tobias Yao:**

We focus on companies with pricing power, strong products, strong fit. That mitigates productivity issues by protecting margins. Many small caps, especially techs, are embracing AI to boost productivity. For example, Temple & Webster (ASX: TPW) has improved productivity this way. The small cap space is diverse, so impacts vary.

**Shaun Weick:**

Larger bureaucratic businesses suffer more from productivity issues. Smaller nimble companies, with aligned teams, less so.

**Emiko Reed:**

Great. This one's from Claire from IIR: where is Oscar?

**Tobias Yao:**

Oscar has been on leave but working remotely. Shaun and I have spoken to him every day. He'll be back in the office in October. We've worked with him since 2016, Shaun since 2019, Sam since 2018, and Cooper and Chris since 2017. We've got an experienced team.

**Shaun Weick:**

Oscar's never taken more than a week off in 10 years. He'll be back refreshed and reinvigorated, with a heavy schedule coming.

**Emiko Reed:**

Thanks. Next question is from David: what expectations for IPOs do you have in the coming year?

**Shaun Weick:**

ECM pipelines are refilling. IPOs are likely to be \$300–500m caps. Sectors include tech, industrials, and healthcare. Larger ones on the horizon could be Estia Health (taken private a few years ago). With aged care strong, it may return.

Private equity assets nearing fund life ends will need exits. We'll see which ones the public market has appetite for.

**Emiko Reed:**

Great, thanks. Let's do another Buy/Hold/Sell round. First, Ebet Ltd (ASX: EBT).

**Tobias Yao:**

Buy.

**Emiko Reed:**

Objective Corporation (ASX: OCL)?

**Tobias Yao:**

Hold. Good growth, but we prefer higher-growth techs we hold more heavily.

**Shaun Weick:**

Tony Walls has done an amazing job building a \$2b business. It's founder-led. But organic growth has slowed. We're more positive on TechnologyOne (ASX: TNE).

**Emiko Reed:**

Ardent Leisure/Arco Entertainment Holdings (ASX: ALG)?

**Tobias Yao:**

Hold. They have very good assets, but it's about timing catalysts to unlock intrinsic value.

**Shaun Weick:** Exactly. Dreamworld traffic is volatile. Value is in land and potential hotel developments. It's a Hold until catalysts unlock.

**Emiko Reed:**

BlueBet (ASX: BBT)?

**Shaun Weick:**

Buy. The PointsBet (ASX: PBH) situation gives multiple potential outcomes, they could succeed, partner with Mixi, or roll into a larger entity. Ladbrokes or DAZN may also be circling. The balance sheet is strong, valuation is cheap (4x EBITDA, even cheaper if cash returned). Multiple ways to win.

**Emiko Reed:**

Next is Bisalloy Steel (ASX: BIS).

**Shaun Weick:**

Not one I've looked at closely.

**Tobias Yao:**

Thanks for the tip, we'll take a look.

**Emiko Reed:**

Breville Group (ASX: BRG)?

**Tobias Yao:**

We like it medium to long term. They were proactive in adjusting supply chains to mitigate tariffs. Breville sells globally, Australia, US, Europe, Asia. Strong management and good market share story. In the short term, margins are uncertain due to tariffs. From 2027 onwards, it should be a continued market share gainer. Hold long term.

**Tobias Yao:**

A2 Milk (ASX: A2M) is a buy. Management has executed strongly. The CEO secured strategic supply deals and solved China concerns. They are expanding beyond China into Saudi Arabia, Vietnam, the US. We believe A2 will evolve into a multi-product, multi-region company with strong IP.

**Emiko Reed:**

Great. SmartPay (ASX: SMP)?

**Tobias Yao:**

Under takeover offer, fingers crossed.

**Shaun Weick:**

We're holding on the basis the deal closes.

**Emiko Reed:**

EML Payments (ASX: EML)?

**Tobias Yao:**

We hold a substantial stake. The new executive chairman Anthony Hynes (founder of eNett) has reinvigorated the company. He bought \$3.5m of shares himself, and his incentives are tied to getting the stock above \$1.40 within 18 months. They upgraded in August, set \$95m EBITDA target for FY28. We're backing management to deliver.

**Emiko Reed:**

Great. This next question is from Mehdi. What happened with Austin Engineering (ASX: ANG), and what was the original logic?

**Shaun Weick:**

We inherited it via the Euroz portfolio. We liked CEO David Singleton, who did well at Austal. It performed strongly for a period, but management change was a catalyst to reassess. Then some margin structure issues emerged. We've exited from WAM Capital, still a small weight in WAM Microcap.

**Emiko Reed:**

Shaun, Phil has asked: would the board consider slightly cutting the dividend to retain more earnings and profit reserve? And Andrew has asked: will WAM Capital return to 100% franking?

**Tobias Yao:**

Again, board decision. Our goal is to drive portfolio performance, which adds to reserves and dividend-paying capacity. On franking, until the board has comfort around franking balance sustainability, dividends will likely remain ~60% franked. The COVID period is a reminder, we paid high dividends, which benefited shareholders but depleted the franking balance.

**Emiko Reed:**

Great, thanks Tobias. This one is from Ashok: what is your view on Cettire (ASX: CTT) going forward?

**Tobias Yao:**

We don't hold it currently. They're working through tariff challenges. We've had a small position in the past, but like all small caps, we reassess at each result and may re-enter if the opportunity looks right.

**Emiko Reed:**

Glenn asks: do you have an opinion on the Brickworks (ASX: BKW) / Soul Patts (ASX: SOL) merger?

**Shaun Weick:**

We're very positive. It unlocks synergies and unwinds the old structure. We participated in both tranches of the raise. There's a significant wave of passive buying coming due to index changes. We're positive, and own it in WAM Capital and Active.

**Emiko Reed:**

Great. This next one is from George: do you invest in NZX-listed companies?

**Shaun Weick:**

Yes. We hold Somerset Group, E-Road, SmartPay, A2 Milk, and recently invested in Black Pearl Group, which plans to list on ASX. But liquidity on NZX is poor compared to ASX, and lacks passive inflows. We prefer ASX primary listings. NZ stocks have lagged expectations, with recovery delayed.

**Emiko Reed:**

Ashok asks: do you hold Aussie Broadband (ASX: ABB)?

**Shaun Weick:**

Yes, I bought it in WAM Active post-results, which beat FY25 and guided strongly for FY26. We also hold Superloop (ASX: SLC). Challenger brands like ABB and SLC are well placed to take share from incumbents like Telstra. A major churn event is coming, which should benefit challengers.

**Emiko Reed:**

Great. Philip asks: do you like Pexa Group (ASX: PXA), given its pricing power and monopoly position?

**Tobias Yao:**

We used to hold Pexa. Heard good things about the new management recently. It's making headway in the UK and environment is improving in Australia. Very attractive business model. We'll be doing more work on it.

**Emiko Reed:**

This next one is from Claire (IIR) and John. What was the catalyst thesis for IPH Ltd (ASX: IPH)?

**Tobias Yao:**

Twofold. IPH operates patent attorney firms across Australia, Asia, and Canada, acquired over the years. Each region had struggled at different times. Heading into results, we thought all three might finally show positive growth simultaneously. Margins vary, Asia is high, Australia and Canada lower, so we saw self-help opportunities to lift margins, driving upgrades. Unfortunately, the result didn't convince the market, so the catalyst didn't play out.

**Shaun Weick:**

Also worth noting, CFO Brendan York (ex-Nero) had a strong track record. We hoped he could restructure the cost base. That didn't happen to the degree we expected.

**Emiko Reed:**

Tobias, Energy One (ASX: EOL) was your stock pick. Ian asks: given its share price rise, is there still substantial upside?

**Tobias Yao:**

Long term, yes. Energy One benefits from renewable growth, in Europe, electricity markets are growing 30%+ post-Ukraine war as grids liberalize. In Australia, it already facilitates 50% of traded electricity. Top-line growth is strong, with operating leverage coming through. Management is conservative and focused on accretive acquisitions only. If they expand to new regions, the total addressable market grows materially.

**Shaun Weick:**

At ~\$500m market cap, it's in the sweet spot for small-cap software, underowned institutionally. Still plenty of upside.

**Emiko Reed:**

Great, thanks. Andy asks: what are your thoughts on G8 Education (ASX: GEM) after the bad press and price reduction?

**Shaun Weick:**

The news was disappointing, especially for staff and CEO Pej, who'd done a good job. Operationally, impacts are overstated. We immediately reduced our position size to manage risk. G8 already screens staff and has cameras, so little operational change is required. Cost-of-living pressures weighed on FY25, but with rate cuts and supportive childcare policies, we think occupancy can rebound in FY26. The stock is cheap, and could rebound strongly if occupancy improves.

**Emiko Reed:**

Thanks Shaun. Ashok and Peter ask: what are your thoughts on DroneShield (ASX: DRO)? Did you hold it before ASX200 inclusion?

**Shaun Weick:**

We traded around it when a US peer sold down. Didn't own it into ASX200 inclusion. Defence is a hot sector, NATO nations are boosting spend to 5% of GDP by 2035. Defence valuations are stretched, but tailwinds are strong. Our exposure is via Codan (ASX: CDA) and EOS (ASX: EOS). CDA's comms division (40% military) is seeing rising inquiry. EOS recently announced high-energy laser sales and has a full pipeline. Defence is strong, but these stocks can swing 10–15% on global headlines, as we saw with Trump's Ukraine comments.

**Emiko Reed:**

Great, thanks. We have more stock pick questions. Buy/Hold/Sell: Demetres Ltd (not covered).

**Shaun Weick:**

Not one I know well, biotech, not our wheelhouse.

**Tobias Yao:**

Same, we'll look into it.

**Emiko Reed:**

Tyro Payments (ASX: TYR)?

**Tobias Yao:**

Buy, with an asterisk. CEO has left, they're searching for a replacement. But business momentum is strong in FY26, and the payments sector is attractive for strategic interest.

**Emiko Reed:**

Telix Pharmaceuticals (ASX: TLX)?

**Shaun Weick:**

Hold. Competition is increasing in key product Lu-PSMA, and market penetration story is largely played out. Some regulatory moving parts too. Not in our portfolio currently.

**Emiko Reed:**

Electro Optic Systems (ASX: EOS)?

**Shaun Weick:**

High-risk buy. Defence tailwinds are strong, and EOS's pipeline looks solid. It's ~A\$1.9b market cap now, with stronger earnings than DroneShield at \$4b+. It's run hard but still has catalysts with contract wins.

**Emiko Reed:**

Sigma Healthcare (ASX: SIG)?

**Shaun Weick:**

Buy. Chemist Warehouse business has strong double-digit comps in July/August. Rate cuts will be supportive. GLP-1 drugs are driving more foot traffic, which boosts sales. Expansion into Ireland and Europe looks promising. Management changes are a watch point, but the stock has held up well despite insider sell-downs. Looks better value than Woolworths (ASX: WOW).

**Emiko Reed:**

SKS Technologies Group (ASX: SKS)?

**Tobias Yao:**

Hold. We prefer others in the contracting/services space, Tasma (ASX: TAM), GenusPlus (ASX: GNP), SRG Global (ASX: SRG), NRW Holdings (ASX: NWH). Positive sector, but SKS is less diversified.

**Emiko Reed:**

Healius (ASX: HLS)?

**Tobias Yao:**

Our exposure is via Australian Clinical Labs (ASX: ACL). In a 4-player pathology market, ACL is more digitized, higher margins, more efficient. Preference is for ACL.

**Emiko Reed:**

Nuix (ASX: NXL)?

**Tobias Yao:**

Hold. Good thematic but execution has been patchy. We review each result, but haven't re-entered. Needs to look more attractive than current holdings to get capital.

**Emiko Reed:**

This next question is from Hadeeb. What are your views on the global small cap sector? They've underperformed for a while.

**Tobias Yao:**

Probably best for the WAM Global (ASX: WGB) team, but in principle, if the Fed begins an easing cycle, small caps (being more economically sensitive) should outperform, similar to what we expect domestically.

**Shaun Weick:**

Exactly. Same overlay applies. In the US, small caps have underperformed versus the “Magnificent Seven” large techs, but with rate cuts, we’d expect a rotation.

**Emiko Reed:**

Mandy asks: why is WAM Capital delivering average performance?

**Tobias Yao:**

If the question is about NTA performance, we’ve actually outperformed consistently: +12% over 1 year, +11% over 2 years, +9% over 3 years to August. If the question is about share price, that’s different. WAM Capital and WAM Research were trading at large premiums to NTA (30% and 60% respectively). Buying then meant paying \$1.30 for \$1.00 of assets, so as the premium fell, share prices lagged. Remember, shareholder return includes dividends. We pay very high dividends, which reduces NTA but supports yield.

**Emiko Reed:**

John has asked about Gentrack Group (ASX: GTK). Why have you invested?

**Shaun Weick:**

It went from a small-cap darling to divisive. There’s noise around a lost contract (Red Energy) they chose not to renew due to terms. But we back management, who’ve executed well. We think only a few new contract wins are needed for sentiment to shift. Organically it grows 15–20%. We recently disclosed a substantial holding. Buy when there’s blood on the streets.

**Tobias Yao:**

To add, while we sometimes appear large in a register, the actual portfolio weight may be smaller than it looks, e.g. EML.

**Emiko Reed:**

Ian asks: Alliance Aviation (ASX: AQZ)?

**Shaun Weick:**

Small holding in WAM Microcap. Valuation is cheap, but deleveraging keeps getting pushed out. Fundamentally undervalued, but we want more confidence in balance sheet trajectory before going bigger.

**Emiko Reed:**

George asks: any benefit in merging WAM Active and WAM Research into WAM Capital?

**Tobias Yao:**

That's for the board. But having separate LICs gives investors options: WAM Research for pure research-driven strategy, WAM Active for high-turnover trading, and WAM Capital for a mix of both. We think providing that choice is important.

**Emiko Reed:**

Ashok asks: what's your view on Mayfield Group (ASX: MYG)?

**Shaun Weick:**

Similar to comments on G8. Childcare sector has been tough with cost-of-living pressures. Momentum was improving into reporting season, but occupancy still low. With rate cuts and supportive policies, occupancy should improve. Probably a hold now, but interesting.

**Emiko Reed:**

George asks: what went wrong with the Digicor float?

**Shaun Weick:**

Deal structure and size. It was meant to be tight, with strong index demand post-listing. That didn't eventuate, and it never traded above IPO. Once that happens, perception is it's a "broken IPO," which is hard to shake. They need to show execution, e.g. filling their new data centre capacity, before sentiment changes. Hold for now.

**Emiko Reed:**

Tony asks: thoughts on IDP Education (ASX: IEL)?

**Shaun Weick:**

We hold a small stake. We sold out years ago when policies in key markets were tightening, which did play out. Now we're seeing green shoots, Australia has lifted student intake caps, UK looks incrementally more supportive. IEL just left the ASX100 and entered the Small Ords, so small-cap managers will re-engage. Costs are flat into FY27, so if volumes rebound, earnings upgrades could be big. Early, but interesting.

**Emiko Reed:**

Keith asks: thoughts on Magellan (ASX: MFG) and its new structure?

**Tobias Yao:**

Still on our to-do list, but what caught our eye is the success of Airlie and their quant fund, Vinva. We'll be watching closely.

**Emiko Reed:**

Rick asks: every WAM update mentions 1.61c of tax assets from acquisitions. How can these be realised?

**Tobias Yao:**

Capital losses from past acquisitions can be offset against future capital gains. Recently we also realised ~2.2c/share of historical tax losses, which benefited shareholders.

**Emiko Reed:**

Cole asks: you've spoken about Southern Cross Gold (ASX: SXG). How does it compare to Tasma (ASX: TAS)?

**Shaun Weick:**

Very different. SXG is leveraged to gold prices and exploration results. Tasma is a diversified mining services group with earnings and cash flow, undervalued relative to peers. Both interesting, but different risk/return.

**Emiko Reed:**

John asks: what are your five worst duds this year?

**Tobias Yao:**

IPH, Close the Loop (ASX: CLG), G8 Education (ASX: GEM), Austin Engineering (ASX: ANG), Event Hospitality (ASX: EVT). Though with EVT, we like it and are buying back.

**Emiko Reed:**

Promedicus (ASX: PME)?

**Tobias Yao:**

Buy. Consistently 30% top-line growth, 75% EBIT margins, only ~12% US market share. Expanding into cardiology and pathology. Never lost a customer in 20 years. Strong contract pipeline.

**Emiko Reed:**

Jumbo Interactive (ASX: JIN)?

**Shaun Weick:**

Hold. Growth tied to jackpot cycles. Their SaaS arm is the key growth driver, but acquisitions haven't landed. Balance sheet optionality is there, but catalysts are unclear.

**Emiko Reed:**

Georgina asks: how are you playing AI in small caps?

**Shaun Weick:**

Best exposure is Megaport (ASX: MP1). CEO Michael Reid has restructured it, expanded product, and is investing heavily now to capture AI-driven demand. Revenue acceleration is coming, with operating leverage showing later. It's one of our larger positions.

**Emiko Reed:**

Jeremy asks: have you considered Cash Converters (ASX: CCV)?

**Shaun Weick:**

Yes, I've met them recently. Franchisee roll-up strategy is proven. Exiting payday lending was smart. Looks interesting, still doing work.

**Emiko Reed:**

Linda asks: your view on Superloop (ASX: SLC)?

**Tobias Yao:**

We own it in WAM Microcap. Management has executed well, adding subscribers through partnerships like Origin. Big churn event coming, which could boost them significantly.

**Emiko Reed:**

Ian asks: Edu Holdings (ASX: EDU)?

**Shaun Weick:**

Not close to it, nothing to add.

**Emiko Reed:**

Bill asks: is ACL (ASX: ACL) a takeover target?

**Tobias Yao:**

Possibly. They tried to acquire Healius (ASX: HLS) before. Strategic rationale remains. Healthcare assets are always attractive to PE, but ACCC is a hurdle.

**Shaun Weick:**

Exactly, ACL + HLS is the most likely deal, but clearance is uncertain.

**Emiko Reed:**

Joseph asks: do you own Lifestyle Communities (ASX: LIC)?

**Shaun Weick:**

No, but we like the land lease sector. We backed JamLife (ASX: JLG) IPO, and hold Aspen (ASX: APZ) and Ingenia (ASX: INA). Lifestyle has DMF fee questions and is exposed to tough Victorian property. We think VIC has bottomed though, so worth revisiting.

**Emiko Reed:**

Christopher asks: thoughts on Ive Group (ASX: IGL)?

**Tobias Yao:**

Hold. Good management, \$300–400m market cap. On our radar.

**Emiko Reed:**

Roger asks: your view on Simble Solutions (ASX: SIS)?

**Tobias Yao:**

Good management, but in services there are many peers with more immediate catalysts.

**Emiko Reed:**

What about Alfabs (ASX: ALF)?

**Tobias Yao:**

Contractor business. No strong near-term view, but index inclusion is the pathway to more capital inflow.

**Emiko Reed:**

Ashok asks: Lovisa (ASX: LOV)?

**Shaun Weick:**

Buy. Concerns about ex-CEO Victor leaving were overdone. They've brought in top-tier retail leaders like Mark McInnes (chair) and John Cheston (ex-Smiggle). Store rollout and like-for-like sales are accelerating again. High short interest could add fuel.

**Emiko Reed:**

Lloyd asks: Fleetwood (ASX: FWD)?

**Shaun Weick:**

Not one we hold. They've restructured well, but we already own several peers.

**Emiko Reed:**

Stephen asks: is a 10c unfranked dividend the same as 7c fully franked?

**Tobias Yao:**

It depends on your personal tax situation and how you value franking credits.

**Emiko Reed:**

Ian asks: Mineral Resources (ASX: MIN)?

**Shaun Weick:**

Buy. If iron ore holds and production ramps up, good value. Lithium is bouncing along the bottom, but with supply cuts, you get optionality.

**Emiko Reed:**

Peter asks: Praemium (ASX: PPS)?

**Tobias Yao:**

We prefer HUB24 (ASX: HUB) and Netwealth (ASX: NWL). Praemium's smaller scale limits leverage.

**Shaun Weick:**

Exactly, we play the thematic via HUB.

**Emiko Reed:**

Joseph asks: Cedar Woods (ASX: CWP)?

**Shaun Weick:**

Buy. Strong execution, guidance conservative, likely upgrades. Close to ASX300 inclusion. Good capital-light partner strategy.

**Emiko Reed:**

Accent Group (ASX: AX1)?

**Shaun Weick:**

Sell. Brands are losing relevance, direct-to-consumer pressure rising. Recent comps flat despite sector strength. Prefer others.

**Emiko Reed:**

Marcel asks: Singular Health Group (ASX: SHG) and Vulcan Energy (ASX: VUL)?

**Shaun Weick:**

Not close to either. Will look at them.

**Emiko Reed:**

John asks: Dicker Data (ASX: DDR)?

**Shaun Weick:**

Buy. Beneficiary of SMB growth and AI-driven replacement cycle. We missed the last sell-down but still like it.

**Emiko Reed:**

That's all the questions. If we didn't get to yours, we'll follow up. We'll also be travelling to Newcastle, Toowoomba, Gold Coast and Noosa in October for shareholder presentations. Please register if interested. Tobias, closing remarks?

**Tobias Yao:**

Thank you everyone for your questions, and to Shaun and Emiko for joining. The recording will be available on our website soon. These are your companies, please contact us any time. We appreciate your support.

**Shaun Weick:**

Thanks very much.