

Annual General Meeting Chairman's Address

20 November 2018

Introduction and welcome

Good afternoon and welcome to the fifteenth WAM Research Limited Annual General Meeting. I would firstly like to acknowledge the Gadigal people of the Eora nation and pay my respects to their Elders past and present. I would also like to welcome all our shareholders – thank you for joining us and for your continued support of WAM Research.

I am Geoffrey James Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Katherine Anne Thorley and Julian Gosse. John Bruce Abernethy is an apology. Chris Chrandran, a representative from our auditor Pitcher Partners, will be available to address any questions relating to the Company's financial statements.

Solid investment portfolio performance

WAM Research has consistently applied its proven investment philosophy to achieve solid, risk-adjusted portfolio returns derived from investments in undervalued growth companies. Since its change in investment strategy in 2010, the portfolio has returned 18.1% per annum outperforming the S&P/ASX All Ordinaries Accumulation Index by 8.7%, while holding an average of 37.1% in cash.

The investment portfolio continued to deliver solid performance during the 2018 financial year. The investment portfolio increased 14.5%, outperforming the S&P/ASX All Ordinaries Accumulation Index. This risk-adjusted investment portfolio performance was achieved with an average cash weighting of 29.1%, with the investment portfolio recording a standard deviation of 4.6% against the market's 7.1% for the year. The return on equity portion of our portfolio was 19.4% and the return on the cash portion of the portfolio was 2.3% for the year.

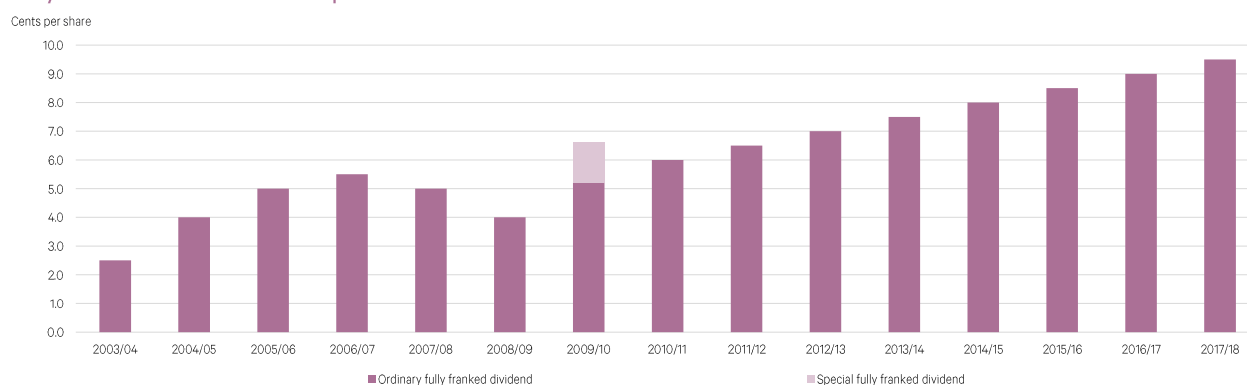
Total shareholder return and share price premium to NTA

The total shareholder return (TSR) for WAM Research for the year to 30 June 2018 was 6.6%. The TSR was largely driven by WAM Research's investment portfolio performance, being offset by the reduction in the share price's premium to net tangible asset (NTA). On 19 November 2018, the premium was 20.5%, after the payment of the fully franked 4.75 cents per share final dividend on 26 October 2018. Throughout its 15-year history, the Company's share price has traded at both premiums and discounts to its NTA.

Continued fully franked dividend growth

The Board continued to enhance shareholder returns through the payment of fully franked dividends in FY2018. The fully franked full year dividend increased to 9.5 cents per share. Since inception, WAM Research has paid 94.6 cents per share in fully franked dividends to shareholders. As at 31 October 2018, the profit reserve was 32.95 cents per share.

Fully franked dividends since inception



Strong financial results

In 2018, the Company delivered an operating profit before tax of \$28.9 million and an operating profit after tax of \$21.6 million. The operating profit for 2018 is reflective of the solid investment portfolio performance of 14.5%, which outperformed the S&P/ASX All Ordinaries Accumulation Index.

Equity market outlook

Over the last decade, central banks have pumped an unprecedented level of liquidity into the economic system, lowering interest rates to record levels and driving asset valuations to extremes.

The recent stock market rout in October has wiped out the 2018 calendar year gains in the US, while China's equity market has fallen by more than 25% from its peak earlier this year and Australia has entered a technical correction. I believe we are in the final stages of the longest US bull market in history. What concerns us the most is that all bear markets are extremely painful.

Fortunately, we have worked through a number of bear markets before and as investors we are excited about the opportunities that will present themselves. During these periods patience is the key.

We expect the negative effects of the bear market will be significantly worse if Labor wins office. We believe Shorten and Bowen's plans will have dramatic implications for the equity and property markets, resulting in the first economic recession in Australia for 27 years.

Given our cautious outlook, we have steadily increased our listed investment companies' (LIC) cash weightings to withstand increasing volatility and ensure necessary liquidity in our portfolios, which unfortunately will not make us immune to the effects of an equity bear market. WAM Research's cash weighting was 39.6% at 19 November 2018.

Company outlook

WAM Research entered the 2019 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. The Company will continue to seek opportunities irrespective of market conditions. We remain well positioned to identify and act on value opportunities as they emerge.

Board changes

In June 2018, Matthew Kidman and Chris Stott resigned from the Board. The Board would like to thank Matthew and Chris for their contribution to WAM Research since Matthew's appointment as founding Director in 2002 and Chris' appointment in 2014.

Public policy and advocacy – defending the current dividend imputation system

Wilson Asset Management continues to engage in public policy discussions and advocates on behalf of all shareholders regarding issues of importance. Early in the 2018 calendar year, the Federal Opposition announced a policy to remove the mechanism for the Australian Taxation Office to refund tax paid on dividend income. We believe it is unfair to change the rules on self-funded retirees, older workers and low income earners. On 11 May 2018, Wilson Asset Management launched a petition to maintain the current dividend imputation system, with almost 30,000 signatures collected to date.

We lodged a submission to the House of Representatives Standing Committee on Economics Inquiry into the implications of removing refundable franking credits, which detailed the negative economic and social impacts of this proposed policy and the positive aspects of the current franking credits system. You can read our submission [here](#). Tim Wilson MP, Chair of the Committee, has recently established a website that allows individuals to easily lodge a submission to the Inquiry: www.stophtheretirementtax.com.

We will continue to monitor the proposed policy changes and engage in the public debate.

Shareholder engagement and communication

Shareholders are the owners of WAM Research. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We value shareholder engagement and aim to provide transparency to our investors and the broader market. We do this regularly in many ways, including:

- Weekly investor updates from our Lead Portfolio Managers;
- Regular investment insights and market updates;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- Monthly investment updates;
- Semi-annual shareholder calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and half yearly profits announcements.

If you have not already done so, we encourage you to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We aim to provide valuable and insightful information to you and welcome all feedback on how we can improve our communication and engagement with you, the owners of the Company - please contact our Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au.

Making a difference

Wilson Asset Management, WAM Research's investment manager, is passionate about making a positive difference to our shareholders and the community. In the 2018 financial year the team worked towards this objective in a number of ways.

We continued our support of Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG), Australia's first philanthropic wealth creation vehicles with the dual purpose of creating shareholder wealth and investing in our future generation. FGX and FGG are actively making a difference with a significant stream of annual investments in high impact charities working to better the lives of young Australians. Wilson Asset Management's team gives ongoing pro bono support to these innovative companies, providing funds management, marketing, shareholder communications, company secretarial, administrative and support functions.

Wilson Asset Management is a signatory to Pledge 1% – a global corporate philanthropy movement that commits to donating 1% of product, 1% of equity, or 1% of employee time to improve communities around the world. We achieve this in a number of ways, including through a program that allows our staff to spend one day each month working in the non-profit sector.

We are proud to provide significant support to various charities. In addition, every Wilson Asset Management team member is given \$10,000 per year to donate as they see fit to any one or multiple charities. All donations are made by the investment manager and not WAM Research.

Thank you

I would like to thank the entire Wilson Asset Management team. Every member of the team has worked tirelessly throughout the year for the shareholders of WAM Research. I would also like to thank my fellow Board members for their invaluable contributions to WAM Research. I am grateful for the Board's ongoing guidance and expertise. Finally, on behalf of the Board and Wilson Asset Management, thank you to our 7,926 loyal shareholders for your continued support and to the 332 shareholders who joined WAM Research in the last year, welcome to the Wilson Asset Management family.