

May 2022 Investment Update

	Pre-tax NTA (cum-dividend)	Pre-tax NTA
W A M <i>Capital</i>	-	\$1.66
W A M <i>Leaders</i>	-	\$1.50
W A M <i>Global</i>	\$2.23	\$2.17
W A M <i>Microcap</i>	-	\$1.39
W A M <i>Alternative Assets</i>	-	\$1.25
W A M <i>Strategic Value</i>	-	\$1.18
W A M <i>Research</i>	-	\$1.02
W A M <i>Active</i>	\$0.86	\$0.83

Dear Fellow Shareholders,

The Wilson Asset Management team and I would like to thank our shareholders for attending WAM Vault Live. We enjoyed meeting with you again in-person and hope you enjoyed hearing an update on Wilson Asset Management and Future Generation. I encourage you to provide your feedback on WAM Vault Live by completing a short survey [here](#).

If you were unable to join us in-person, you can watch a recording of the Sydney event [here](#).

In the media

WAM Alternative Assets (ASX: WMA) Portfolio Manager Dania Zinurova highlighted the benefits of an investment portfolio that is exposed to alternative assets, including lower volatility to equity markets, in an interview with [The Alpha Females Invest](#). Dania also discussed the composition of the WAM Alternative Assets investment portfolio and explained the value of real assets with a focus on water rights, on [Equity Mates](#) podcast.

WAM Leaders (ASX: WLE) Lead Portfolio Manager Matthew Haupt discussed the Labor party's renewables commitment and the impact it will have on equity markets in the [Australian Financial Review](#).

On the Australian Shareholders' Association's [Shares for Beginners](#) podcast, small-to-mid cap Senior Equity Analyst Shaun Weick shared his career journey, what he finds interesting in equity markets right now and discussed Wilson Asset Management's investment process.

I sat down with Kathryn Robinson on ABC's [The Business](#) to talk about my view on AGL Energy's abandoned demerger and the plan for the business going forward. I also discussed the demerger in [The Australian](#) and the [Australian Financial Review](#). I believe it would destroy value for shareholders and limit AGL Energy's ability to achieve decarbonisation targets.

Mike Baird AO to Chair Future Generation Australia

Mike Baird will [join](#) Future Generation Australia's (ASX: FGX) Board of Directors and become its new Chair. Mr Baird will take over from Jonathan Trollip effective 31 July 2022 and is a former Premier of NSW, current CEO of HammondCare and Board Member of Cricket Australia and Surfing Australia. We are incredibly grateful to Mr Trollip, who has chaired Future Generation Australia since its inception in 2014 and overseen a social investment of almost \$30 million in children and youth at risk. Wilson Asset Management is the lead supporter of the Future Generation companies.

WAM Leaders to merge with Absolute Equity Performance Fund (ASX: AEG)

WAM Leaders and Absolute Equity Performance Fund (AEG) [announced](#) today that they have entered into a Scheme Implementation Agreement to merge the two entities.

It is proposed that WAM Leaders will acquire 100% of AEG through a Scheme of Arrangement (Scheme). Under the Scheme, AEG shareholders will receive new WAM Leaders shares as consideration for their AEG shares. The number of WAM Leaders shares to be offered for each AEG share will be determined by a formula based on the ratio of the net tangible assets (NTA) of WAM Leaders before tax (pre-tax NTA) to the pre-tax NTA of AEG. After the merger, AEG shareholders will make up around 5.1% of the combined group. We look forward to welcoming AEG shareholders to the Wilson Asset Management family as we continue to grow WAM Leaders.

The proposed merger of WAM Leaders and AEG follows AEG's consultation process announced on 16 February 2022, under which the AEG Board and its advisors evaluated a range of alternatives with a view to maximise value for all AEG shareholders. The Proposed Transaction will create a single listed investment company with a larger capital and shareholder base, to be managed by Wilson Asset Management. The WAM Leaders Board of Directors believe the merged entity will deliver several benefits to AEG shareholders including the ability to exit their investment in AEG at a premium to the stated pre-tax NTA backing of the company and a premium to the share price of AEG.

It is currently anticipated that AEG shareholders will be given the opportunity to vote on the Scheme at a meeting expected to be held in September 2022. Detailed information relating to the Scheme will be set out in the Scheme Booklet, which is expected to be sent to AEG shareholders during August 2022.

Thank you for your continued support and please stay safe.



Geoff Wilson AO
Chairman



LIC snapshot



W | A | M *Capital*

The most compelling undervalued growth opportunities in the Australian market

ASX: WAM

Share price*	\$1.82
NTA before tax	\$1.66
Annualised fully franked interim dividend	15.5cps
Profits reserve#	16.5cps

W | A | M *Leaders*

Actively investing in the highest quality Australian companies

ASX: WLE

Share price*	\$1.485
NTA before tax	\$1.50
Annualised fully franked interim dividend	8.0cps
Profits reserve#	36.3cps

W | A | M *Global*

The world's most compelling undervalued growth companies

ASX: WGB

Share price*	\$1.835
WGBO option price*	\$0.001
NTA before tax	\$2.17
Annualised fully franked interim dividend	11.0cps
Profits reserve#	33.4cps

W | A | M *Microcap*

The most exciting undervalued growth opportunities in the Australian micro-cap market

ASX: WMI

Share price*	\$1.54
NTA before tax	\$1.39
Annualised fully franked interim dividend	10.0cps
Profits reserve#	46.8cps

W | A | M *Alternative Assets*

Unique opportunities beyond traditional assets

ASX: WMA

Share price*	\$1.06
NTA before tax	\$1.25
Annualised fully franked interim dividend	4.0cps
Commencement date	14 October 2020
Profits reserve#	17.0cps

W | A | M *Strategic Value*

Discounted asset opportunities

ASX: WAR

Share price*	\$1.045
NTA before tax	\$1.18
Inaugural fully franked interim dividend	1.0cps
Listing date	28 June 2021
Profits reserve#	3.6cps

W | A | M *Research*

The most compelling undervalued growth opportunities in the Australian market

ASX: WAX

Share price*	\$1.39
NTA before tax	\$1.02
Annualised fully franked interim dividend	10.0cps
Profits reserve#	38.7cps

W | A | M *Active*

Mispricing opportunities in the Australian market

ASX: WAA

Share price*	\$0.835
WAAOA option price*	\$0.003
NTA before tax	\$0.83
Annualised fully franked interim dividend	6.0cps
Profits reserve#	4.8cps

*As at 10 June 2022.

#The profits reserve figures are as at 31 May 2022 in cents per share (cps).

W | A | M Leaders

Actively investing in the highest quality Australian companies.

The WAM Leaders (ASX: WLE) investment portfolio outperformed the S&P/ASX 200 Accumulation Index during the month. Significant contributors to the investment portfolio outperformance included Aristocrat Leisure (ASX: ALL), Mineral Resources (ASX: MIN), Santos (ASX: STO) and Treasury Wine Estates (ASX: TWE).

As we discussed during WAM Vault Live in May, the most notable event during the month was the completion of a transformative merger between Woodside Energy Group (ASX: WDS) and BHP Group's (ASX: BHP) oil and gas portfolio BHP Petroleum. The all-scrip transaction has almost doubled Woodside Energy Group's earnings and market capitalisation, and created a top 10 global exploration and production business. Key benefits of the transaction include greater scale and geographic and product diversity. The balance sheet is now de-geared with potential for capital management and acceleration of deep water projects such as Trion, which is expected to reach final investment decision in the second half of this year. Pre-tax synergies are also expected of over USD400 million per annum as the two businesses are integrated.

WAM Leaders received Woodside Energy Group shares when the transaction completed. While positive on both Woodside Energy Group and Santos, our preferred oil exposure remains Santos. Santos' management continues to actively manage the portfolio, looking to sell down USD2 to 3 billion of assets this calendar year with the goal of de-risking growth projects, strengthening the balance sheet and smoothing out allocation of capital expenditure. We expect the oil price to remain elevated over the medium-term given continued growing demand, underinvestment in capital and an escalated security of supply dynamic in response to the Russia-Ukraine war.

Market capitalisation (ASX: WLE)

\$1,592.4m*

Gross assets

\$1,596.1m

Listed equities

\$1,567.5m

Investment portfolio performance (pa since inception May 2016)

15.6%[^]

S&P/ASX 200 Accumulation Index: 9.2%

Dividends paid since inception (per share)

31.15c

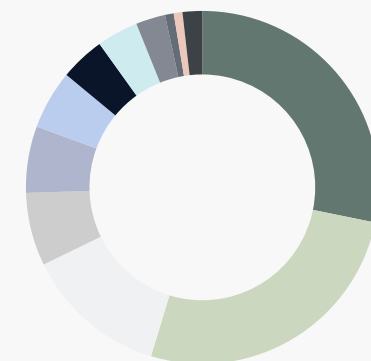
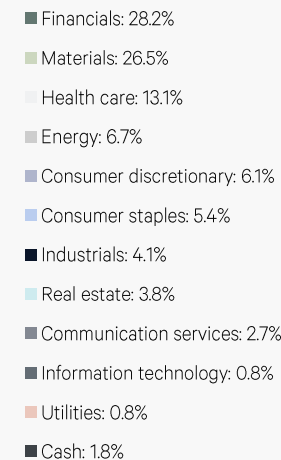
Annualised fully franked interim dividend yield

5.2%*

*Based on the 31 May 2022 share price of \$1.54 per share and the annualised FY22 fully franked interim dividend of 8.0 cents per share. WAM Leaders has 1,034,044,884 shares on issue.

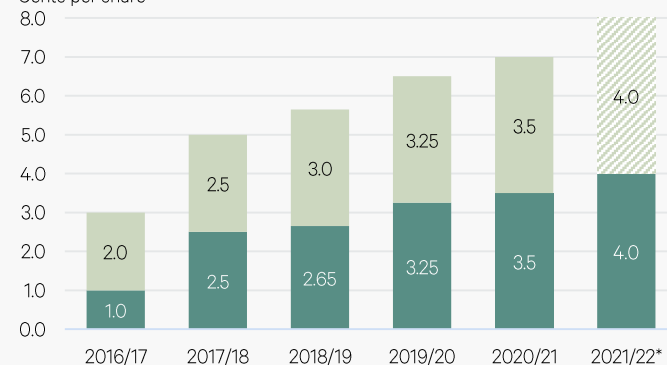
[^]Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Diversified investment portfolio by sector



History of fully franked dividends

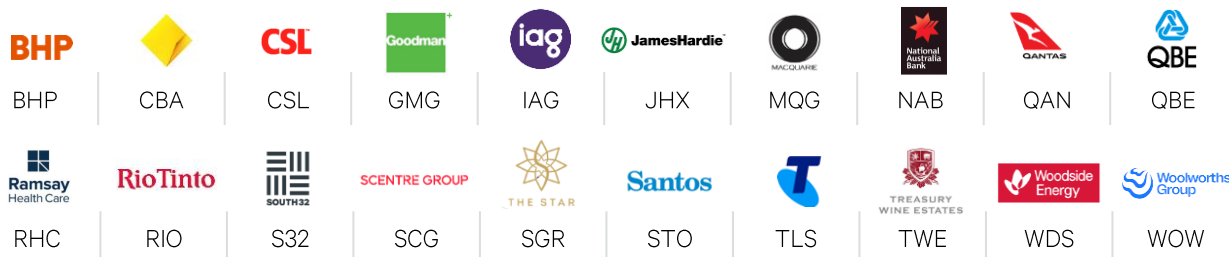
Cents per share



*Annualised interim dividend.

■ Interim ■ Final

Top 20 holdings (in alphabetical order)



Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
May 2022	150.03c [^]	146.54c	145.11c
April 2022	153.24c	148.92c	146.18c

[^]The NTA before tax is after the payment of \$50m (0.48 cents per share) in tax during the month.

W | A | M Capital

The most compelling undervalued growth opportunities in the Australian market.

The WAM Capital (ASX: WAM) investment portfolio decreased during the month. Electronic products manufacturer Codan (ASX: CDA) was a contributor to the investment portfolio performance, while building services company Johns Lyng Group (ASX: JLG) was a detractor.

Codan is a technology company that develops a range of radio and detection products. During May, Codan provided a positive market update, outlining that it expects to achieve a record FY2022 full year profit driven by its strategy to diversify revenues. Codan stated that the increased profitability of its communications division also contributed to the prospect that Codan will match its record FY2022 first half profit of \$50 million for the second half of the financial year. Additionally, the company noted that the expanding opportunity pipeline for Domo Tactical Communications and Zetron, businesses that Codan acquired in 2021, are tracking ahead of schedule with expectations that both companies will deliver a strong result for the six months to June 2022. We remain positive on the upcoming announcement of Codan's full year result and continue to believe in management's ability to sustain profits.

Johns Lyng Group is an integrated building service group delivering building and restoration services across Australia and the US. In May, Johns Lyng Group announced its Managing Director and group Chief Executive Officer Scott Didier and Executive Director and group Chief Operating Officer Lindsay Barber each sold 1 million shares in the company to manage their personal asset portfolios. While the share sales represent a small percentage of their holdings in the company, the Johns Lyng Group share price fell following the update. In the same announcement, the company reiterated it is on-track to achieve its guidance for FY2022, with sales revenue of \$802.4 million and earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$78.7 million. We believe Johns Lyng Group is a quality business with an important role to play in managing ongoing catastrophes, demonstrated by its appointment to lead New South Wales government's flood recovery response earlier this year, and we anticipate further projects will lift its profits in the future.

Net Tangible Assets (NTA) per share

The below NTA figures are **before** the fully franked interim dividend of 7.75 cents per share due to be paid on 17 June 2022. The shares traded ex-dividend on 6 June 2022.

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
May 2022	166.07c	176.09c	176.82c
April 2022	176.45c	184.89c	184.05c

*Includes 0.98 cents per share of tax assets resulting from the acquisition of unlisted investment companies and 5.74 cents per share of income tax losses available to the Company in future periods.

Market capitalisation (ASX: WAM)

\$2,261.9m[#]

Gross assets

\$1,802.3m

Listed equities

\$1,554.0m

Investment portfolio performance (pa since inception Aug 1999)

15.3%[^]

S&P/ASX All Ordinaries Accumulation Index: 8.5%

Dividends paid since inception (per share)

269.5c

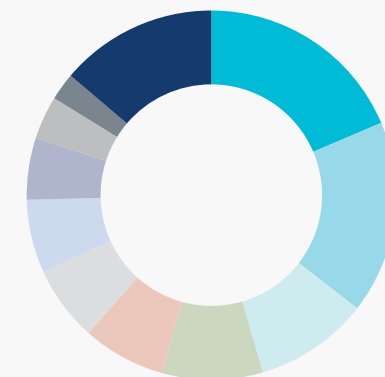
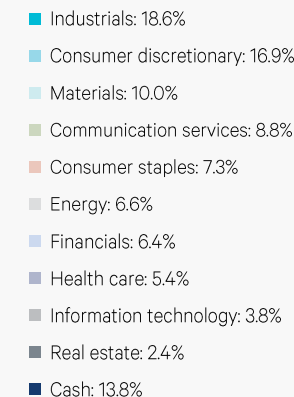
Annualised fully franked interim dividend yield

7.4%[#]

[#]Based on the 31 May 2022 share price of \$2.09 per share and the annualised FY22 fully franked interim dividend of 15.5 cents per share. WAM Capital has 1,082,260,704 shares on issue.

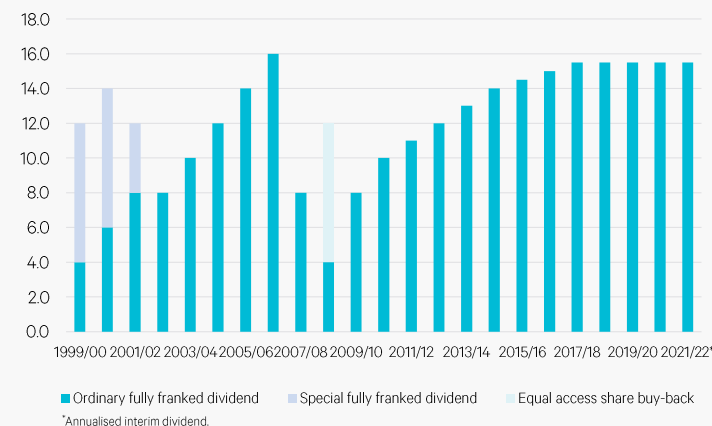
[^]Investment portfolio performance is before expenses, fees, taxes and the impact of capital management initiatives to compare to the relevant index which is before expenses, fees and taxes.

Diversified investment portfolio by sector



History of fully franked dividends

Cents per share



Top 20 holdings (in alphabetical order)

 ARDENT LEISURE	 ALS	 AMP	 Bapcor	 ctm	 Estia Health	 EVENT HOSPITALITY & ENTERTAINMENT	 GUD	 iph	 KELSIAN CONNECTING PEOPLE & PLACES
ALG	ALQ	AMP	BAP	CTD	EHE	EVT	GUD	IPH	KLS
 Lovisa	 MAAS	 NRW Holdings	 oh!	 ORECORP	 Steadfast THE STRENGTH YOU NEED	 SELECT HARVESTS	 VIVA Energy Australia	 Webjet Limited	 Worley energy chemicals resources
LOV	MGH	NWH	OML	ORR	SDF	SHV	VEA	WEB	WOR

W | A | M Global

The world's most compelling undervalued growth companies.

The WAM Global (ASX: WGB) investment portfolio decreased during the month. Verra Mobility (NASDAQ: VRRM) was a contributor to the investment portfolio performance, while Intercontinental Exchange (NYSE: ICE) was a detractor.

Verra Mobility is a global leader in mobility solutions operating primarily in two business segments. In Government Solutions, Verra Mobility provides traffic enforcement solutions to government customers. In Commercial Services, it provides tolling products and services to rental car companies in the US and Europe. Verra Mobility released strong first quarter results with 90% revenue growth and 67% adjusted earnings per share (EPS) growth compared to the prior corresponding quarter. The key drivers of the group result were strong US domestic travel demand in Commercial Services and the acquisition of Australian company Redflex, further consolidating Verra Mobility's position in the Government Solutions segment. We remain positive on Verra Mobility as demand for travel continues to return, with rental car demand still below 2019 levels. Additionally, recent wins in Government Solutions will be a positive driver for the business, and Verra Mobility's entry into parking enforcement creates further growth opportunities looking forward.

Intercontinental Exchange is a leading operator of global commodity and financial products marketplaces. Despite reporting a first quarter 2022 result that was ahead of market expectations, Intercontinental Exchange was a detractor to the investment portfolio performance during the month. Investors had mixed reactions to Intercontinental Exchange's announcement to acquire Black Knight (NYSE: BKI), a leading mortgage software provider. While we acknowledge concerns around the deal increasing mortgage exposure as a percent of revenues for Intercontinental Exchange, we view this deal more favourably. Chief Executive Officer Jeffrey Sprecher has an outstanding proven track record of creating value through acquisitions. From a strategic level, Black Knight is a strong fit with Intercontinental Exchange's Mortgage Technology Business and positions the company to be the leading provider of end-to-end electronic workflow solutions for the US residential mortgage industry. Further, the market is underappreciating that approximately 90% of Black Knight's revenues are recurring in nature. We remain confident in our investment in Intercontinental Exchange, particularly given its core exchange business tends to benefit from market volatility.

Net Tangible Assets (NTA) per share

The below May NTA figures are **after** the fully franked interim dividend of 5.5 cents per share that was paid on 27 May 2022. The shares traded ex-dividend on 16 May 2022.

	NTA before tax (cum-dividend)	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
May 2022	222.72c	217.22c	220.62c	224.83c
April 2022	229.28c	229.28c	232.57c	234.96c

The above May NTA figures are not adjusted for the 278,453,160 options on issue which are trading under the ASX code WGB0 with an exercise price of \$2.54 per option and expire on 12 September 2022.

Market capitalisation (ASX: WGB)

\$681.1m*

Gross assets

\$764.7m

Listed equities

\$724.8m

Investment portfolio performance (pa since inception June 2018)

6.0%[^]

MSCI World Index (AUD): 9.8%

Dividends paid since inception (per share)

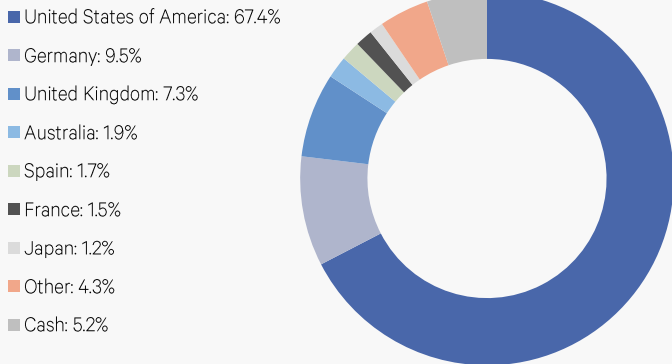
24.5c

Annualised fully franked interim dividend

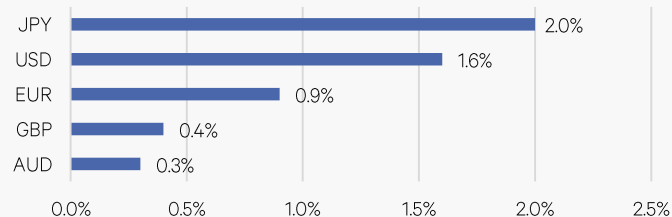
11.0c

*Based on the 31 May 2022 share price of \$1.94 per share and 351,058,562 shares on issue. During the month, 997,649 shares were issued under the Dividend Reinvestment Plan for the interim dividend.
[^]Investment portfolio performance is before expenses, fees and taxes to compares to the relevant index which is also before expenses, fees and taxes.

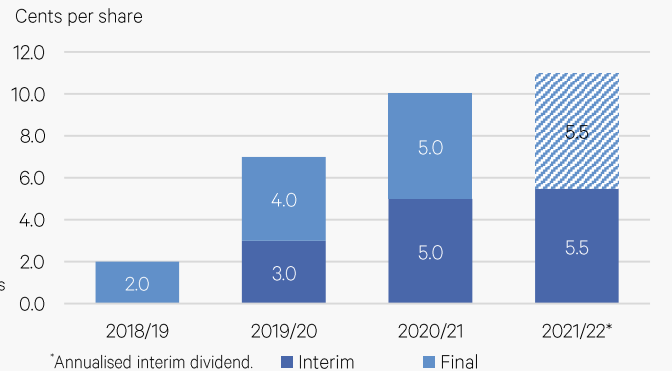
Portfolio by geographical exposure



Cash currency exposure



History of fully franked dividends



Top 20 holdings (in alphabetical order)

Gallagher	Avantor	American Express	Booking Holdings	Concentrix	Deutsche Börse Group	Dun & Bradstreet	Ferguson	Fiserv	HCA Healthcare
AJG US	AVTR US	AXP US	BKNG US	CNXC US	DB1 GY	DNB US	FERG LN	FISV US	HCA US
ICE	Icon	Lowe's	Quanta Services	Ströer	ThermoFisher Scientific	TransUnion	Visa	Verra Mobility	Zebra
ICE US	ICLR US	LOW US	PWR US	SAX GR	TMO US	TRU US	V US	VRRM US	ZBRA US

W | A | M *Microcap*

The most exciting undervalued growth opportunities in the Australian micro-cap market.

The WAM Microcap (ASX: WMI) investment portfolio decreased during the month. Software company Reckon (ASX: RKN) was a contributor to the investment portfolio performance, while video equipment manufacturer Atomos (ASX: AMS) was a detractor.

Reckon is a leading software provider for accountants, bookkeepers, small-to-medium sized businesses and personal users. During the month, Reckon announced that it entered into an agreement to sell its Accountants Practice Management division for all cash proceeds of \$100 million. Following the sale, Reckon plans to return the majority of its proceeds to its shareholders via a special dividend. We believe this is a transformational divestment for the company at a very attractive price, representing 8.4 times the multiple of its FY2021 earnings before interest, taxes, depreciation and amortisation (EBITDA) for the Accountants Practice Management Group. The cash proceeds from the sale were equivalent to the market capitalisation of the company prior to the announcement. The divestment also allows Reckon's management team to focus its attention on driving its remaining business divisions, which generated \$50 million of revenue and \$17 million of EBITDA in FY2021.

Atomos is a global video technology company based in Australia. In a May trading update, the company downgraded its FY2022 revenue to between \$80 million and \$90 million, and EBITDA margin to between 6% and 8%, causing a large fall in Atomos' share price. Atomos explained the downgrade was due to slower-than-expected sales in the first four months of 2022, as a result of the change in its marketing approach, and the expected short-term impact of coronavirus lockdowns in Shanghai on its production schedule for new products. The update was below our expectations and we have since exited our position in the company.

Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
May 2022	139.46c	138.07c	138.64c
April 2022	151.11c	148.61c	146.79c

Market capitalisation (ASX: WMI)

\$362.9m[#]

Gross assets

\$292.6m

Listed equities

\$259.0m

Investment portfolio performance (pa since inception June 2017)

17.6%[^]

S&P/ASX Small Ordinaries Accumulation Index: 8.1%

Dividends paid since inception (per share)

38.75c

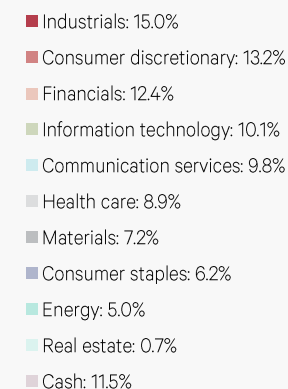
Annualised fully franked interim dividend

10.0c

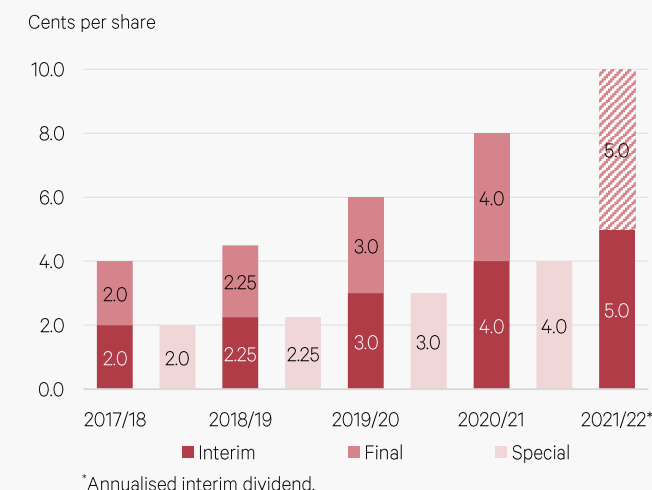
[#]Based on the 31 May 2022 share price of \$1.735 per share. WAM Microcap has 209,140,522 shares on issue.

[^]Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Diversified investment portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

AFG	ANG	BUB	CAJ	DGL	EGG	EXP	GDG	JAN	MRM
MYS	NGI	PFP	PPE	RIC	RKN	SLA	SLH	THL NZ	TUA

W | A | M *Alternative Assets*

Unique opportunities beyond traditional assets

The WAM Alternative Assets (ASX: WMA) investment portfolio increased during the month. The investment portfolio's exposure to real assets, including water rights, and Adamantem Capital Fund II's partial sale of their investment in Climate Friendly were contributors to the investment portfolio performance.

In 2021, WAM Alternative Assets committed capital to an Australian mid-market buy-out private equity fund, Adamantem Capital Fund II (Fund II), managed by Adamantem Capital. Adamantem invests in mid-sized Australian and New Zealand businesses with an enterprise value typically between \$100 million and \$300 million at the time of the investment. One of the first investments made by Fund II was in Climate Friendly, a carbon farming project services provider. Established in 2003, Climate Friendly partners with landholders such as farmers, traditional custodians and conservation organisations to create carbon abatement projects which regenerate land and increases the amount of carbon their land removes from the atmosphere. Since Adamantem's investment last year, Climate Friendly has expanded its operations significantly. In May 2022, Adamantem sold a minority stake in Climate Friendly to a Japanese conglomerate Mitsui & Co. Following completion of the sale, Adamantem will continue to be a majority shareholder, supporting continued growth in the business and we have received the capital proceeds from this partial sale, which was exited at a premium to the asset backing.

The Argyle Water Fund, which invests in the long-term ownership of Australian Water Entitlements (also known as water licences or water shares), contributed positively to the investment portfolio performance during May. This was driven by the extraordinary prices for commodities such as cotton, grains and oilseeds, as well as limited offers for sale by water entitlement holders at current values. Buyer demand for water entitlements has remained strong despite increases in the cost of key inputs such as diesel, agricultural chemicals and constrained labour supplies for harvesting. Large plantings of cotton and rice are expected to soak up much of the current abundant water supply in the Murray Darling Basin over the coming months. In time, this will draw down current dam levels and tighten the market for seasonal water supplies. The recent change of government could bring renewed focus on the finer details of the Murray-Darling Basin Plan. A potential government funded acquisition of an additional 450 gigalitres of water for environmental flows through a voluntary water entitlement buyback program would provide a significant tailwind to the Argyle Water Fund. However, a lot of debate will be necessary before this measure could be agreed by all state governments and other key stakeholders.

Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
May 2022	124.98c [^]	123.55c	120.20c
April 2022	125.10c	123.69c	120.04c

[^]The NTA before tax is after the payment of \$500k (0.26 cents per share) in tax during the month.

Market capitalisation (ASX: WMA)

\$215.9m^{*}

Share price

\$1.11

^{*}Based on the 31 May 2022 share price of \$1.11 per share and 194,507,975 shares on issue.

Gross assets

\$243.0m

Annualised fully franked interim dividend

4.0c

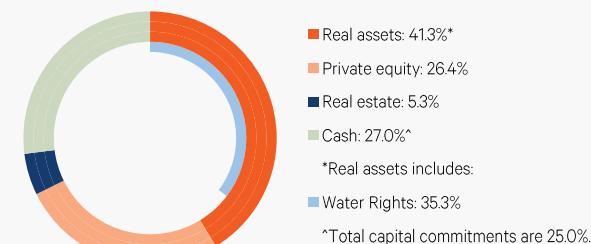
About WAM Alternative Assets

WAM Alternative Assets provides retail investors with exposure to a portfolio of real assets, private equity, real estate and aims to expand into new asset classes such as private debt and infrastructure. The Company's investment objectives are to consistently deliver absolute returns through a combination of dividend yield and capital growth, while providing diversification benefits.

Date of transition from BAF to WMA

14 October 2020

Asset class exposure



	Current value		+/- Prior month	
Portfolio structure	\$m	%	\$m	%
Real assets	100.4	41.3	0.5	0.5
Private equity [*]	64.2	26.4	(2.2)	(3.3)
Real estate	12.9	5.3	(0.2)	(1.5)
Cash [*]	65.5	27.0	1.7	2.7
Grand total	243.0	100.0	(0.2)	(0.1)

^{*}Includes undrawn capital commitments to the Palisade Diversified Infrastructure Fund (\$20.0m); the Barwon Institutional Healthcare Property Fund (\$15.0m); the Allegro Fund IV (\$10.0m); the CEN (I&L) Partnership Fund (\$8.0m); the Adamantem Capital Fund II (\$6.3m) and the Strategic Australian Agriculture Fund (\$1.3m). During the month, \$10.0m was committed to the Allegro Fund IV and \$0.2m was committed to the Adamantem Capital Fund II.

^{*}During the month, \$0.4m of the exit proceeds were received from our investment in the QFS Fund.

Real assets

A diversified portfolio combining agricultural assets and investments in perpetual water entitlements which can be sold or leased to irrigators to generate income.

Private equity

A diversified portfolio of unlisted companies with long-term and accelerated growth potential.

Real estate

A portfolio of domestic and international industrial and office assets.

Top holdings

Real assets



Water Fund

Pioneer and leading non-irrigator water investor in Australia

Strategic Australian Agriculture Fund

Investing across Australian water entitlements, Australian farmland and associated businesses and Australian agricultural infrastructure

Private equity



A manufacturer of premium condiments, desserts and beverages



A provider of outsourced e-commerce solutions in South-East Asia



Shopper is the fastest offline media business in Australia

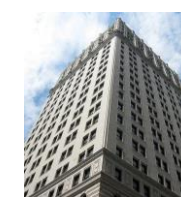


A leading developer of utility-scale battery energy storage projects in the US



Owens and operates a portfolio of hotel assets in Australia

Real estate



2 Rector Street, Manhattan, New York

Revesby Industrial Income Fund, New South Wales

New Investment Partners



Mid-market private equity fund manager



Specialist infrastructure fund manager



Boutique real estate fund manager



Independent Australian property investment manager

W | A | M Strategic Value

Discounted asset opportunities.

The WAM Strategic Value (ASX: WAR) investment portfolio decreased during the month. During the month, we added two new positions to the investment portfolio, financial services provider AMP (ASX: AMP) and energy provider AGL Energy (ASX: AGL).

AMP is a provider of superannuation and investment products, financial advice, and banking products including home loans and savings accounts in Australia and New Zealand. As mentioned in [The Australian Financial Review](#) this month, we believe the company is undervalued and trading at an attractive discount to its net tangible assets (NTA). AMP recently entered into an agreement for the sale of its international infrastructure equity business within Collimate Capital to DigitalBridge Investment Holdco, a leading global digital infrastructure investment firm, for an upfront consideration of \$462 million and total value of up to \$699 million. Collimate Capital was renamed from AMP Capital after its [demerger](#) from AMP Limited. We view this transaction as positive for shareholders as when combined with the \$430 million from the sale of the domestic infrastructure equity and real estate business and the \$578 million from the sale of the infrastructure debt platform, this transaction values the total Collimate Capital business at approximately \$2.0 billion including the value of retained assets. During AMP Capital's AGM, the Board signalled its intention to return capital with its significant excess cash on its balance sheet later in the year and the share price trading at a discount to its underlying asset backing. The prospects of the Board announcing capital management initiatives, including a share buyback, capital return and the recommencement of dividends to shareholders provides the potential for earnings per share (EPS) accretion and a catalyst for a share price rerate.

AGL Energy is an Australian listed public company involved in both the generation and retailing of electricity and gas for residential and commercial use. During the month, the company abandoned plans to demerge its coal generation business and announced its Chief Executive Officer and Managing Director Graeme Hunt and Chair Peter Botten will leave the company. This announcement followed pressure from shareholders who believed the proposed demerger would destroy value for shareholder's and limit AGL Energy's ability to achieve decarbonisation targets, as discussed in [The Australian](#) and [The Australian Financial Review](#). We are supportive of plans to abandon the demerger for several reasons, including the significant cost to shareholders, including the loss of scale and diversification, a \$260 million in one-off implementation cost and \$35 million in additional ongoing operating expenses per annum. We are confident a refreshed board will steer the company in the right direction and will further enable AGL Energy to meet its decarbonisation targets. AGL Energy's underlying business is positioned favourably to develop new distributed-energy products as more Australian households look to invest in greener energy sources including home batteries, solar panels and demand-management technology.

Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains	NTA after tax
May 2022	118.35c	117.52c	121.00c
April 2022	122.06c	121.22c	123.36c

Market
capitalisation
(ASX: WAR)

\$199.9m*

Gross assets

\$212.3m^

Inaugural fully
franked interim
dividend

1.0cps

Pre-tax net
tangible assets

\$1.18

*Based on the 31 May 2022 share price of \$1.11 per share and 180,125,761 shares on issue.

^Gross assets exclude the \$1.48m offer costs receivable balance associated with the Initial Public Offer (repayable by the Investment Manager).

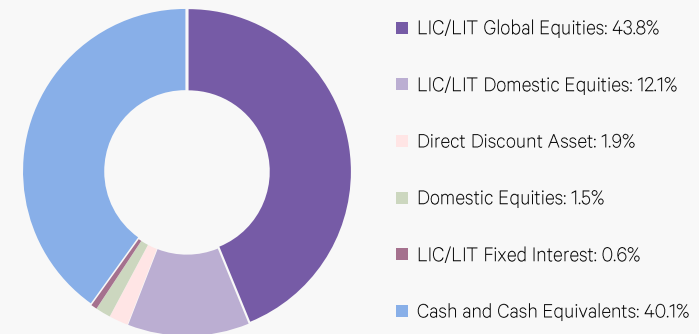
About WAM Strategic Value

WAM Strategic Value will take advantage of market mispricing opportunities, including securities trading at discounts to assets or net tangible assets, corporate transactions and dividend yield arbitrages. WAM Strategic Value aims to deliver strong risk-adjusted returns derived from a portfolio primarily composed of discounted asset opportunities selected using the proven market-driven investment process we have developed over more than two decades.

Date of listing on the ASX

28 June 2021

Diversified investment portfolio by listed
investment company/trust (LIC/LIT) sector



May 2022 look-
through pre-tax
NTA

\$1.30

Look-through NTA before tax

The Australian Accounting standards require the Company's pre-tax NTA to be calculated based on the market price (or share price) of the underlying investment portfolio. The Company's look-through pre-tax NTA is an estimation of the Company's pre-tax NTA calculated using the estimated or most recently available pre-tax NTA of the underlying investment portfolio as at the end of the month. The look-through pre-tax NTA of the Company is indicative only and provides an estimate for investors of the value of the underlying investment portfolio, assuming the share price discount to NTA of the underlying discounted asset opportunities are closed.

Top holdings (in alphabetical order)

							
AMP	CIN	EAI	GDC	LSF	MFF	MGF	NSC
							
PE1	PIA	QVE	SEC	TEK	VG1	VG8	WGB*

*WAM Strategic Value received WAM Global shares and options as scrip consideration for TGG shares held.

The WAM Research (ASX: WAX) investment portfolio decreased during the month. Engineering firm Worley (ASX: WOR) was a contributor to the investment portfolio performance, while building services company Johns Lyng Group (ASX: JLG) was a detractor.

Worley provides engineering, procurement and construction expertise to the upstream, midstream, chemicals, power, energy and minerals sectors. During May, Worley was awarded three new contracts with Shell Offshore, Borouge 4 LLC and Heartwell Renewables LLC and signed an agreement with Avantium Renewable Polymers to provide engineering, procurement and construction services to develop the Avantium flagship facility in the Netherlands. The engineering, procuring and construction services Worley will provide to these companies aims to support the growth of their assets as well as their sustainability targets. With new contracts in the pipeline and FY2022 costs expected to be less than half of FY2021, we believe Worley's revenue and earnings target for the second half of FY2022 is well supported.

Johns Lyng Group is an integrated building service group delivering building and restoration services across Australia and the US. In May, Johns Lyng Group announced its Managing Director and group Chief Executive Officer Scott Didier and Executive Director and group Chief Operating Officer Lindsay Barber each sold 1 million shares in the company to manage their personal asset portfolios. While the share sales represent a small percentage of their holdings in the company, the Johns Lyng Group share price fell following the update. In the same announcement, the company reiterated it is on-track to achieve its guidance for FY2022, with sales revenue of \$802.4 million and earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$78.7 million. We believe Johns Lyng Group is a quality business with an important role to play in managing ongoing catastrophes, demonstrated by its appointment to lead New South Wales government's flood recovery response earlier this year, and we anticipate further projects will lift its profits in the future.

Net Tangible Assets (NTA) per share

	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
May 2022	102.48c	107.41c	106.94c
April 2022	107.14c	111.45c	110.19c

*Includes 5.64 cents per share of income tax losses available to the Company in future periods.

Market capitalisation (ASX: WAX)

\$290.1m[#]

Gross assets

\$203.6m

Listed equities

\$170.1m

Investment portfolio performance (pa since change in investment strategy July 2010)

14.6%[^]

S&P/ASX All Ordinaries Accumulation Index: 9.1%

Dividends paid since inception (per share)

129.0c

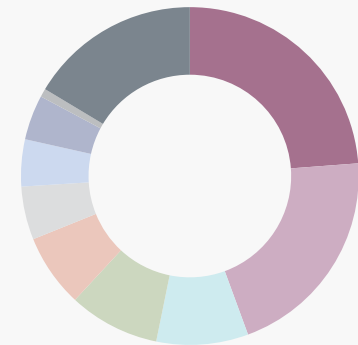
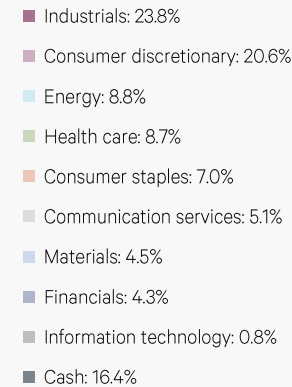
Annualised fully franked interim dividend yield

6.8%[#]

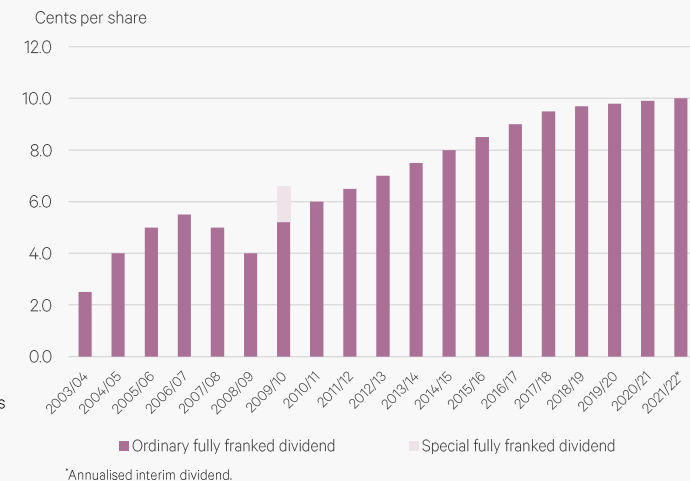
[#]Based on the 31 May 2022 share price of \$1.465 per share and the annualised FY22 fully franked interim dividend of 10.0 cents per share. WAM Research has 198,038,747 shares on issue.

[^]Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Diversified investment portfolio by sector



History of fully franked dividends



Top 20 holdings (in alphabetical order)

ARDENT ALG	Estia Health EHE	EVENT EVT	G8 Education [™] GEM	GUD GUD	IMDEX IMD	iph [®] IPH	JOHNS LYNG GROUP JLG	KELSIAN KLS	Lovisa LOV
MAAS MGH	NRW Holdings NWH	pro medicus PME	RIDLEY RIC	SG Fleet Group SGF	thl [®] THL NZ	TREASURY WINE ESTATES TWE	VIVA Energy Australia VEA	Webjet Limited WEB	Worley WOR

W | A | M *Active*

Market mispricing opportunities in the Australian market.

The WAM Active (ASX: WAA) investment portfolio decreased during the month. Electronic products manufacturer Codan (ASX: CDA) was a contributor to the investment portfolio performance, while automotive accessories supplier ARB Corporation (ASX: ARB) was a detractor.

Codan is a technology company that develops a range of radio and detection products. During May, Codan provided a positive market update, outlining that it expects to achieve a record FY2022 full year profit driven by its strategy to diversify revenues. Codan stated that the increased profitability of its communications division also contributed to the prospect that Codan will match its record FY2022 first half profit of \$50 million for the second half of the financial year. Additionally, the company noted that the expanding opportunity pipeline for Domo Tactical Communications and Zetron, businesses that Codan acquired in 2021, are tracking ahead of schedule with expectations that both companies will deliver a strong result for the six months to June 2022. We remain positive on the upcoming announcement of Codan's full year result and continue to believe in management's ability to sustain profits.

ARB Corporation designs, manufactures, distributes and sells motor vehicle accessories. During May, ARB Corporation delivered a market update, noting numerous challenges to its business operations including a hike in commodity prices, a global shortage of new vehicles, global logistics and pricing issues, a labour and skills shortage and exchange rate volatility. The company also outlined an expected increase in total capital expenditure to \$57 million in FY2022, up from \$33 million in FY2021, due to costs associated with its factories and upgrades to its retail stores and manufacturing equipment. We remain upbeat that ARB Corporation will likely achieve its projected FY2022 revenue of \$700 million, supported by its 18% year-on-year increase in sales revenue over the nine months ending 31 March. Our outlook for ARB Corporation remains positive as the business continues to deliver on growth opportunities in Australia and in export markets, development of new products and fostering of partnerships with major customers.

Net Tangible Assets (NTA) per share

The below May NTA figures are **after** the fully franked interim dividend of 3.0 cents per share that was paid on 27 May 2022. The shares traded ex-dividend on 16 May 2022.

	NTA before tax (cum-dividend)	NTA before tax	NTA after tax and before tax on unrealised gains*	NTA after tax*
May 2022	85.54c	82.54c	89.58c	89.57c
April 2022	91.28c	91.28c	96.60c	96.60c

*Includes 2.61 cents per share of income tax losses available to the Company in future periods.
The above May NTA figures are not adjusted for the 67,068,824 options on issue with an exercise price of \$1.10 per option.

Market capitalisation (ASX: WAA)

\$68.2m[#]

Gross assets

\$61.5m

Listed equities

\$56.9m

Investment portfolio performance (pa since inception Jan 2008)

10.4%[^]

Bloomberg AusBond Bank Bill Index (Cash): 2.8%

Dividends paid since inception (per share)

83.7c

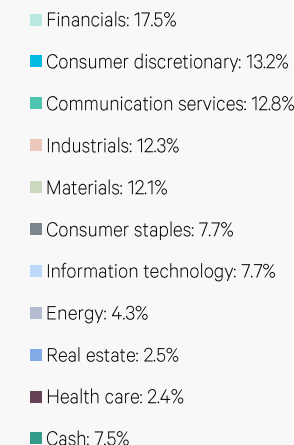
Annualised fully franked interim dividend yield

6.5%[#]

[#]Based on the 31 May 2022 share price of \$0.92 per share and the annualised FY22 fully franked interim dividend of 6.0 cents per share. WAM Active has 74,177,980 shares on issue. During the month, 364,221 shares were issued under the Dividend Reinvestment Plan for the interim dividend and 17,118 options were exercised and allotted under the Bonus Issue of Options. The options are trading under the ASX code WAAOA with an exercise price of \$1.10 per option and expire on 31 October 2022.

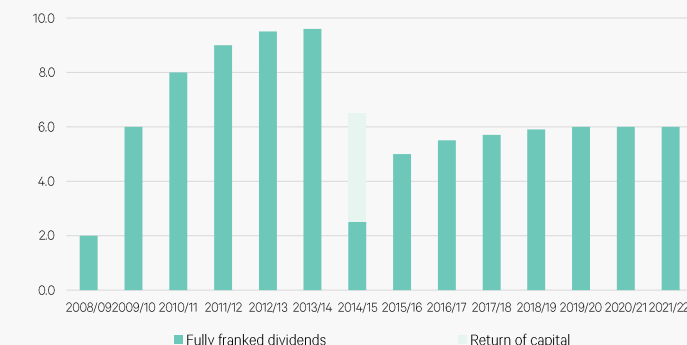
[^]Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Diversified investment portfolio by sector



History of fully franked dividends

Cents per share



*Annualised interim dividend.

Top 20 holdings (in alphabetical order)

ALS	AMP	Bapcor	CAPITOL HEALTH LIMITED	carsales.com ltd	CODAN	ctm	Downer	HANSEN	JamesHardie
ALQ	AMP	BAP	CAJ	CAR	CDA	CTD	DOW	HSN	JHX
KEYBRIDGE	oh!	PRIMOR	PEXA	Steadfast	SELECT HARVESTS	smart group corporation	SGH	tpg TELECOM	TUAS
KBC	OML	PMV	PXA	SDF	SHV	SIQ	SVW	TPG	TUA