

Annual General Meeting Chairman's Address

19 November 2019

Introduction and welcome

Good afternoon and welcome to the sixteenth 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 Geoff Wilson, Chairman of the Board of Directors. I am joined today by my fellow Board members, Kate Thorley, Julian Gosse and John Abernethy. Scott Whiddett, a representative from our auditor Pitcher Partners, will be available to address any questions relating to the Company's financial statements.

FY2020 update

WAM Research has achieved a solid start to FY2020. Through our continued focus on undervalued growth opportunities, the Company has outperformed the S&P/ASX All Ordinaries Accumulation Index by 7.0%, increasing 9.4% in the financial year to 31 October 2019. In the calendar year to date, WAM Research's investment portfolio has increased 25.2% while holding on average 22.2% in cash. As at 31 October 2019, the Company had 29.70 cents per share available in its profits reserve, after the payment of its fully franked FY2019 final dividend of 4.85 cents per share.

FY2019 in review

Equity market overview

The year began with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching. By January 2019, the US Federal Reserve executed one of its sharpest u-turns in recent memory, pausing interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new highs as interest rates fell.

The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased only 5.6% in AUD terms. Interestingly, large-cap companies drove the US market's gains as the S&P 500 Index climbed 10.4% during the year in local terms, while the small-cap focused Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year.

Investment portfolio performance

The WAM Research investment portfolio increased 1.8% in the 12-month period, climbing 6.4% in the final quarter and rebounding 14.5% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 31.2% throughout the period.

During the period we invested in 112 individual companies and at 30 June we had investments in 46 companies. The largest contributors to the investment portfolio's performance during the period included: global ship building company and defence contractor, Austal (ASX: ASB); leading plus-sized fashion retailer, City Chic Collective (ASX: CCX); information and communications technology provider, Service Stream (ASX: SSM); global digital retailer of

official government and charitable lotteries, Jumbo Interactive (ASX: JIN); and receivables and specialist financing company, Scottish Pacific Group (ASX: SCO).

Financial results

In 2019, the Company recorded an operating profit before tax of \$0.4 million (2018: \$28.9 million) and an operating profit after tax of \$1.6 million (2018: \$21.6 million). The after tax figure was boosted by a \$1.2 million income tax benefit delivered through franking credits received on franked dividend income from investee companies. The operating profit for 2019 is reflective of the performance of the investment portfolio over the period which was impacted by the heightened volatility in the Australian equity market.

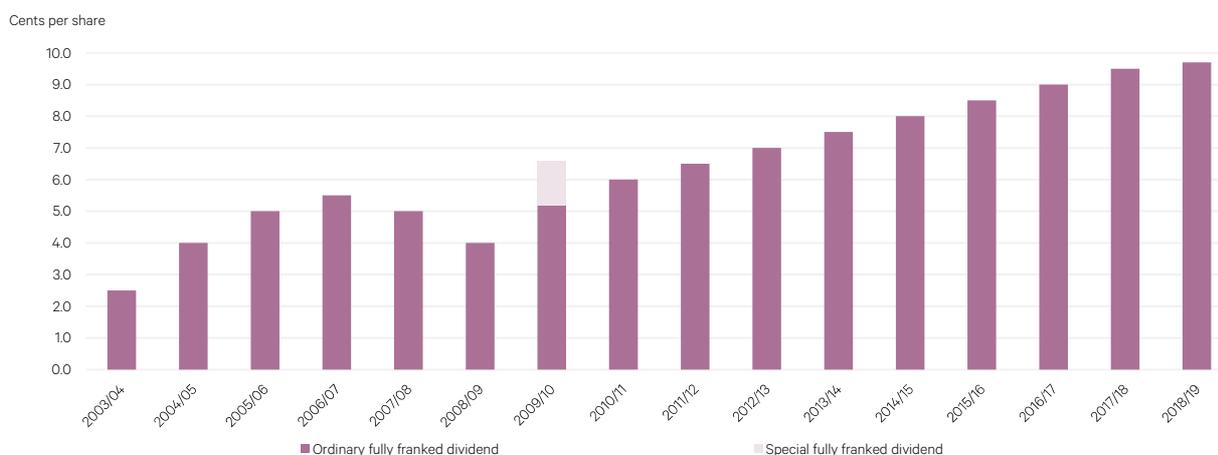
Total shareholder return and share price premium to NTA

The total shareholder return (TSR) for WAM Research for the year to 30 June 2019 was impacted by the decline in the share price premium to net tangible asset (NTA). As at 30 June 2019, the share price premium to NTA was 12.2% (2018: 18.0%). This was offset by the investment portfolio performance, with TSR decreasing 5.9% for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends. On 18 November 2019, the share price premium to NTA was 21.2%. Throughout its 16-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 FY2019. The fully franked full year dividend increased to 9.7 cents per share, with the fully franked final dividend being 4.85 cents per share. Since inception, WAM Research has paid 104.30 cents per share in fully franked dividends to shareholders.

Fully franked dividends since inception



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 preservation of shareholder capital is a key focus of our investment process. Despite our cautious outlook, we continue to identify and act on opportunities in the market and are confident that the WAM Research portfolio is comprised of companies with valuation upside and compelling fundamentals.

Public policy and advocacy

On behalf of our 80,000 shareholders of our six LICs as well as self-funded retirees and low-income earners throughout Australia, we advocated against the inequitable and illogical policy to remove refunds on franked dividend income that was announced on 13 March 2018. We were pleased to see the end of the proposal and thank our shareholders for their support.

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 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 conference calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and semi-annual profits announcements.

WAM Research shareholders are encouraged 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. Please contact our Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au with any questions or feedback.

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 2019 financial year the team worked towards this objective in a number of ways.

We continued our support of Future Generation Australia (ASX: FGX) and Future Generation Global (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.

Today, we announced our intention to raise up to \$1 million for Australians affected by drought and bushfires in New South Wales and Queensland. We will match funds donated to the Foundation for Rural and Regional Renewal (FRRR) by our shareholders and supporters. You can visit our website for details.

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 8,640 loyal shareholders for your continued support and to the 714 new shareholders who joined WAM Research in the last year, welcome to the Wilson Asset Management family.