



19 March 2024

Dear Fellow Shareholder,

We would like to provide you with WAM Strategic Value’s (ASX: WAR) latest investor update and invite you to register for our Shareholder Presentations in April.

WAM Strategic Value is your company and we are committed to keeping you informed. We believe an informed and engaged shareholder base is key to our collective success and we hope you find value in being part of this journey.

Wilson Asset Management Chief Financial Officer Jesse Hamilton and I recently hosted a webinar where we answered over 70 questions from our shareholders. You may listen to the recording of the webinar [here](#) or by visiting our website: [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au).

**WAM Strategic Value 2024 update**

WAM Strategic Value has started the 2024 year strongly with the investment portfolio increasing 2.8%\* in January 2024, and 2.5%\* in February 2024, outperforming the S&P/ASX All Ordinaries Accumulation Index by 3.1% in the same period. In the financial year to 29 February 2024, the investment portfolio outperformed the market, increasing 10.9%\*.

<b>4.5 cps</b>	<b>6.0%</b>	<b>3.2 years</b>	<b>\$1.46</b>
Annualised fully franked interim dividend FY2024	Annualised grossed-up dividend yield <sup>†</sup>	Dividend coverage equating to 14.2 cents per share available in the profits reserve as at 29 February 2024	Look-through net tangible assets (NTA) as at 29 February 2024 <sup>#</sup>

\*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is before expenses, fees and taxes.

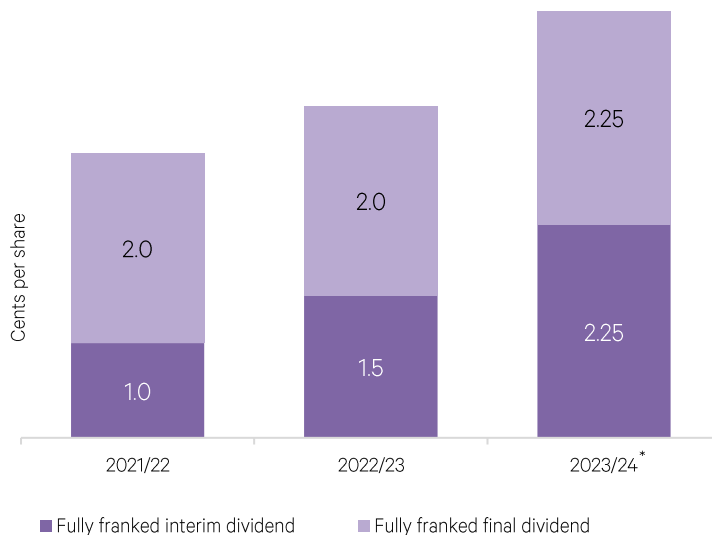
<sup>†</sup>Based on the 29 February 2024 share price of \$1.06 per share. Grossed-up dividend yield includes the benefits of franking credits and is based on a tax rate of 30.0%.

<sup>#</sup>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 where available. 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.



On 15 February 2024, the WAM Strategic Value Board of Directors announced the FY2024 Interim Results and declared a fully franked interim dividend of 2.25 cents per share. The Board increased the FY2024 fully franked interim dividend to 2.25 cents per share as a result of WAM Strategic Value's strong investment portfolio performance in the financial year. The company has 3.2 years of dividend coverage equating to 14.2 cents per share available in its profits reserve as at 29 February 2024.

## Fully franked dividends since inception



\*Annualised fully franked interim dividend

## Key dividend dates

Ex-dividend date	2 May 2024
Dividend record date (7:00pm Sydney time)	3 May 2024
Last election date for DRP	7 May 2024
Payment date	30 May 2024

Total shareholder return (TSR) was 11.8% including franking credits for the financial year to 29 February 2024, driven by a narrowing of the share price discount to NTA to 14.8% from 16.8% at the start of the period, and the investment portfolio performance of 10.9%\* during the period.

At 29 February 2024, the company has a pre-tax NTA of \$1.24 and a look-through pre-tax NTA of \$1.46#. While we look at the NTA to see the value of the investment portfolio, which is the sum of all the assets less any liabilities and divided by the number of shares on issue, we also refer to the look-through NTA for WAM Strategic Value. This is because in our NTA calculation, assets are required to be valued based on the current share price of the securities we are invested in, not their underlying asset value (or NTA). The look-through NTA is an estimate of the company's NTA using the most recently available announced NTA of the underlying investee companies in the investment portfolio. We provide the look-through NTA in our Monthly Investment Update and while we have seen our share price discount to NTA narrow, the discount to look-through pre-tax NTA was 27.4% as at 29 February 2024.

<b>\$1.06</b>	<b>\$1.24</b>	<b>\$1.46</b>
Share price as at 29 February 2024	Pre-tax NTA as at 29 February 2024	Look-through pre-tax NTA# as at 29 February 2024

\*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is before expenses, fees and taxes.

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## Structural benefits of listed investment companies (LICs)

Research shows that a closed-end pool of capital like a LIC will outperform an open-end pool of capital like a managed fund or exchange traded fund (ETF) over time. The reason is, an open-end pool of capital is impacted by money flows, both inflows and outflows. When money flows into an open-end fund, additional shares have to be bought. When money flows out of an open-end fund, shares have to be sold. Usually, investors redeem their investments at the wrong time, when the market has fallen and stocks are cheap, and conversely money flows in to open-end funds when the market has already risen and stocks are more expensive. Thus, an open-end fund is more likely to be buying at the top of the market and a forced seller at the bottom of the market. The LIC is a stable, closed pool of money and can be invested for the medium-to-long term without being impacted by money flows, providing the LIC with a significant competitive advantage. It is interesting to note that when Warren Buffet started investing he invested a lot of his money in closed-end funds like LICs.

## Market outlook

I am currently in the US. Interestingly, the market breadth is improving as the dominance of the Magnificent Seven declines.

We are in a US presidential election year, and since 1928, election years have been positive for equity markets, with the S&P 500 Index increasing on average 7.5%, 75% of the time. Also, when the S&P 500 Index hits a record high, being the first record in at least 12 months, since 1928, 84.6% of the time the S&P 500 Index was higher 12 months later with an average increase of 13.1%.

This period may also coincide with central banks globally pausing and potentially cutting interest rates.

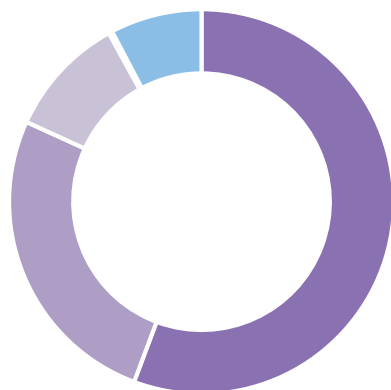
## Investment portfolio update

WAM Strategic Value focuses on providing shareholders with strong returns by identifying and capitalising on buying assets at a discount. WAM Strategic Value's disciplined investment process allows the Company to take advantage of market mispricing opportunities, including securities trading at discounts to NTA.

In the eight months to 29 February 2024, we increased our equity exposure from 72.7% of assets to 91.9% as we strategically increased our exposure to LICs and listed investment trusts (LITs) trading at attractive discounts to NTA. Currently, a number of LICs and LITs are trading at a heightened share price discount to NTA, providing opportunities.

We have taken substantial positions in a number of holdings within the portfolio, including QV Equities (ASX: QVE), VGI Partners Global Investments (ASX: VG1), Salter Brothers Emerging Companies (ASX: SB2) and Global Data Centre (ASX: GDC). QVE has been bid for by WAM Leaders (ASX: WLE), which will provide an exit opportunity for WAM Strategic Value. You can hear more detail about these companies by listening to our webinar recording.

## Diversified investment portfolio by listed investment company/trust (LIC/LIT) sector As at 31 December 2023



■ LIC/LIT Global Equities:	55.7%
■ LIC/LIT Domestic Equities:	26.1%
■ Direct Discount Asset:	10.2%
■ LIC/LIT Fixed Interest:	0.3%
■ Cash and Cash Equivalents:	7.7%

## Top 20 holdings with portfolio weightings As at 31 December 2023

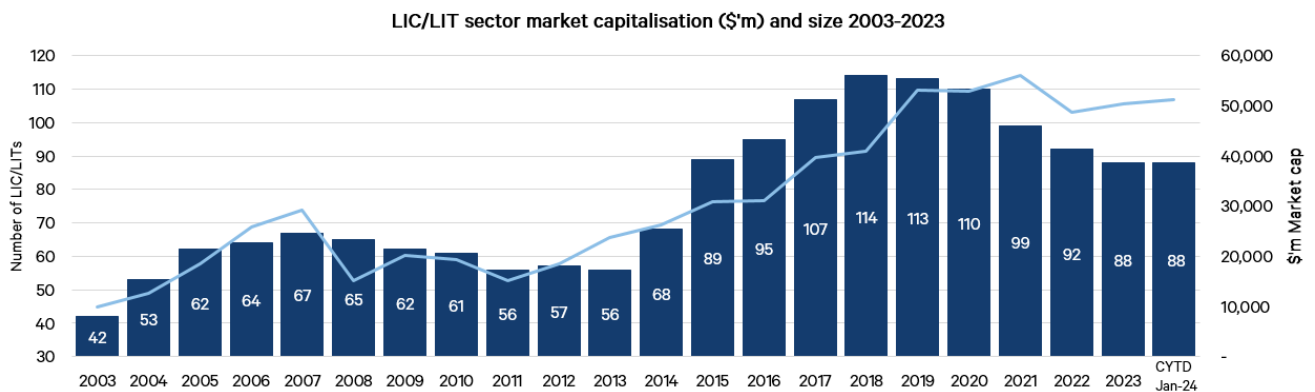
Code	Company Name	%
WGB*	WAM Global Limited	16.9%
QVE	QV Equities Limited	14.6%
VG1	VGI Partners Global Investments Limited	13.3%
PIA	Pengana International Equities Limited	8.7%
MGF	Magellan Global Fund	7.8%
GDC	Global Data Centre Group	6.0%
RG8	Regal Asian Investments Limited	5.6%
NSC	NAOS Small Cap Opportunities Company Limited	3.5%
OPH	Ophir High Conviction Fund	2.4%
AMP	AMP Limited	1.9%
CIN	Carlton Investments Limited	1.6%
SB2	Salter Brothers Emerging Companies Limited	1.4%
URF	US Masters Residential Property Fund	1.2%
PAI	Platinum Asia Investments Limited	1.1%
PMC	Platinum Capital Limited	0.8%
SEC	Spheria Emerging Companies Limited	0.8%
LRK	Lark Distilling Co. Limited	0.7%
CD3	CD Private Equity Fund III	0.7%
CD2	CD Private Equity Fund II	0.6%
NGE	NGE Capital Limited	0.5%

\*WAM Strategic Value received WAM Global shares as scrip consideration for Templeton Global Growth Fund shares previously held. Wilson Asset Management has foregone management fees on the portion of the investment portfolio held in WAM Global shares.



### The LIC and LIT sector

The sector has experienced numerous cycles of expansion and contraction since the first closed-end fund was listed in London in 1868. In the early 2000s, the Australian LIC and LIT sector experienced significant growth, which was followed by a period of consolidation. After the levelling of the playing field with the Future of Financial Advice (FOFA) reforms in 2012, the sector expanded significantly from 56 LICs and LITs in 2013 to a peak of 114 in 2018. Today, there are 88 LICs and LITs trading on the ASX. As you can see from the ‘LIC/LIT sector market capitalisation and size’ chart below, the market capitalisation of the sector has remained strong despite the overall number of LICs and LITs decreasing, highlighting the consolidation of the sector more recently. Throughout 2024, we anticipate further consolidation and restructuring in the sector, particularly with LICs and LITs that have failed to properly engage with their shareholders. At Wilson Asset Management, we are active participants in this consolidation, with WAM Leaders recently announcing it has entered into a Scheme Implementation Agreement to merge with QV Equities. This consolidation phase is a healthy part of the LIC and LIT business cycle.



### The value in a discount

Over four decades in financial markets, one of my greatest passions has centred on identifying, investing in and profiting from buying assets cheaply. Essentially, identifying and investing in \$1 of assets for 80 cents or less. Premiums and discounts are only one element of LICs and LITs. A common assumption made by LIC and LIT investors is that premiums are positive, while discounts are negative. I believe this definition is oversimplified and misses the opportunity of investing in discounted assets. As Warren Buffet said, “if you are planning to purchase hamburgers, you want the price of hamburger meat to fall, not rise”.

LICs and LITs that have historically fluctuated between discounts and premiums can present an opportunity as the discount narrows, particularly when a catalyst is identified that will close the gap between the share price and NTA. Additionally, investing in discounts can have the added advantage of providing access to quality investment managers and a diversified portfolio of assets cheaply, as well as purchasing securities paying a strong fully franked dividend yield at a lower price. Investing in discounted assets allows investors to supercharge their returns by generating returns from the investment manager’s performance, in addition to the narrowing of the discount.

WAM Strategic Value aims to take advantage of the market mispricing opportunities, including securities trading at discounts to assets or NTA, corporate transactions and dividend yield arbitrages with franking credit benefits. Our experience and expertise in managing closed-end vehicles provides us with a unique position and investment process to identify and benefit from LIC and LIT market mispricing opportunities. The value differential is realised when the investment is sold at a price, which reflects, or more closely reflects, the value of the securities’ underlying assets. WAM Strategic Value aims to realise some or all of

this value as part of our investment strategy, and in doing so, provides an alternative source of market outperformance compared to other common stock-selection strategies. The value presented by discounted assets can be realised through the use of existing catalysts, regular and meaningful engagement with boards, management teams and other investors, and shareholder activism where necessary.

## Addressing the discount to NTA

We believe the WAM Strategic Value share price should be trading at NTA or a premium given the value embedded within the investment portfolio. We are focused on closing the discount to NTA through a continued focus on investment portfolio performance, the payment of fully franked dividends to shareholders as well communicating the sustainability of those fully franked dividends through a healthy profits reserve. We also have a comprehensive shareholder engagement strategy for both current and new shareholders.

During the recent FY2024 Interim Results Webinar, I addressed why newer LICs can trade at a discount to NTA as they build a track record of performance and a regular and sustainable stream of fully franked dividends.

## WAM Strategic Value FY2024 Interim Results Q&A Webinar | Listen to the recording

Scan the QR code below or visit our website: [wilsonassetmanagement.com.au](https://wilsonassetmanagement.com.au).



## April 2024 Shareholder Presentations | Register your attendance

Join me, along with the Wilson Asset Management and Future Generation teams, at our Shareholder Presentations in April 2024. Learn how the investment teams are strategically positioning their portfolios for the upcoming year and hear their views on Australian and global equities and alternative assets.

City	Date	Time	Venue
Canberra	Wednesday, 3 April	9:30am	Hotel Realm
Sydney	Thursday, 4 April	10:00am	The Fullerton
Brisbane	Friday, 5 April	10:00am	Brisbane Convention & Exhibition Centre (BCEC)
Hobart	Monday, 8 April	9:30am	Crowne Plaza
Melbourne	Tuesday, 9 April	10:00am	Sofitel Melbourne on Collins
Perth	Thursday, 11 April	9:30am	The Hyatt Regency
Adelaide	Friday, 12 April	9:30am	Hilton Hotel

To secure your place, scan the QR code or visit our website: [wilsonassetmanagement.com.au](https://wilsonassetmanagement.com.au).



Alternatively, you can call us on (02) 9247 6755 or email us at [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).



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A significant number of our communications are only available online. We encourage you to [subscribe](#) to our updates to receive the latest market insights from our investment team and receive timely invitations to our upcoming events. You can read our privacy policy [here](#).

If you have any questions, please contact Chief Financial Officer Jesse Hamilton on 0401 944 807, Investment Specialist Martyn McCathie or me on (02) 9247 6755, or email Zoe Landry at [info@wilsonassetmanagement.com.au](mailto:info@wilsonassetmanagement.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Geoff Wilson'.

**Geoff Wilson AO**  
Chairman