
WAM Active Limited (WAA)

Chairman's Address – Annual General Meeting
24 November 2015



Delivered by Geoff Wilson at the Annual General Meeting of shareholders held at the Wesley Centre at 220 Pitt Street Sydney on Tuesday 24 November 2015.

Introduction and welcome

Good morning and welcome to the eighth Annual General Meeting of WAM Active Limited ('WAM Active' or 'Company'). Thank you for joining us and thank you for your continued support of the Company. My name is Geoff Wilson, I am the Chairman of the Board of Directors and I will be chairing the meeting today. I will begin by introducing my fellow Board members, Matthew Kidman, John Abernethy, Kate Thorley and Chris Stott. Kate is also our Company Secretary. I would also like to introduce our audit partner from Pitcher Partners, Scott Whiddett, who will be available to address any questions relating to the Company's Financial Statements.

Since its inception, WAM Active's investment team has effectively applied an investment approach that provides investors with exposure to active trading strategies with the objective of delivering positive returns in all market cycles. In the 2015 financial year, WAM Active's investment team continued to focus on applying the investment approach identifying and capitalising on opportunities that allowed us to increase the investment portfolio by 5.5%, while taking as little risk as possible.

FY2015 financial results

In August, the Company announced a full year operating profit before tax of \$896,077 (compared with \$4.1 million in FY2014), and an operating profit after tax of \$897,681 (compared with \$3.2 million in FY2014). The change in profit on the previous corresponding period was a direct result of the investment portfolio returning 5.5% in FY2015, compared to 19.4% in FY2014, and capital management initiatives, including the completion of the option issue.

Capital return and fully franked dividend

WAM Active's board was disappointed it was not in a position to pay an interim dividend as the Company's net assets were less than issued capital. In recognition of shareholders' cash flow needs, the Directors declared a 4.0 cents per share Return of Capital, which was approved by shareholders at an Extraordinary General Meeting on 19 May 2015 and paid on 1 June 2015.

In the second half of the year, the Board was pleased to be able to deliver shareholders a fully franked final year dividend of 2.5 cents per share. The Board intends to pay an interim dividend in FY2016 to be announced with the Company's half year results in February 2016, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. After the payment of the final FY2015 dividend, the estimated profit reserve was 4.89 cents per share and the franking account had a balance of \$76,951. An important distinction and a major benefit of WAM Active's Listed Investment Company ('LIC') model, is the ability to pay shareholders fully franked dividends when conditions allow.

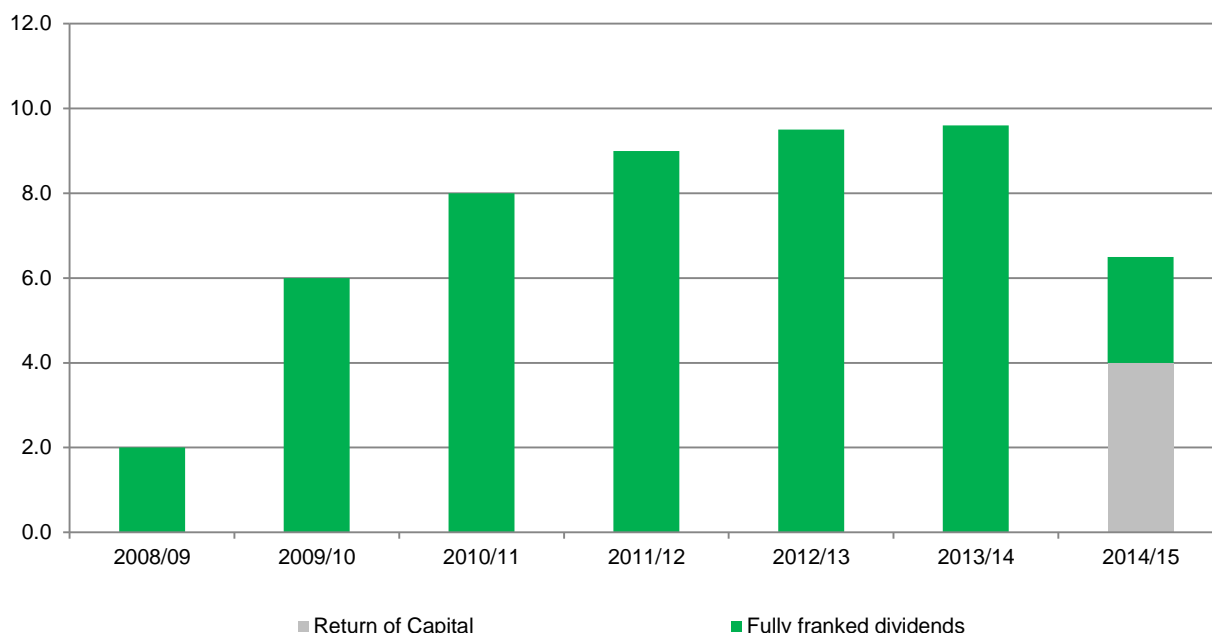
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WAM Active dividends and return of capital since inception

Cents per share



Positive performance of investment portfolio

Applying the Company's proven and disciplined investment approach WAM Active's investment portfolio delivered a positive performance increasing 5.5% for the year with an average cash weighting of 39.4%. The equity portion of the investment portfolio turned over more than five times in FY2015.

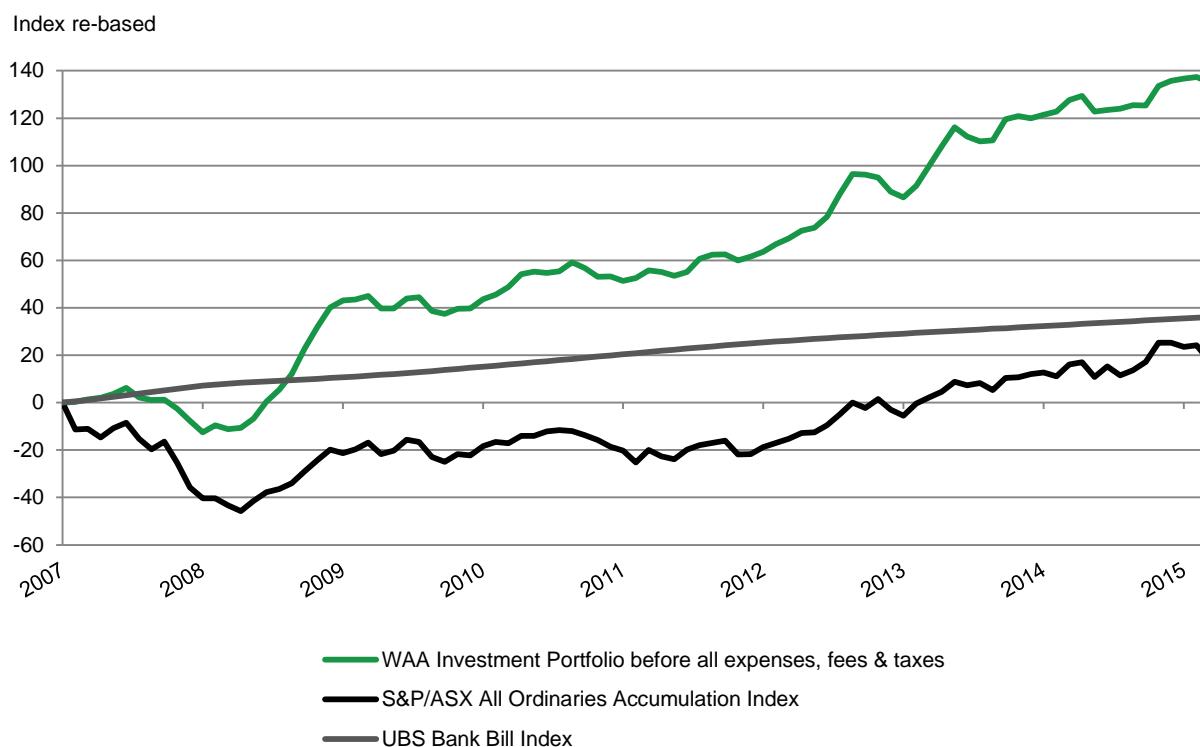
Since its inception to June 2015, WAM Active's investment portfolio has returned an average annualised return of 12.1%. WAM Active is an absolute return fund and as such is not benchmarked against an equity index. As a point of reference, over the same period the S&P/ASX All Ordinaries Accumulation Index has increased just 2.2% and the UBS Bank Bill Index (cash) has increased 4.2%. This performance track record demonstrates the success of our rigorous and disciplined approach to investing.

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Positive performance



Capital protection strategy

WAM Active's investment process possesses several mechanisms for managing and mitigating risk. The Company's flexible mandate allows the investment team to invest only when we believe it will be beneficial to our shareholders and will deliver the maximum return while taking the minimum amount of risk. The ability to hold cash is another important tool for effectively managing risk. Since WAM Active's inception, the investment portfolio has had an average cash weighting of 45.2% and a current cash weighting of 21.5% as at 23 November 2015.

Listed Investment Company (LIC) benefits

As an LIC, WAM Active's structure has significant benefits for our shareholders offering a superior investment vehicle for gaining exposure to a diverse portfolio of Australian equities. The LIC structure provides a permanent and stable closed-end pool of capital that gives our investment team the ability to focus solely on managing money and to make rational investment decisions based on sound investment principles. Importantly, the LIC structure provides the opportunity to pay shareholders fully franked dividends over time. As a listed entity, a LIC must comply with rigorous corporate governance principles, providing investors with transparency and accountability.

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Investors and the investment community alike have a greater awareness of the benefits of the LIC structure as evidenced by a surge in capital raisings and initial public offerings in the sector over the last 24 months. The popularity of the LIC model has been helped by the introduction of the Future of Financial Advice Reforms ('FOFA') in 2013 and the strong growth in self-managed superannuation funds (SMSFs). WAM Active's LIC structure has proven to be particularly popular among SMSFs, which now account for the majority of our shareholders.

Making a difference

Wilson Asset Management (WAM Active's investment manager) is passionate about making a positive difference to our shareholders and the community. In FY2015 the team at Wilson Asset Management worked towards this objective in a number of ways.

In 2014, Wilson Asset Management established the Future Generation vehicle that provides a permanent and growing stream of funding to Australian children at risk. Following the success of Future Generation Investment Company (ASX: FGX), which listed in September 2014, Wilson Asset Management played a pivotal role in the launch of Future Generation Global Investment Company (ASX: FGG) which listed in September this year.

Due to the generous pro bono support of fund managers and service providers, FGX and FGG can each donate 1.0% of their net tangible assets each year to selected Australian non-profits working to improve the lives of young Australians. Wilson Asset Management's team gives ongoing pro-bono support to these innovative companies providing funds management, marketing, communications with shareholders, company secretarial, administrative and support functions.

Wilson Asset Management continues to engage in public debate and advocacy regarding issues impacting WAM Active and its shareholders. In 2015 we made a submission regarding the Federal Government Tax Discussion Paper arguing that the dividend imputation system benefits Australia's financial system in a number of ways and should therefore not be removed or adjusted. We are heartened that the Division Head of the Tax White Paper Task Force noted in August that, among the submissions, there was a consensus view that dividend imputation should be retained. We will continue to engage in this debate on behalf of shareholders in the 2016 financial year.

In addition to these activities, Wilson Asset Management provides ongoing support through financial and in-kind contributions to a range of not-for-profit organisations. Through a popular new internal initiative, our staff can identify causes they wish to support and Wilson Asset Management makes a donation on their behalf. All donations are made on behalf of the investment manager.

Market outlook

We have a conservative outlook for Australian equities over the next 12 months and remain confident we can continue to identify investment opportunities that deliver positive performance.

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The housing boom appears to have peaked signaled by a drop in auction clearance rates and the mining sector remains weak. In contrast, retail stocks are benefitting from a lower interest rate environment. We are monitoring the impact on consumer sentiment and the broader economy of recent rate rises by the banks and in our recent meetings with companies, executives have consistently reported that economic conditions remain patchy.

Despite below trend economic growth over the last nine years, our investment team has continued to find opportunities, including continued merger and acquisition activity, in the market. We believe that in this subdued economic environment investment opportunities will continue to present themselves. With \$8.1 million in cash (21.5% of the investment portfolio) the investment portfolio is in a position to seize on opportunities as they arise.

WAM Active outlook

In FY2016, we expect a significant increase in merger and acquisition activity driven by the record low interest rates, lower Australian dollar and a progressive and stable government. The current financial year has started strongly in a challenging environment with WAM Active's investment portfolio up 12.6%, outpacing the market by 12.7% while being 78.5% invested as at 23 November 2015.

Appreciation

I would like to thank the Wilson Asset Management team for their ongoing efforts and hard work. Specifically, I would like to thank the management team – CEO Kate Thorley and CIO Chris Stott who have been supported by the investment team – Portfolio Manager Matt Haupt, Senior Equity Analyst Martin Hickson and Equity Analyst Tobias Yao – the accounting and operational team – Sarah Maddox, Martyn McCathie, Linda Vo, Lillie Johnson, Colette Connolly, Samantha Acret and Alison Shave – and the corporate affairs team – James McNamara, Meredith Hemsley and Alexandra Hopper.

In addition, I would like to thank my fellow Board members for their invaluable contributions to WAM Active during the year. I'm grateful for the Board's ongoing guidance and expertise.

Finally, on behalf of the Board and Wilson Asset Management, thank you to our loyal shareholders for your continued support. To those shareholders who have joined WAM Active in the last year, welcome to the Wilson Asset Management family.

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