



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING**

**Wednesday 17th November 2010 – 10.30am
Lyceum Theatre, Wesley Centre
220 Pitt Street, Sydney NSW 2000**

1. INTRODUCTION

Good morning, welcome to the seventh Annual General Meeting of Wilson Investment Fund Ltd (WIL). Thank you for your attendance and support.

My name is Geoff Wilson, I am Chairman of the Board of Directors and I will be chairing this meeting today. I would like to introduce the other members of the Board – Matthew Kidman, John Abernethy and Julian Gosse.

Operating Profit Result

For the year to 30 June 2010 the Company's operating profit after tax (before realised gains on investments) increased to \$4.0 million. Last year's operating profit after tax (before realised gains on investments) was \$2.0 million. The prior year result was negatively impacted by \$3.6m impairment losses. The early adoption of Australian Accounting Standard AASB 9 means impairment charges are no longer booked to the Income Statement.

Dividends received this financial year declined by only 2.5% to \$4.7 million. This was a solid result in a period when corporates continued to repair their balance sheets and were taking a conservative approach to capital management.

Dividends

The Board is pleased the company was able to increase dividends paid to shareholders. The company paid a fully franked 5.2 cents ordinary dividend and a fully franked 1.4 cents special dividend for the financial year to 30 June 2010. The final and special dividend of 2.6 cents and 1.4 cents carried 100% LIC capital gain. This will enable some shareholders to claim a further tax deduction.

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The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis. The government legislation introduced in June this year enabling companies to pay dividends on a solvency basis is extremely positive for all investors. It will allow WIL to pay a consistent stream of dividends in all market environments.

In line with our dividend policy and in the current environment the Board is anticipating an increase in dividends for this year.

Net Asset Backing (NTA)

During the financial year, the before-tax NTA increased to 83.3 cents per share from 75.4 cents per share (adjusted for 4.6 cents per share paid in dividends during the financial year).

Since balance date, the portfolio has continued to improve and as at 31 October 2010, the before-tax NTA has increased to 84.9 cents per share (after the payment of 4.0 cents per share in fully franked dividends during October 2010).

Our goal is to have the share price trading close to NTA. We believe this will be achieved by performance, payment of a growing stream of fully franked dividends, a strong and growing dividend yield and continued marketing and communication of the Wilson Investment Fund to investors.

Total Portfolio Return and Total Shareholder Return

For the 12 months to 30 June 2010 WIL's gross portfolio increased 10.3%, the S&P/ASX All Ordinaries Accumulation Index increased by 13.8% and the S&P/ASX 200 Industrials Accumulation Index increased by 9.7%.

Over the same period the after tax NTA increased 8.5%, adjusted for dividends and excluding tax assets, while the share price rose 15.1%, adjusted for dividends.

Board's Vision for the Future - Revised Investment Strategy

Over the past months the Board has been engaged in a strategic review of the Fund to determine the best way to maximise value for shareholders. The outcome of this process is that the Board has instructed the Manager to more actively manage the portfolio.

Coinciding with this the Board has proposed a name change to WAM Research Limited. This name will better reflect the investment strategy and will align with the current naming convention and branding of the Wilson Asset Management (WAM) Group.

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Since inception, the investment philosophy has been to buy and hold shares for the medium to long term. The Board believes a more active strategy will maximise risk adjusted returns to shareholders.

The new strategy will mainly utilise the Managers Research Driven approach, with a mandate to sell once an investee company does not rate. This new investment strategy will now only occasionally include the Investment Driven process which was originally utilised in the company and is a buy and hold strategy.

Key features of this approach going forward are:

- Stocks will be sold if fundamentals change, valuation is reached or outlook for the equity market deteriorates;
- Fully franked dividends to shareholders remain a key focus;
- Higher turnover of stocks in the portfolio. No longer purely a buy and hold Fund;
- The investable universe will be stocks listed on the Australian Stock Exchange with the Fund predominately investing in small-mid cap industrial. No sector or market capitalisation restrictions; and
- No restrictions on cash holdings.

In the new financial year we have moved to restructure the portfolio to reflect the new strategy.

Structural Change

Recently two significant events have occurred that I believe will be very positive for WIL and the Listed Investment Company (LIC) sector in Australia.

The first of these is the recent changes in dividend legislation which allows LIC's and other listed companies to pay dividends based on the solvency position of the company rather than from reported profits and retained earnings. This will be a benefit to investors as it will increase the level of fully franked dividends paid to investors and it will increase Wilson Investment Fund's ability to pay dividends. It is estimated there are over \$100 billion franking credits available for distribution from Australian companies. These changes will continue to lead to strong dividend growth for the market which for the current year 2009/10 was 11.2% and is estimated to be 20% over the next 2 years.

The second event is the Ripoll Review which proposes the removal of commissions on managed funds from 1 July 2012. This will provide a level playing field between LIC's and managed funds. Another benefit from this review will be the introduction of a statutory fiduciary duty on financial advisors in relation to their clients. I believe these events will increase the interest in LIC's as an attractive investment option.

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Outlook

In the year ahead we envisage research driven opportunities to continue to present themselves. Australian companies have significantly reduced their cost bases after the global financial crisis and any increase in revenue will be amplified in corporate earnings growth.

Corporate balance sheets are under geared after the \$109 billion of capital raised in 2009 and we believe this will lead to further corporate activity. The company's portfolio is well positioned to take advantage of all opportunities as they present themselves.

Appreciation

In conclusion I would like to thank the team at Wilson Asset Management for their considerable efforts. I would also like to thank my fellow Board members for their valued contributions and finally thank our 4,700 loyal shareholders for their continuing interest and support of Wilson Investment Fund Limited.