

**WAM Strategic Value Limited
(Proposed ASX Code: WAR)**

IPO Report

May 2021

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.independentresearch.com.au/Public/Disclaimer.aspx>.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

- 1) The research process has complete editorial independence from the company and this is included in the contract with the company;
- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

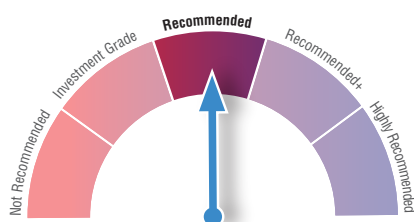
For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

Product Summary	1
Investor Suitability	1
Recommendation.....	1
SWOT	2
Product Overview	3
Board & the Manager.....	4
Investment Process	5
Portfolio	6
Performance Analytics	8
Appendix A – Ratings Process	10
Appendix B – Managed Investments Coverage	11

Note: This report is based on information provided in the WAM Strategic Value Limited Prospectus dated 7 May 2021 and the Replacement Prospectus dated 17 May 2021.

Rating



Key Investment Information

Expected ASX Code	WAR
Offer Open Date	24 May 2021
Offer Close Date	10 June 2021
Expected Listing Date	25 June 2021
Issue Price	\$1.25
NTA at Issue	\$1.25
Number of Shares to be Issued:	
Minimum Subscription (m)	13.2
Maximum Subscription (m)	180.0
Proceeds of the Offer:	
Minimum Subscription (\$m)	16.5
Maximum Subscription (\$m)	225.0
Investment Manager	Wilson Asset Management (International) Pty Ltd
Fees:	
Management Fee (p.a) plus GST	1.0%
Performance Fee	20.0%
Performance Hurdle	High Water Mark

Key Exposure

Underlying Exposure	Predominantly portfolio of ASX-listed LICs and LITs
FX Exposure	The Manager is expected to focus on ASX-listed securities and therefore will not have exposure to foreign currency, however, the Manager has a broad mandate and can invest in international securities which would expose the Company to FX exposure. The Company may be exposed to FX through the underlying investments in the portfolio.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

WAM Strategic Value Limited (proposed ASX code: WAR) is seeking to raise up to \$225m through the issue of up to 180m shares at \$1.25 per share. The offer is made up of \$125m priority allocation to the shareholders in Wilson Asset Management vehicles and \$100m to the broker firm offer. The portfolio will be managed by Wilson Asset Management (International) Pty Limited (the "Manager") using the Manager's proprietary market-driven investment approach. The Company will seek to provide capital growth over the medium-to-long term, deliver a stream of fully franked dividends (subject to profits reserve and franking) and preserve capital primarily through a portfolio of ASX-listed LICs and LITs that are trading at a discount to their NTA/NAV. The Manager will seek to invest in those LICs and LITs in which the potential reasons for the discount can be identified and the Manager believes it can provide or implement techniques and strategies that could assist the company or trust to narrow or eradicate the discount and allow shareholders to realise the value of the investment. The portfolio will typically comprise 10 to 30 holdings with individual position sizes typically ranging from 1%-15%. Given the nature of the underlying investments, the portfolio is expected to be diversified by both underlying securities and investment strategy. The Manager will receive a management fee of 1.0%p.a (plus GST) and will be eligible for a performance fee of 20% of the outperformance over the High Water Mark in each Performance Calculation Period (typically every 12 month period ending 30 June).

INVESTOR SUITABILITY

An investment in WAR is suitable for those investors seeking access to a diversified portfolio of discounted LICs and LITs with the potential of generating capital return in addition to the return generated by the underlying investments of the respective LICs and LITs. The Company will seek to generate a stream of fully franked dividends, which we believe is achievable given the underlying investments, however, the level of dividends will be determined by the level of income generated and tax paid by the portfolio and will be at the discretion of the board. LICs and LITs can trade at discounts to their underlying asset value for long periods of time, therefore investors should have a medium-to-long investment horizon in order to maximise the value of their investment. The Manager is expected to invest predominantly in LICs and LITs with an equity focused investment strategy and therefore will have the risks and volatility associated with equity investments. The underlying investments may also use leverage and employ short selling as part of their strategy. Investors should be comfortable with the additional risks associated with these strategies. The initial portfolio is expected to be largely acquired from Wilson Asset Management vehicles. Investors should be comfortable with the conflicts of interest that may arise as a result of the transactions.

RECOMMENDATION

Independent Investment Research (IIR) has assigned WAM Strategic Value Limited (proposed ASX code: WAR) a **Recommended** rating. WAR will invest in a portfolio of LICs and LITs trading at a discount to NTA/NAV. Therefore, WAR will essentially be a fund of funds. The Manager has significant experience in the LIC and LIT market with WAR being the eighth LIC in the Wilson Asset Management Group portfolio. Geoff Wilson, the Lead Portfolio Manager and founder of Wilson Asset Management, has significant knowledge and understanding of the LIC and LIT market and has been an active investor in LICs and LITs, essentially employing the intended investment strategy of WAR - taking positions in LICs and LITs trading at a discount to NTA/NAV and employing techniques and strategies to realise the value of the investment. As at 31 March 2021, there were 13 LICs/LITs in the Wilson Asset Management vehicles that will likely be included in the initial portfolio. Assuming the maximum subscription amount is raised, the Company acquires the full position of the LICs/LITs and assuming the value of the positions as at March-end, these positions would account for 61.7% of the portfolio, with the top three holdings accounting for 47% of the portfolio. We note that the inclusion of the LICs/LITs will depend on whether the LIC/LIT is trading at a discount at the time of the Offer and the Manager may acquire positions in other LICs/LITs that may change the composition of the portfolio upon completion of the Offer.

SWOT

Strengths

- ◆ The Manager has a strong history of investing in LICs and LITs that are trading at a discount and employing techniques and strategies to eradicate the discounts so shareholders can realise the value of the investments.
- ◆ There will be a strong alignment of interest between the Manager and shareholders, with the Lead Portfolio Manager, Geoff Wilson, investing \$5m in the Offer.
- ◆ This will be the 8th LIC issued and managed by Wilson Asset Management. As such they have significant experience in listed closed-ended vehicles and a deep understanding of the key drivers of these vehicles and the market requirements to ensure shareholders can realise the value of the company's investments.
- ◆ The Manager will repay the costs associated with the Offer to the Company meaning the NTA at the time of the listing will be the same as the Offer Price.
- ◆ Directors fees are low with the directors classified as executive by IIR, being paid minimal amounts.
- ◆ Given the nature of the intended investments of the Company, the portfolio is expected to be diversified by holdings and by investment strategy.

Weaknesses

- ◆ Two of the three Directors on the proposed Board are considered Executive Directors by IIR given they are employed by the Manager. This does not reflect best practice from a corporate governance perspective and provides limited independent oversight on the operations of the Company.
- ◆ As with all fund of funds there are multiple layers of fees.

Opportunities

- ◆ In the event the Manager can contribute to narrowing the discount to NTA/NAV, the company will generate additional capital return in addition to the return generated by the underlying portfolios of the investments of the Company.
- ◆ In the event WAR can narrow the discount of LICs and LITs, this would be beneficial to existing shareholders of these companies and trusts.

Threats

- ◆ The investment strategy is dependent on LICs and LITs trading at a discount to provide investment opportunities for the Manager. At present there is plenty of opportunity. At 31 March 2021, 80% of LICs/LITs were trading at a discount to pre-tax NTA/NAV and 45% of LICs/LITs were trading at a discount of greater than 10%.
- ◆ The WAR portfolio may be exposed to concentration in a single stock due to overlap in the portfolio holdings of the underlying LICs and LITs. While this is not necessarily a consideration in the investment selection process, the Manager has advised that it will make every effort to hedge significant exposures in the event they occur.
- ◆ There is no guarantee that the Manager will be able to assist in narrowing the discount, meaning that the Company does not realise the potential additional capital growth that the investment strategy is designed around.
- ◆ There is the potential for the portfolio to hold cash. Large levels of cash holdings have the potential to dilute returns.
- ◆ In the event the minimum subscription amount of \$16.5m is raised there will be limited liquidity in WAR's shares and the investment capacity and the ability to execute the investment strategy will be significantly reduced. The Manager is confident that a reasonable level of subscription will be achieved.
- ◆ Despite the large investment team of the Manager, IIR views key man risk to be high for this particular strategy with the Lead Portfolio Manager's (Geoff Wilson) knowledge and insight into the LIC and LIT market difficult to replace.
- ◆ The Manager has the ability to use leverage, short selling and derivatives in the portfolio. While we do not expect these to be used to a significant extent, the use of these instruments can magnify both gains and losses.

PRODUCT OVERVIEW

WAM Strategic Value Limited (proposed ASX code: WAR) is seeking to raise up to \$225m through the issue of up to 180m shares at \$1.25 per share. The offer will include a priority allocation of up to \$125m to the shareholders in Wilson Asset Management vehicles and \$100m to the broker firm offer. The portfolio will be managed by Wilson Asset Management (International) Pty Limited (the “Manager”).

The Company will seek to generate capital growth over the medium-to-long term, deliver a fully franked stream of dividends (subject to profits reserve and franking credits) and preserve capital. The Manager will seek to deliver these objectives through an investment in a portfolio of ASX-listed LICs and LITs acquired at a discount to NTA/NAV. While the investment strategy will be focused on investing in LICs and LITs, the Manager has a broad mandate and may invest in listed and unlisted Australian and International securities, derivatives and other permitted investments. For risk management purposes there are limitations on the level of use of leverage, short selling and derivatives. We do not expect these securities to make up a core part of the portfolio. The Manager will hold cash in the event appropriate opportunities cannot be identified. There are no limits on the level of cash that can be held.

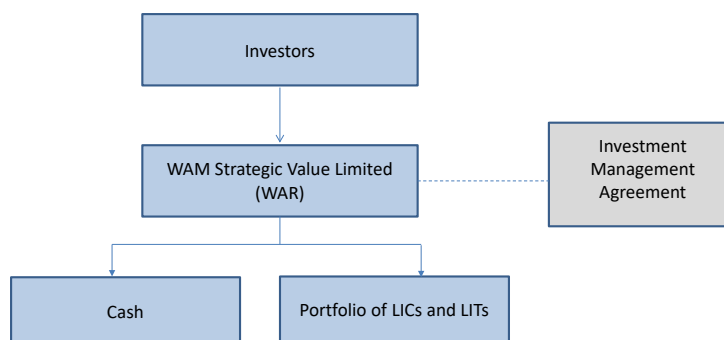
The Manager will employ their market-driven process to select investments for the Company. This strategy is used across a number of the LICs managed by the Manager. The Company is expected to focus on equity style investments and will likely initially acquire the LIC and LIT positions in the Wilson Asset Management vehicles, primarily WAM Capital Limited (WAM) and WAM Active Limited (WAA) portfolios. Wilson Asset Management vehicles currently have 13 LICs and LITs in the portfolio that are trading at a discount and will likely be considered for inclusion in the WAR portfolio. The value of the holdings in these LICs/LITs was \$138.9m as at 31 March 2021. Looking at the potential inclusions in the initial portfolio, it is expected to be diversified by both security and investment strategy with the initial portfolio expected to include LICs and LITs that have both domestic and global investment mandates and a range of investment strategies, including long only and long short strategies, and concentrated and diversified portfolios.

The Investment Management Agreement (IMA) will be for an initial period of five years followed by automatic rolling five year extensions, unless or until terminated. The Manager will apply for a waiver from the ASX to allow for an extension to the initial period from five to ten years.

The Manager will receive a management fee of 1%p.a (plus GST) of the value of the portfolio, calculated on the last business day of each month and paid in arrears. The Manager will also be eligible for a performance fee of 20% of the increase in the value of the portfolio above the High Water Mark in each Performance Calculation Period (typically every 12 month period ending 30 June). The High Water Mark will represent the maximum value of the portfolio minus the value of the performance fee paid.

The Company has entered into a loan with the Manager for the Offer Costs that would normally be incurred by the Company. The costs incurred by the Company for the Offer will be repaid by the Manager. The loan permits the Manager to draw a maximum of \$3.375m from the Offer proceeds, however, the Manager has confirmed that it will only draw an amount equal to the Offer Costs. The loan is for a term of 30 months from the allotment date and must be repaid in full regardless of whether the Manager remains as the Manager of the portfolio. The loan is required to be paid in monthly instalments and the Manager retains the right to repay the loan early at its discretion. No interest will be paid on the loan.

Investment Structure



BOARD & THE MANAGER

Board

The Board will comprise three directors all of which have significant experience in financial markets. A drawback of the board is the majority of directors are considered executive by IIR with two of the three directors employees of the Manager. A positive is that director fees are low with Geoff and Kate being paid \$10,000 and Glenn being paid \$30,000.

Board of Directors		
Name	Position	Experience
Geoff Wilson AO	Chairman (Executive)	Geoff has over 41 years' experience in investment markets having held a variety of senior investment roles in Australia, UK and the US. Geoff founded Wilson Asset Management in 1997. This will be the eighth LIC issued and managed by Wilson Asset Management. Geoff is currently Chairman of WAM Capital Limited (WAM), WAM Leaders Limited (WLE), WAM Active Limited (WAA), WAM Research Limited (WAX), WAM Microcap Limited (WMI) and WAM Global Limited (WGB) and director of Future Generation Global Investment Company (FGX) and Future Generation Investment Company (FGG), WAM Alternative Assets Limited (WMA), Wilson Asset Management Equity Fund, Incubator Capital Limited, Global Value Fund Limited (GVF), Century Australia Investments Pty Limited (CYA), Hearts and Minds Investments Limited (HM1), Wealth Defender Equities Pty Limited, Wollongong 2022 Limited, Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation and a member of the Second Bite NSW Advisory Committee. Geoff is also director and beneficial owner of Wilson Asset Management (International) Pty Limited and MAM Pty Limited.
Kate Thorley	Director (Executive)	Kate has over 16 years' experience in the funds management industry and more than 21 years' of financial of financial accounting and corporate governance experience. Kate is the CEO of Wilson Asset Management (International) Pty Limited, director of WAM Capital Limited (WAM), WAM Global Limited (WGB), WAM Research Limited (WAX), WAM Leaders Limited (WLE), WAM Microcap Limited (WMI), WAM Active Limited (WAA), director and acting Chief Executive Office of Future Generation Australia (FGX) and Future Generation Global (FGG).
Glenn Burge	Director (Independent)	Glenn is an advisor to Audant Investments and has over 35 years' experience covering financial markets. Glenn's career as a senior media executive included the role as editor of the Australian Financial Review (2002 to 2011). Glenn was also editorial director for Fairfax Media's suite of business's and investment titles including BRW and Smart Investor. Glenn also held the role of executive editor of Metropolitan Media at Fairfax Media, where he led several print and digital media transformation projects.

Investment Manager

Wilson Asset Management (International) Pty Limited, which forms part of the Wilson Asset Management Group, has been appointed as the Manager of the portfolio. Entities associated with Geoff Wilson own 100% of the shares in the Manager.

The Wilson Asset Management Group employs 41 staff, led by the Chairman and Chief Investment Officer, Geoff Wilson and the CEO, Kate Thorley. The Manager has over \$4b in AUM on behalf of more than 100,000 investors across seven LICs and one wholesale trust. The investment team of the Manager includes 14 investment professionals who manage the respective portfolios.

Geoff Wilson will be the Lead Portfolio Manager for WAR and will be the only dedicated team member to the management of the portfolio, however, he will be supported by members of the Manager's investment team.

Investment Team of the Manager			
Name	Position	Years Experience	Years with the Manager
Geoff Wilson	Chairman and Chief Investment Officer	41+	24
Catrina Burns	Lead Portfolio Manager of WGB	17	3
Matthew Haupt	Lead Portfolio Manager of WLE	15	10
Oscar Oberg	Lead Portfolio Manager of WAM, WMI, WAA and WAX	14	5

Investment Team of the Manager			
Name	Position	Years Experience	Years with the Manager
Dania Zinurova	Portfolio Manager of WMA	23	1
John Ayoub	Portfolio Manager of WLE	12	5
Tobias Yao	Portfolio Manager of WAM, WMI, WAA and WAX	13	7
Nick Healy	Portfolio Manager of WGB	5	3
Shaun Weick	Equity Analyst	10	<1
Sam Koch	Equity Analyst	3	3
Anna Milne	Equity Analyst	4	<1
William Liu	Equity Analyst	7	<1
Cooper Rogers	Senior Equities Dealer	8	4
Will Thompson	Equities Dealer	4	<1

INVESTMENT PROCESS

Investment Objective

The Manager will seek to provide capital growth over the medium-to-long term, deliver a stream of fully franked dividends (subject to profits reserve and franking credits) and preserve capital through an investment in a portfolio of ASX-listed LICs/LITs that are trading at a discount to NTA/NAV at the time of investment.

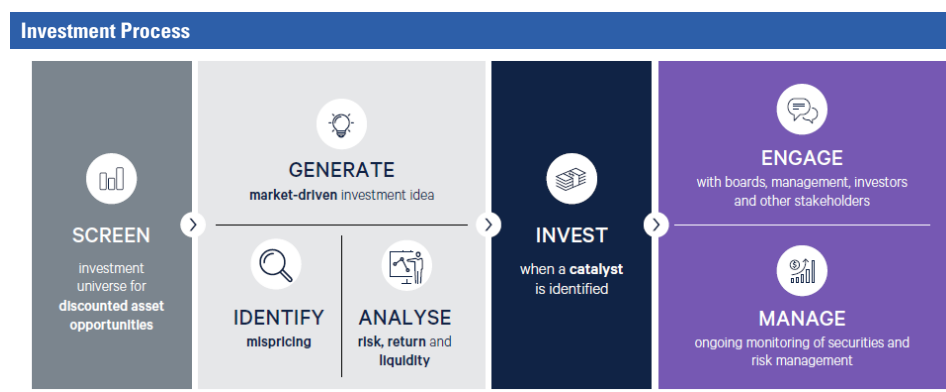
The Manager will invest based on three broad principles:

- ◆ Focus on discounted asset opportunities;
- ◆ Invest in LICs and LITs trading at a discount to their underlying asset values; and
- ◆ Utilise a portfolio-based and index unaware investment methodology.

Investment Process

The Manager will utilise its Market Driven investment process which seeks to take advantage of mispriced opportunities.

To commence, the investment universe is filtered to identify investment opportunities. Once discounted opportunities are identified the Manager will seek to identify those opportunities that it believes will trade at or near their asset value at some point in the future. The investment process is outlined in the below graphic.



Source: WAM Strategic Value Limited Prospectus

The risk/return analysis involves an assessment of the potential reasons for the discount and techniques and strategies that could enable the Manager to narrow or close the discount. There are a number of strategies that can be implemented that if used effectively can narrow the discount a LIC or LIT is trading at. These include effective capital management and dividend policies, franking credit management, shareholder engagement strategies, board and management personnel changes, restructuring, returning capital to shareholders or corporate actions such as takeovers, divestitures or mergers.

The Manager has used these methods historically in a range of investments to realise the value of the investment. The Manager has used an activist approach in a number of circumstances to realise the value of the investment. This typically involves increasing their interest in a company to a meaningful stake in order to drive change. The Manager has stated that they do not consider this approach to be a fundamental component to the investment strategy of WAR to realise the value of an investment, however, if other mechanisms are not working this approach may be used. This approach has the potential for the assets to become absorbed by the Wilson Asset Management Group.

The Manager will seek to invest in those LICs and LITs that are trading at a sufficient discount, typically expected to be at least a high single digit or double digit discount. The Manager will seek to exit the investments when the company or trust trades at parity or a premium.

Portfolio Construction

The Manager will invest the capital raised according to the following investment guidelines:

- ◆ When fully invested, the portfolio is expected to comprise 10 to 30 holdings.
- ◆ The average position weighting to an individual security will be 1%-15% of the value of the portfolio. The weighting to a position will depend on the Manager's level of conviction in a security. An investment in the portfolio will be reviewed if it obtains a weighting of greater than 20% of the value of the portfolio.
- ◆ There are no sector or industry limits.
- ◆ The Company will primarily invest in ASX-listed securities however there are no geographic limitations that apply to the investment mandate, which means the Manager has the ability to invest in international securities.
- ◆ The Manager can use leverage, derivatives and short selling. Any short positions are expected to be less than 10% of the value of the portfolio and the gross exposure of the portfolio must not exceed 150% of the value of the portfolio without prior approval by the board. Derivatives will not exceed 100% of the value of the portfolio without prior board approval. The Manager has stated that it intends to limit derivative exposure to relatively simple derivatives, such as exchange traded derivatives. We note that the portfolio may be exposed to these instruments through the underlying investments in the portfolio.

PORTFOLIO

WAR will primarily invest in ASX-listed LICs and LITs that are trading at a discount to NTA/NAV at the time of investment. The initial investments will likely include the acquisition of the LIC and LIT positions that are currently held in the WAM Capital Limited (WAM) and WAM Active Limited (WAA) portfolios and to a lesser extent WAM Global Limited (WGB). As at 31 March 2021, there were 13 LICs and LITs in the Wilson Asset Management vehicles that IIR believes would be a potential inclusion in the portfolio. The below LICs and LITs had a combined value of \$138.9m at 31 March 2021. The holdings are tabled below.

The Manager has indicated that they will likely focus on LICs and LITs with equity style investments strategies as this is in line with their investment experience and history. Therefore, companies and trusts with fixed income strategies are unlikely to form a meaningful allocation in the portfolio.

The below LICs and LITs have a range of investment strategies and styles that will provide the WAR portfolio with significant diversification.

The Company has entered into a Deed with the relevant Wilson Asset Management vehicles through which the Company will have the ability to purchase from each Wilson Asset Management entity any LIC or LIT securities that they hold immediately prior to settlement of the Offer subject to those securities trading at a discount to their most recent NTA value published on the ASX. For those LICs and LITs held by Wilson Asset Management entities that satisfy the conditions of the Deed, the Company will be granted a call option by the relevant Wilson Asset Management entity over the LIC and LIT securities with an expiry date of 31 July 2021. The Company can exercise the call option at any time before the expiry date. Each LIC or LIT security purchased under the call option will be purchased at a price equal to the 10-day VWAP ending the two days prior to the Issue Date. Board members of all relevant entities have approved the terms of the Deed and call options.

LIC and LIT Holdings of Wilson Asset Management Vehicles				
LIC/LIT Name	ASX Code	Percentage of Shares Held	Value as at 31 March 2021 (\$m)	Premium/Discount as at 31 March 2021
Templeton Global Growth Fund Limited	TGG	14.7%	42.6	-8.6%
Australian United Investment Company Limited	AUI	3.4%	38.3	-8.2%
Pengana International Equities Limited	PIA	8.1%	24.8	-14.6%
Westoz Investment Company Limited	WIC	7.4%	11.3	-8.1%
Naos Small Cap Opportunities Company Limited	NSC	7.0%	8.1	-23.7%
L1 Long Short Fund Limited	LSF	0.2%	3.2	-15.8%
Antipodes Global Investment Company Limited	APL	0.5%	2.7	-13.8%
Spheria Emerging Companies Limited	SEC	1.7%	2.1	-10.2%
Ironbark Capital Limited	IBC	2.5%	1.5	-9.8%
PM Capital Global Opportunities Fund Limited	PGF	0.3%	1.3	-18.2%
Ozgrowth Limited	OZG	1.7%	1.3	-19.5%
QV Equities Limited	QVE	0.5%	1.1	-12.1%
Thorney Opportunities Limited	TOP	0.5%	0.5	-20.9%
Total			138.9	

If we assume the Company raises the maximum subscription amount of \$225m and assume that the Company will acquire all of the above positions from the Wilson Asset Management vehicles we can determine an approximate level of concentration in the initial WAR portfolio. We note there are a few additional potential positions that the Manager has yet to disclose to the market. The Company may also increase its position in the below tabled LICs/LITs upon completion of the Offer.

Potential Weightings of Wilson Asset Management Vehicle Holdings			
LIC/LIT Name	ASX Code	Value as at 31 March 2021 (\$m)	Portfolio Weightings based on Maximum Subscription Amount
Templeton Global Growth Fund Limited	TGG	42.6	18.9%
Australian United Investment Company Limited	AUI	38.3	17.0%
Pengana International Equities Limited	PIA	24.8	11.0%
Westoz Investment Company Limited	WIC	11.3	5.0%
Naos Small Cap Opportunities Company Limited	NSC	8.1	3.6%
L1 Long Short Fund Limited	LSF	3.2	1.4%
Antipodes Global Investment Company Limited	APL	2.7	1.2%
Spheria Emerging Companies Limited	SEC	2.1	0.9%
Ironbark Capital Limited	IBC	1.5	0.7%
PM Capital Global Opportunities Fund Limited	PGF	1.3	0.6%
Ozgrowth Limited	OZG	1.3	0.6%
QV Equities Limited	QVE	1.1	0.5%
Thorney Opportunities Limited	TOP	0.5	0.2%
Total		138.9	61.7%

There are currently a range of investment opportunities for the Manager with 80% of the LIC/LIT universe trading at a discount to pre-tax NTA/NAV and 45% trading at a discount greater than 10% as at 31 March 2021, according to IIR data.

LIC and LIT Universe Discounts and Premiums (as at 31 March 2021)	
	% of LICs/LITs
Trading at a Premium	20%
Trading at a discount of <5%	15%
Trading at a discount of >5% & <10%	20%
Trading at a discount of 10%+	45%

While the Manager will focus on ASX-listed LICs and LITs we note that the Prospectus states "Internationally, there are a broad range of opportunities for the Company and the investment strategy with the close-ended funds globally". This suggests that the Manager may seek to take advantage of opportunities abroad.

PERFORMANCE ANALYTICS

The Company is newly formed and therefore has no performance history. Given the intent of the Manager is to acquire the LICs and LITs in the Wilson Asset Management vehicles that are trading at a discount, we have provided the performance of the LICs and LITs that have the potential to be included in the initial portfolio (tabled in above section). We have also provided the performance of the equity focused LICs managed by the Manager to provide an indication as to the Manager's ability to generate value for shareholders.

We have focused on the share price returns below given this will be the return recognised by shareholders in the WAR portfolio. We note that the returns generated from a portfolio perspective will depend on the actual investments of WAR and the portfolio composition.

The below LICs and LITs as a group performed well over the 12-months to 31 March 2021. We note that many of these LICs and LITs were coming off the lows of the COVID-19 sell-off at the beginning of the 12-month period. These returns are not expected to be replicated in the WAR portfolio.

Potential Inclusions in Initial WAR Portfolio (Data as at 31 March 2021)						
LIC/LIT Name	ASX Code	Market Cap (\$m)	Dividend Yield	Share Price Returns (includes dividends)		
				1 year	3 year (p.a)	5 year (p.a)
Templeton Global Growth Fund Limited	TGG	290.2	3.1%	41.8%	6.2%	9.0%
Australian United Investment Company Limited	AUI	1,109.6	4.1%	24.7%	6.4%	8.8%
Pengana International Equities Limited	PIA	305.6	5.2%	37.2%	7.0%	5.6%
Westoz Investment Company Limited	WIC	152.4	5.3%	76.5%	5.6%	13.3%
Naos Small Cap Opportunities Company Limited	NSC	116.6	6.0%	92.8%	1.0%	1.7%
L1 Long Short Fund Limited	LSF	1,341.8	0.7%	154.9%	na	na
Antipodes Global Investment Company Limited	APL	514.3	4.2%	24.2%	0.3%	na
Spheria Emerging Companies Limited	SEC	128.7	2.8%	84.9%	6.1%	na
Ironbark Capital Limited	IBC	59.1	4.2%	23.5%	2.5%	4.9%
PM Capital Global Opportunities Fund Limited	PGF	458.6	3.8%	53.4%	5.8%	11.2%
Ozgrowth Limited	OZG	75.4	2.8%	92.2%	10.8%	13.2%
QV Equities Limited	QVE	228.1	4.7%	43.6%	-2.9%	2.8%
Thorney Opportunities Limited	TOP	105.3	3.9%	44.9%	-4.7%	2.8%

The below represents the performance of the six equity focused LICs managed by the Manager. We have included the ASX All Ordinaries Accumulation Index performance metrics as a reference point but note that this is not an appropriate comparative for many of the LICs.

Wilson Asset Management Group Equity Focused LICs (Data as at 31 March 2021)							
	WAM Leaders Limited	WAM Capital Limited	WAM Microcap Limited	WAM Research Limited	WAM Active Limited	WAM Global Limited	ASX All Ordinaries Accumulation Index
	WLE	WAM	WMI	WAX	WAA	WGB	XAOAI
Market Cap (\$m)	1,296.0	1,925.6	431.1	348.6	75.6	546.6	na
Dividend Yield	4.2%	7.0%	2.9%	5.5%	5.5%	2.7%	2.7%
Share Price Returns:							
1 year	61.5%	35.1%	104.8%	55.2%	49.2%	63.7%	41.1%
3 year (p.a)	14.4%	2.3%	14.6%	9.8%	3.9%	na	10.1%
5 year (p.a)	na	5.6%	na	11.0%	5.8%	na	10.6%
Pre-tax NTA Returns*:							
1 year	35.7%	39.7%	65.6%	42.7%	28.1%	25.2%	41.1%
3 year (p.a)	9.8%	7.3%	13.9%	7.3%	5.7%	na	10.1%
5 year (p.a)	na	8.6%	na	8.5%	7.2%	na	10.6%
Share Price Standard Deviation:							
1 year	15.6%	20.5%	20.1%	17.5%	29.8%	22.5%	13.1%
3 year (p.a)	17.5%	19.3%	24.1%	19.0%	24.3%	na	17.9%
5 year (p.a)	na	15.9%	na	16.6%	19.7%	na	14.8%
Sharpe Ratio (based on share price return):							
1 year	3.83	1.63	5.13	3.06	1.59	2.76	3.01
3 year (p.a)	0.73	0.03	0.54	0.43	0.09	na	0.47
5 year (p.a)	na	0.25	na	0.55	0.21	na	0.60

*Pre-tax NTA represents NTA before unrealised tax but after realised tax.

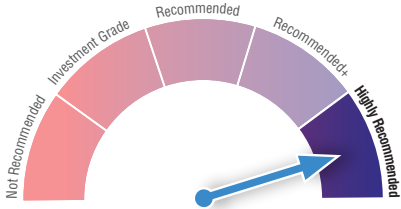
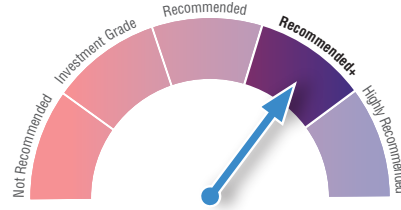
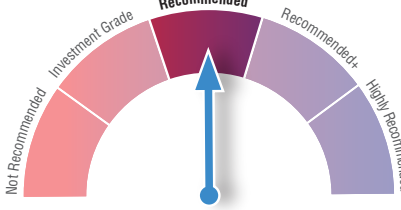
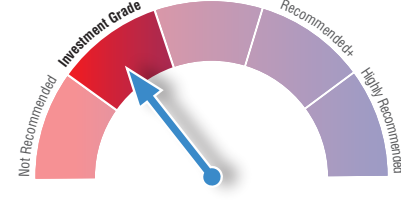
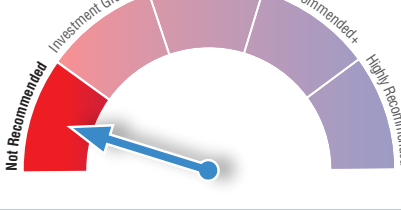
Five of the six equity focused LICs managed by the Manager were trading at a premium to pre-tax NTA at 31 March 2021. WAX has traded at a significant premium over the previous 3 year period with WLE and WGB the only two LICs that have traded at a discount on average over the 3 years to 31 March 2021.

Wilson Asset Management Group Equity Focused LICs Premium/Discount to Pre-tax NTA (as at 31 March 2021)			
		Premium/Discount	3 year average Premium/Discount
WAM Leaders Limited	WLE	16.1%	-2.5%
WAM Capital Limited	WAM	14.7%	18.7%
WAM Microcap Limited	WMI	29.0%	3.8%
WAM Research Limited	WAX	47.6%	26.6%
WAM Active Limited	WAA	1.1%	4.3%
WAM Global Limited	WGB	-2.7%	-9.1%

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system

IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
 <p>Highly Recommended</p>	83 and above
 <p>Recommended +</p>	79–83
 <p>Recommended</p>	70–79
 <p>Investment Grade</p>	60-70
 <p>Not Recommended</p>	<60

This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.

This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

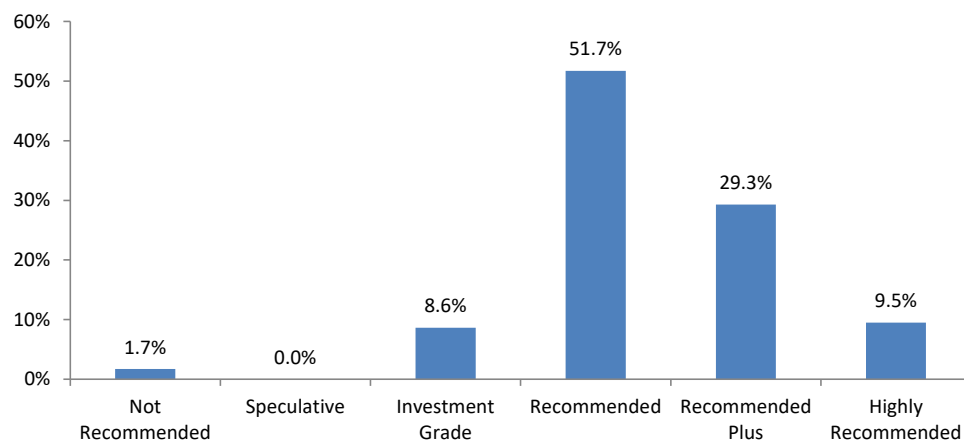
This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.

This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR," Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE

1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE

200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215