



Product Review

WAM Alternative Assets Limited

ISSUE DATE 09-09-2022

About this Review

ASSET CLASS REVIEWED	ALTERNATIVES
SECTOR REVIEWED	GROWTH ALTERNATIVES (MODERATE)
SUB SECTOR REVIEWED	LIC
TOTAL COMPANIES RATED	2

About this Company

LIC REVIEWED	WAM ALTERNATIVE ASSETS LIMITED
TICKER	WMA
COMPANY OBJECTIVE	DELIVER ABSOLUTE RETURNS THROUGH DIVIDENDS AND CAPITAL GROWTH AND PROVIDE DIVERSIFICATION BENEFITS
MANAGEMENT COSTS	1% P.A. (PLUS COSTS AND EXPENSES: 0.41% P.A.)
PERFORMANCE FEE	FEES APPLY AT THE UNDERLYING MANAGER LEVEL

Market data

MARKET CAPITALISATION	\$211M
SHARES ON ISSUE	195M
SHARE PRICE (8-9-2022)	\$1.08
52 WEEK HIGH/LOW SHARE PRICE	\$1.14 / \$1.00
NTA (29-7-2022)	\$1.24
52 WEEK HIGH/LOW NTA	\$1.26 / \$1.18
SHARE PRICE PREM/(DISC) TO NTA	-12.50%

Board of Directors

NO. OF DIRECTORS	5
MAJORITY INDEPENDENT DIRECTORS	YES
CHAIRPERSON	MICHAEL COTTIER

About the Investment Manager

INVESTMENT MANAGER	WILSON ASSET MANAGEMENT (INTERNATIONAL) PTY LIMITED
OWNERSHIP	PRIVATELY-HELD
ASSETS MANAGED IN THIS SECTOR	AS\$243.4M (JUNE 2022)
YEARS MANAGING THIS ASSET CLASS	2

Investment Team

PORTFOLIO MANAGER	DANIA ZINUROVA
INVESTMENT TEAM SIZE	2
INVESTMENT TEAM TURNOVER	N/A
STRUCTURE / LOCATION	PM/ANALYST SYDNEY

Investment process

TYPICAL NO. OF POSITIONS	25
TYPICAL NO. OF UNDERLYING MANAGERS	7
USE OF LEVERAGE	UNDERLYING LEVEL ONLY
CURRENCY APPROACH	UNHEDGED
LIMITS	ASSET CLASS: 40% (MAX.) (SOFT)

Company rating history

SEPTEMBER 2022	INVESTMENT GRADE
SEPTEMBER 2021	INVESTMENT GRADE

What this Rating means

The 'Investment Grade' rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.

Scope of this rating

- Lonsec has used a holistic approach in forming an opinion on this Listed Investment Vehicle's (LIV) ability to meet its stated investment objectives. The rating model includes an assessment of the underlying investment capability in addition to the vehicle's effectiveness. When assessing the underlying investment capability Lonsec has relied upon its Managed Funds research process. Vehicle effectiveness considers a range of characteristics in combination with empirical observations.
- The rating should not be considered, or in any way interpreted, as Lonsec's forward-looking opinion or otherwise on the 'intrinsic value' of the LIV and whether Lonsec believes this to be 'overvalued' or 'undervalued' relative to the prevailing traded price.

Strengths

- WAMI is well-regarded as a specialist listed investment company provider.
- Dania Zinurova is experienced in alternative assets and implements a detailed investment approach exhibiting strong research rigour.
- The revised investment strategy will be diversified across various dimensions and has been thoughtfully designed, particularly for the LIC structure.
- The Manager Premium Target heavily motivates WAMI to narrow WMA's discount to NTA.
- WMA, being ASX-listed, provides investors with daily liquidity for an illiquid asset class.

Weaknesses

- The portfolio is currently under transition and the revised investment approach has a short track record.
- WMA has a limited trading history and performance track record under WAMI who itself has limited prior alternative assets experience.
- The Portfolio Manager has a number of responsibilities resulting in a high workload and elevating KPR.
- The Manager Premium Target creates an element of wind-up risk for WMA.
- WMA may be highly correlated to the broader equity market and exhibit high volatility.

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Company Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK		●	
CAPITAL VOLATILITY			●
FOREIGN CURRENCY EXPOSURE			●
REDEMPTION RISK		●	
SECURITY CONCENTRATION RISK			●
SECURITY LIQUIDITY RISK			●

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE							●

A Standard Risk Measure score of 7 equates to a Risk Label of 'Very High' and an estimated number of negative annual returns over any 20 year period of 6 or greater. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME			●

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●
ESG		●	

Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS		●	

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Company?

- WAM Alternative Assets Limited (WMA or 'the Company') is an ASX-listed closed-end investment vehicle that seeks to provide diversified exposure to a portfolio of predominantly domestic-focused alternative assets including unlisted real assets, private equity and private real estate alongside private debt and infrastructure. Investments are made through directly investing in strategies managed by external investment managers. WMA aims to deliver absolute returns through a combination of dividend yield and capital growth alongside providing diversification benefits.

The Structure

- WMA is formally structured as a listed investment company and is governed by a Board of Directors ('the Board'). WMA is managed by Wilson Asset Management (International) Pty Limited (WAMI or 'the Manager') who was appointed to manage the Company in September 2020 following shareholder approval terminating the Company's former investment manager, BSAAF Management Pty Ltd, an entity of Blue Sky Alternative Investments Limited ('Blue Sky'). The Company, formerly Blue Sky Alternatives Access Fund (ASX: BAF), was established in June 2014 by Blue Sky as a co-investment vehicle providing access to its internal investment strategies. Blue Sky was however impacted by a series of events in CY2018, which

led to that firm entering receivership in 2019 and eventually resulting in WAMI being appointed as the replacement investment manager, effective 14 October 2020.

- Notably, the transition to WAMI resulted in a number of key changes to the Company, specifically, a change in investment strategy to a multi-manager mandate; broadening of investable asset classes to private infrastructure, private debt and other alternative assets; elimination of the performance fee; and revised termination clauses. WAMI's appointment is subject to an investment management agreement summarised in the Notice of Extraordinary General Meeting dated 8 September 2020. The investment management agreement has an initial term of five years plus five-year auto-renewal extensions, albeit with termination clauses.
- The Board is comprised of five individuals and is majority independent being led by Michael Cottier as Chairman – Independent. It has operational responsibilities for the effective functioning of the vehicle. Additionally, and more importantly from a practical shareholder value perspective, the Board is solely responsible for WMA's capital management decisions.
- A key risk for LIC investors is the possibility of the vehicle trading at a persistent and substantial discount to its net tangible assets (NTA). This has been a key issue for WMA since early 2018 given events related to the Company's former investment manager. Trading at such a discount can be a particular risk for WMA, albeit the vehicle had traded at a premium prior to 2018, given its relatively small market capitalisation (c.A\$240m), lower trading volumes and underlying strategy being more capital growth focused. WMA was trading at a 12.1% discount to its pre-tax NTA as at July 2022 with this having markedly reduced since June 2020 (33.7%). Notably, efforts have been made by the Board since May 2018 to narrow this discount through historical capital management initiatives such as a since-cancelled share buy-back, a change in investment manager alongside implementing termination clauses in the investment management agreement.
- The Board has implemented a Manager Premium Target to encourage the Company to trade at a premium to its pre-tax NTA during the initial five-year term of the agreement. Specifically, if the Company fails to trade at a premium, defined as the volume-weighted average share price over the relevant trading days during a month above WMA's pre-tax NTA, on at least three occasions during the five-year term, the Board will propose a special resolution to shareholders to vote on whether to terminate the investment management agreement with WAMI and liquidate the Company at the next general meeting of the Company after the fifth anniversary of 14 October 2020. Lonsec considers this to be a distinguishing feature amongst broader LIC peers heavily motivating WAMI to narrow the current discount. Lonsec is mindful however of the strategy's complexity and the expected volatility from the underlying assets alongside broader market factors which may inhibit the Company reaching this target. Most importantly, this mechanism now heightens potential for wind-up risk for the

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Company. The possibility of this occurring should be strongly considered by investors prior to investing. Separately, WMA also operates a dividend re-investment plan.

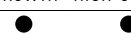
- Pricing for the Company is a management fee of 1.00% p.a. (plus GST) of the portfolio's value. Additional expenses have also been disclosed of 0.41% p.a. The previous 17.5% performance fee charged by the Company has been removed and any reintroduction would require approval by shareholders. The Company will also be subject to underlying fees on a fund-by-fund basis charged by underlying fund managers. These fees may vary and have the potential to be significant with fees charged by underlying managers advised by WAMI as ranging between 0.9-1.1% p.a. representing a 0.7% cost to shareholders. Whilst the Company is no longer subject to rebates from underlying funds, the Board has re-negotiated arrangements so that fees paid on assets currently managed by underlying investment managers originating from Blue Sky are similar to those under the prior agreement. In aggregate, Lonsec considers the Company's single headline fee structure to be attractive although notes the overall fee load has the potential to be high with limited transparency given the dual fee structure.

The Investment strategy

- WMA aims to provide exposure to a diversified portfolio of alternative assets via investing in funds and mandates managed by a range of underlying external managers. WAMI is implementation route agnostic. The focus of the go-forward investment approach is generally on well-established institutional quality fund managers although start-up or boutique fund managers can feature. WAMI seeks to be diversified across underlying investment managers, stages and asset classes. A thematic approach is employed with the portfolio aiming to reflect the key macro trends of ageing population, digitalisation, climate change and increasing demand for food.
- WMA aims to partner with managers considered 'best of breed' to provide the targeted asset class exposure by making primary funds investments and co-investments alongside third-party managers in strategies reflecting these themes and thereby allowing the bottom-up opportunity set to drive the asset allocation (i.e. total portfolio approach). The strategy is unconstrained and whilst no steady-state asset allocation targets are implemented, the portfolio will comprise 60% to core/yield-oriented strategies with the residual comprising satellite (i.e. growth focused) exposure over the long term.
- The Company is staffed by a single portfolio manager who is responsible for managing the investment portfolio alongside manager selection, portfolio construction, transaction negotiation and structuring. The portfolio manager is however supported by a dedicated investment analyst and Investment Committee alongside broader WAMI resources.
- As a private markets product, predominantly equity assets but with scope to invest in debt, Lonsec considers this Company to be best funded from within either the global equity or alternative growth components of a diversified portfolio. The Company is suitable for high risk profile investors with investment time horizons of over five years.
- The Company is subject to equity market risk and movements, both positive and negative, in the prices of the underlying investments in the portfolio. As such, the Company is likely to exhibit high volatility and moderate-to-high correlation to global equities. The underlying investments may however exhibit low correlation to broader equity markets. Investors should be aware that the Company may experience periods of negative returns and that there is a risk of capital loss being incurred on their investment. Lonsec also notes that there is risk of the Company trading at a discount to NTA given the complexity of the strategy and expected volatility.
- Lonsec notes that investing in private markets is not without additional risks, and investors' tolerance for alternative asset specific risks such as those associated with the use of leverage, underlying illiquidity and estimated asset pricing should also be considered.
- WMA has scope to invest in private credit. Private credit tends to have an intermediate or long-term liquidity profile. It offers potential for excess returns relative to traditional credit. The lack of correlation between private credit and traditional credit, along with the protection of covenants in the loan documents, may help to mitigate downside risk in a well-diversified portfolio.
- The Company invests in assets that are largely denominated in the A\$ although has some exposure to single-asset funds denominated in non-A\$ currencies. The Company will generally be unhedged for foreign currency movements and therefore currency fluctuations may impact the value of the Company.

Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH



For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- WAMI hired a dedicated Operations Manager, Grace Lim, and Chief Operating Officer, Kim Heng, during Q2 2022.
- Deni Hoxha joined as an Investment Analyst in April 2022 to provide dedicated analyst resourcing for the capability. This is Hoxha's inaugural investment related role.
- WAMI shareholders passed a resolution allowing a 10% placement during the 2021 Annual General meeting. There are no plans to raise capital until the vehicle trades at a premium to its pre-tax NTA as advised by WAMI.
- There have been a number of new investments since the previous review including:

Using this Company

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

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- Allegro Funds: A commitment of \$10m to a private equity strategy focused on special situations, turnarounds and transformational deals in Australia and New Zealand.
- Adamantem Capital: A \$8m commitment to a mid-market private equity strategy.
- Centennial Property Group: A initial commitment of \$10m to a strategy aiming to provide access to vacant or underutilised land to develop core, multi-unit industrial and logistic assets.
- Palisade: A \$20m commitment to a mature infrastructure portfolio with 20 brownfield assets.
- Barwon Property Funds Management: A \$15m commitment to a healthcare property strategy.
- \$1.7m investment was made to the Hotel Fund.
- There have been a number of portfolio exits since the previous review which were all advised as exceeding their carrying value. The weighted average IRR on these exits (based on October 2020 carrying values) was 147.6%.
- WMA's water rights exposure has been progressively reduced with \$10m redeemed in July 2022 with two further \$10m redemptions expected during H2 2022.
- WMA are currently in the process of sourcing a private debt and renewable energy infrastructure strategy.
- Lonsec has not been advised of any further firm, team or process changes since the previous review.

Lonsec Opinion of this Company

Board of directors

- WMA's Board is comprised of five directors and is majority independent including the Chairperson, Michael Cottier. Lonsec considers this to be best practice being consistent with good corporate governance principals. Lonsec highlights that the Board has undergone significant change in recent years given the investment manager transition and shareholder discontent leading to this. Cottier is the Company's longest serving member being appointed to the Board in November 2017 as a Non-executive Director and was elevated to Chairperson following a board shake-up in November 2018. This also saw the departure of a further two directors whilst Kym Evans and John Baillie were appointed as Independent Non-Executive Directors to ensure listing compliance. Geoff Wilson, WAMI's Chief Investment Officer (CIO), and Adrian Siew were appointed following shareholder approval of the manager transition to WAMI in September 2020 with further change occurring shortly after with the departure of activist investor, Miles Staude.
- Wilson is a strong advocate for listed investment structures and has deep experience in this space. Wilson's involvement with the Board is viewed as a relative strength, specifically in building shareholder support and loyalty. This is particularly important for and relevant to WMA given the challenging experience of its long-standing and patient shareholders and the negative sentiment that has afflicted WMA since 2018.
- Lonsec notes that WMA is stewarded by a Board with a blend of industry and financial services experience. This also includes some constituents

with relevant investment markets and/or alternative assets experience, mainly concentrated with non-independents, Wilson and Siew. Baillie has over 26 years' financial services experience mainly in corporate advisory whilst Evans has gained over 31 years' in legal risk and general management roles. That said, setting aside Wilson, there is limited public board directorship experience, elevating Wilson's importance to the vehicle. Cottier, Chairperson, possesses 29 years' financial services experience with tenures across a prominent superannuation fund and asset manager. Lonsec considers WMA's Board composition adequate although is mindful of further evolution through time.

- The main Board is supported by a Risk and Audit Committee which is seen as appropriate. A dedicated Investment Committee is also in operation providing investment process oversight. Moreover, given WMA's relatively straightforward operations (i.e. size and nature of operations), the absence of remuneration and nomination committees is not viewed negatively. Lonsec considers the remuneration arrangements for the Board to be high and have scope for improvement given the overall cap of A\$195,000 p.a. for the five.

People and resources - Investment manager

- WAMI is regarded as a listed vehicle specialist and with A\$5.4bn (June 2022) in assets under management (AUM), across eight listed investment companies including WMA, is seen as well-placed from a business perspective. The firm is also considered to be particularly strong with regards to shareholder support and communications. Lonsec believes this marketing and sales function is often less well-executed at non-specialist providers and is important in keeping a diverse shareholder base well-informed, particularly given the historic issues faced by long-standing shareholders in this vehicle.
- Wilson leads the investment team as CIO although the role is best described as being more about guidance and support to the individual franchises across the firm. Lonsec considers his deep experience in this product structure to be particularly valuable. Wilson is a board member of WMA, as noted earlier, alongside being Chairperson for the other listed vehicles offered by the firm and directorships outside the Manager. Lonsec is mindful of Wilson's workload which will continue to be an aspect monitored in future reviews.
- Dania Zinurova is WMA's Portfolio Manager. Zinurova was recruited in October 2020 to replace Siew who originally led the capability as the Company transitioned to WAMI. Lonsec considers Zinurova to be well-qualified and suitably experienced with over 23 years' broad alternative assets investment experience gained across a variety of roles including manager research, investment consulting and single strategy portfolio management. Notably, Zinurova's prior familiarity with some of the Company's underlying assets was a key driver behind her recruitment which is viewed favourably. Lonsec has been generally impressed by Zinurova's deep level of insight into the strategy and underlying assets.

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- A concern for Lonsec however is Zinurova's workload given the breadth of her responsibilities. Zinurova has a number of investment responsibilities including portfolio management; manager sourcing and due diligence; overseeing risk management and structuring/negotiation. Additionally, all investment personnel at the firm dedicate a significant portion of their time to marketing their strategy and shareholder engagement given the firm's acute focus on this which also forms a key part of Zinurova's variable remuneration. Lonsec believes Zinurova's many responsibilities in aggregate, particularly as the portfolio is still under transition, may create risks of her overextending herself. This will be closely monitored in future reviews.
 - The very recent recruitment of a dedicated Investment Analyst, Deni Hoxha, is however viewed as mildly positive in providing additional bandwidth for Zinurova. That said, Lonsec highlights that this represents Hoxha's inaugural buy-side role and in Lonsec's view the reliance and workload placed on Zinurova remains very high. This workload however is somewhat moderated by the significant upfront due diligence already undertaken on the Company's investments during the transition alongside the long-term buy and hold multi-manager style, which collectively provides some modest comfort to Lonsec.
 - WMA operates an Investment Committee (IC) albeit their level of involvement in the process is limited to that of an oversight function. Wilson chairs the IC whose primary function is to assist Zinurova to implement the investment strategy and monitor investment performance and risk albeit has no formal decision-making authority. The IC is highly experienced holding a noteworthy 29 years' average investment experience with the majority of its constituents possessing strong experience in alternative assets and private markets.
 - WAMI offers several capabilities mainly across the cap spectrum in Australian equities with WMA and a global equities strategy being the most recent offerings. Each capability is managed by a dedicated investment team and the aggregate team totals 15. Lonsec sees this broader resourcing valuable more in terms of discussing broader investment thematic, particularly for the strategy's targeted investment themes.
 - Alignment of interest with end investors is considered reasonable but has scope for improvement. While a bonus scheme is in place, bonuses are dependent on aggregate business performance although with a discretionary aspect that can be applied by the CIO. This is reasonable from an organisational perspective but can risk in individuals not feeling fully rewarded and open to joining competitors. By contrast, better regarded remuneration structures, where equity participation is curtailed as with WAMI, provide more direct correlation between performance earnings in a product and a team's bonus. Moreover, the overall structure could be further strengthened by introducing a vesting schedule to bonus payments and required co-investment in WMA. Lonsec notes that Wilson is meaningfully invested in the vehicle whilst Zinurova has recently co-invested. All staff after two years' tenure receive an annual payment to invest in various firm products.
 - Lonsec considers key person risk to be very high and to reside with Zinurova. Key person risk is assessed as high for Wilson given his role within the firm, being 'face of the franchise' and his wider business responsibilities. Wilson's material equity ownership in the firm provides strong mitigation against his departure but as earlier detailed, retention mechanisms for Zinurova are limited. Lonsec notes that the departure of either Zinurova or Wilson would result in a reconsideration of WMA's rating.
- ### Research and portfolio construction
- The Company aims to provide a diversified portfolio of alternative assets, specifically private real assets, private equity and unlisted real assets through strategies managed by third-party investment managers. Private infrastructure and private debt are a recent universe expansion and in Lonsec's view provides improved optionality to the Company by broadening its return sources, specifically yield. Notably, WMA does not enforce hard asset allocation targets with a total portfolio approach adopted guided by key macro trends which is considered to hold good conceptual appeal.
 - A detracting feature of the Company however is that the portfolio is currently in a transition phase being largely a legacy portfolio inherited from the former investment manager and given the change in investment strategy to multi-manager. These legacy assets are now mostly managed by various external managers established by former Blue Sky personnel. The Company's former investment approach has however meant a significant portion of the portfolio currently comprises single-asset funds elevating concentration risk within the strategy and is exacerbated by the Company's significant exposure to water rights via the Argyle Water Fund and another vehicle (35.8%, June 2022) and therefore Real Assets (41.8%, June 2022). Further, the prior investment approach focused heavily on capital growth assets thereby compromising the yield generation of the Company and dividend sustainability.
 - Lonsec notes pleasingly that WAMI has sought to remedy these perceived issues via the go-forward investment approach. This involves targeting strategies with greater manager, underlying asset and asset class diversification consistent with the refined thematic approach adopted. To this, Zinurova imparts a broader thematic lens with themes grouped into digitalisation, ageing population, demand for food and climate change. The aim is to partner with 'best of breed' investment managers and make primary funds investments and co-investments alongside third-party managers in strategies reflecting these themes and thereby allowing the bottom-up opportunity set to drive the asset allocation (i.e. total portfolio approach).
 - That said, Lonsec highlights that the closed-end nature of the vehicle ultimately stifles maneuverability of the legacy portfolio whilst WMA has limited discretion in effecting control over the timing of realisations given its ownership level in inherited assets and their closed-end nature. Notably, the portfolio also has exposure to legacy

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assets currently marked below cost, some of which are at a material discount to their initial outlay, albeit collectively, these assets are relatively small. Lonsec understands that these investments in aggregate are largely mature and progressing towards realisation advised as occurring around 2025 with progressive asset realisations over next one-to-four years although the timing is fluid. Lonsec is however mindful of the impact to realisations from the subdued activity within the IPO market which is historically a key exit strategy for venture capital, alongside the current market environment not being conducive to realisations which may impact holding periods. That said, the venture capital component of the portfolio is relatively modest (8.2%) although notably, the degree of below-cost holdings exposures has marginally increased. This will be an area discussed in future reviews.

- Lonsec has been generally pleased by the level of progress made thus far in transitioning the portfolio. This is illustrated by the quantum of recent investments (five) made under the revised investment approach with these spanning various asset classes and existing portfolio companies realised (four). Notably, WAMI has indicated that the exposure to water rights will be progressively reduced to circa 15-20% over 2022-23 which Lonsec views positively in reducing concentration risk within the strategy. Specifically \$10m was redeemed in July 2022 with two further \$10m redemptions expected during H2 2022. That said, the portfolio remains relatively concentrated by exposures until these recent deals acquire underlying assets, and by underlying managers some of whom are in their start-up phase, for example Fortitude Investment Partners. In aggregate, whilst Lonsec recognises the improvements made to the portfolio and the pace of the transition, it requires further time to improve its conviction in the execution of the go-forward approach and therefore the portfolio exposures as the strategy approaches steady-state.
- WAMI is considered to implement a highly detailed and iterative investment process, tailored to the nuances for new investment opportunities. The investment process encompasses four broad stages being: (1) idea generation; (2) investment and operational due diligence; (3) investment decision; (4) implementation. Lonsec notes that at the heart of the investment process is the formulation of a partnership model, that is, identifying and cultivating relationships with high quality third-party investment managers with established track records. Lonsec considers that the investment process has been thoughtfully designed to implement the philosophy.
- Manager sourcing is largely reliant on networks and relationships cultivated by Zinurova throughout her investment career complemented by knowledge of the universe as part of desktop research. Lonsec notes that leveraging the network of the IC, specifically that of Wilson and Siew, has been described as an important idea generation source whilst the domestic focus of the offering also distils the wider opportunity set. Lonsec appreciates this targeted approach although is mindful that the size of the vehicle, that is its lack of scale, naturally encumbers the available opportunity set.
- Lonsec considers the underlying manager due diligence to exhibit a high degree of rigour and has been impressed by the depth of analysis undertaken. Qualitative research is guided by a six success factor framework. The research process also exhibits a high degree of engagement with underlying managers, as expected, including in-person meetings, Zinurova attending underlying manager internal meetings and asset tours. There is also emphasis placed on reference checking to provide a mechanism to counteract manager rhetoric whilst gaining relative comfort in a prospective investment. Quantitative assessment follows including financial models review, track record analysis and stress testing return assumptions. Whilst Lonsec has a positive view on the Manager's research depth, it is mindful of the strain this may have on Zinurova albeit has been managed in this fashion to date.
- All qualitative and quantitative factors considered are combined into a template to encourage consistency and objectivity in the process. This template requires scoring on each headline factor aiding in consistency but also providing a flag to alert WAMI's internal operations team for further appraisal. All screened investment opportunities are then presented to the IC via formal quarterly meetings who is also consulted throughout the diligence process. Notably, the requirement for each prospective candidate to present directly to the IC for formal review is considered good practice. That said, ultimate decision-making authority resides with Zinurova largely rendering this process as more of a 'sense check' in Lonsec's view. Whilst a powerful mechanism for championing investor empowerment and accountability, Lonsec believes this process has scope for strengthening.
- Lonsec views particularly favourably the core-satellite blended approach to portfolio construction. Core strategies encompass yield generating investments such as yield dominant infrastructure and real estate whilst satellite comprises capital appreciation oriented investments including private equity, opportunistic real estate. WAMI has described the steady-state portfolio composition to be 60% core and 40% satellite once fully repositioned and invested. This approach holds strong investment appeal which potentially provides greater stability in portfolio income generation thereby improving WMA's profit reserve and dividend coverage alongside overall improved portfolio balance. This is also considered to showcase a good appreciation of the Company's investor base by WAMI.
- The Manager has the ability to invest in a broad array of alternative asset classes. Underlying strategies largely depends on their role within the portfolio, either being yield or capital growth focused, with core strategies typically more conservative investments. For infrastructure, mature, brownfield assets diversified across renewable energy and social infrastructure amongst others is preferred, whilst strategies with higher development risk or greenfield investments will be satellite positions. For real estate, core investments will seek strategies that are either diversified across sectors or sector

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specific such as healthcare with exposure to mature established assets and a strong ESG profile whilst satellite positions comprise assets which may be more 'turnaround' plays. Within private equity, WAMI prefers middle-market buy-out strategies given the heightened dispersion in early-stage/venture capital funds which has been deemphasised whilst real assets involve water rights, timberland assets, fishing rights, amongst others.

- Lonsec observes reasonable monitoring procedures of underlying investment managers and investments. The WAMI monitoring process involves a monthly meeting (in-person or teleconference), monthly and quarterly reporting on underlying assets with updated unit prices of underlying fund investments. Updates are also provided to the IC. Review triggers are also in place should a material event occur such as strategy drift resulting in a re-underwriting of the investment thesis which are also escalated to the IC and Board. While investment decisions are undertaken by Zinurova assisted by WMA's IC.
- All of the underlying investment managers are currently accessed via a blend of individual mandates/special purpose vehicles and pooled vehicles which is somewhat attributed to the vehicle's heritage. The go-forward plan is to expand through pooled vehicles and then separate mandates which provides co-investment rights with the latter a potential near-term feature. Whilst recognising the benefits of implementing through pooled vehicles, the drawback for Lonsec is the potential loss of improved product design control, better pricing and the ability to manage implementation and transitions with greater efficiency but this largely a function of scale. WAMI's efforts to however provide potential exposure to direct co-investments is viewed favourably in this respect.
- WMA's NTA is struck monthly in arrears. Lonsec notes that the underlying investments are valued across a wide range of frequency ranging from monthly to annually and given this is an actively-traded vehicle, the NTA may experience greater variability as a result, which will be most notable during volatile investment markets.
- Lonsec notes that the Manager is solely reliant on third-party provided unit pricing information, valuation reports alongside financial statements from the underlying investment managers for all of its investments. This can be a combination of internally and/or externally valued assets. Zinurova overlays a valuation audit of the investments which is provided to WAMI's CFO and the Board. Lonsec notes that the Manager prepares semi-annual valuation assessments for the Company's external auditors whose annual audit involves assessing the third-party provided unit prices of underlying funds.
- Related to the above and given the broader public market volatility experienced from late 2021, Lonsec is particularly mindful of the lag in private market valuations/revaluations compared to its more frequently priced public market equivalents. This pricing delay has the potential for any adverse impacts, from economic events, to portfolio companies to not yet be reflected and therefore may negatively impact the Company's overall performance once valuations are eventually

incorporated. This is expected to occur more readily across H2 2022 and is a particular issue given the weight of venture capital in the portfolio (8.2%) some of which also comprise currently underperforming investments. Lonsec will monitor this aspect in future reviews.

ESG integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Company is alongside how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Company or the Manager's adherence to any form of impact, green/sustainable or ethical standards.
- At the overall corporate level, Lonsec views the Manager's overall ESG framework as significantly behind peers. While the Manager has indicated a commitment to the integration of ESG within their investment process to Lonsec, there is no evidence in their public positioning. The Manager does not have any ESG related policies or frameworks in place.
- Lonsec notes that ESG and ethical investing elements are considered within the Manager's thematic approach specifically for manager and asset sourcing and portfolio construction however there is only light evidence of ESG integration within the research elements of the investment process when benchmarked to industry peers. Links between research and investment decisions is considered opaquer relative to leading managers.
- The Manager has indicated that their Responsible Investment style is 'ESG Integration' and as such, they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. Lonsec notes such an approach does not automatically ensure that the resulting portfolio will adhere to any particular structure or provide any particular level of ethicalness, greenness or sustainability.

Risk management

- Lonsec considers risk management to be largely embedded in the Manager's research and portfolio construction process with a thorough understanding of the investment and the exposures of the aggregate portfolio being the main risk management mechanisms. The strategy is unconstrained and managed to only a 40% (soft) asset class exposure limit.
- Exposures are monitored on a manager and look-through basis by Zinurova with excel based systems in use but is considered less sophisticated than broader alternatives peers. Lonsec considers the Manager's rigour of risk monitoring to be somewhat disadvantaged given the use of pooled vehicles creating a time-lag of underlying portfolio positioning and reduces overall transparency.
- Reporting is available to the IC at quarterly meetings and as requested. Holdings data for the underlying managers is collated by WAMI's Operations department, for analysis by IC members. Lonsec considers this process could be improved via

incorporating the review of investments by the separate Operations team.

- Day-to-day investment risk management forms part of Zinurova's responsibilities and the framework could be improved with greater separation of duties. By contrast, many broader alternatives peers tend to have dedicated teams or individuals who are responsible for this critical function. This separation is important not only from a control perspective but also to ensure the adequacy of resourcing. The additional overlay of the Board reporting adds another layer of oversight which is valuable albeit analogous with the executive reporting associated with other structures.
- Liquidity management is considered an important element in the vehicle's management, particularly as the vehicle transitions. Lonsec notes that there is a need to balance the Company's investment level with capital calls and drawdowns across existing and new investments alongside distributions from the portfolio's mature assets. This is also needed to ensure sufficient reserves are maintained for dividend coverage for WMA shareholders. Lonsec notes that the Company's cash level remains relatively high (27.8%, June 2022) albeit is majority committed (24.9%, June 2022). It is noteworthy that WAMI has advised that the vehicle will not be placed in a state of over-commitment (i.e. capital commitments exceed available liquidity) which Lonsec considers prudent given the closed-end structure. Lonsec will continue monitor WAMI's approach to liquidity management as its track record lengthens.

Funds under management

- WMA had gross assets totaling A\$243.4m (June 2022) enabling it access to underlying managers whereby larger peers may be constrained. That said, the vehicle's current scale may be a prohibitive factor in gaining access larger funds with higher ticket sizes and to negotiate better pricing. Capacity is not considered an issue given the size of the vehicle, nature of the asset class and the investment approach. WAMI was responsible for A\$5.4bn in assets (June 2022).

Performance

- The Company's objective is to deliver absolute returns through a combination of dividend yield and capital growth alongside providing diversification benefits. There is also an internal objective of pre-tax returns (net) on the investment portfolio of 8% p.a. over five-to-eight years.
- Whilst the Company was listed on 14 June 2014, the change in investment manager and investment strategy effective 14 October 2020 means the track record of the strategy provides less indicative value to Lonsec. Lonsec would prefer a longer period of time to assess the Company's performance.
- That said, since the appointment of WAMI and as at June 2022, the investment portfolio (gross of fees but net of underlying manager fees) has grown by 14.6% p.a. Over the one-year to June 2022, the investment portfolio returned 12.2%. As expected given the underlying concentration in the portfolio

and over the one-year to June 2022, holdings in water rights (Strategic Agriculture Fund and Argyle Water Fund) were strong drivers of returns. The Company's private equity exposure to Adamantem Capital was also a strong return driver. Holdings in the Energy Storage Fund (since exited) and the Sunfresh Fund detracted from returns albeit modestly.

- On a total shareholder return basis (before franking credits), the Company returned 6.7% over the one-year to July 2022. This compared favourably to domestic and global equities, denoted by the S&P/ASX 200 TR Index and MSCI World TR Index in A\$ returning -2.1% and -3.9% over this time period, respectively. As mentioned, Lonsec is however mindful of the delay in valuations and potential subsequent impact to returns which may have somewhat yet to be fully reflected in performance figures.
- In terms of discount management, WMA's discount to pre-tax NTA has significantly narrowed since WAMI assumed management of the Company to now approximate 12.1% (July 2022).

Overall

- Lonsec has maintained the Company's 'Investment Grade' rating. Dania Zinurova is considered an experienced investor who implements a detailed investment approach exhibiting strong research rigour. The revised investment approach has been thoughtfully designed, particularly for the LIC structure, and Lonsec has been pleased by the level of progress of the transition to date. WAMI's experience as a listed investment company provider is also a strength.
- That said, WMA has a limited trading history and performance track record under WAMI who itself has limited prior alternative assets experience. Further, the Manager Premium Target heightens wind-up risk of the Company albeit is a strong motivating mechanism for WAMI to narrow WMA's current discount to NTA. Whilst Lonsec recognises the improvements made to the portfolio and the pace of the transition, it requires further time for the revised investment approach to be executed and to build a more favourable view of the portfolio exposures before considering a higher rating.

People and Resources

Corporate overview

Wilson Asset Management (International) Pty Limited is the investment manager and responsible for the management of the Company's assets. The Manager was founded in 1997 and is privately-held with A\$5.4bn in assets under management (June 2022).

WAMI specialises in offering equities strategies, mainly Australian equities, through listed investment company structures. The Company represents the firm's inaugural alternatives assets offering.

WAMI was appointed to manage the Company in September 2020 following shareholder approval terminating the prior manager, Blue Sky Alternative Investments Limited ('Blue Sky'). This also saw the Company being rebranded. Blue Sky had established and managed the vehicle since listing (June 2014). The date of the transition to WAMI was 14 October 2020.

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Key events

30 AUG. 2022	\$0.02 DIVIDEND PER SHARE DECLARED
27 AUG. 2021	DRP ANNOUNCED
25 FEB. 2021	SHARE BUY-BACK CANCELLED
14 OCT. 2020	DATE OF TRANSITION TO WAMI
8 SEPT. 2020	BLUE SKY TERMINATED AND WAMI APPOINTED
13 JUNE 2014	WMA (FORMERLY ASX: BAF) LISTED BY BLUE SKY

Size and experience - Board of directors

NAME	POSITION	YEAR JOINED
MICHAEL COTTIER*	CHAIRPERSON - INDEPENDENT	2017
GEOFF WILSON AO	DIRECTOR - NON-INDEPENDENT	2020
ADRIAN SIEW	DIRECTOR - NON-INDEPENDENT	2020
JOHN BAILLIE*	DIRECTOR - INDEPENDENT	2018
KYM EVANS*^	DIRECTOR - INDEPENDENT	2018

* Member of Audit Committee. | ^Chair of Audit Committee.

Michael Cottier, Chairperson, has over 29 years' experience in financial services roles and is currently an independent non-executive director of three non-listed entities, two of which are in senior financial services roles. Cottier served as Chief Financial Officer (CFO) of QSuper Group between 2009 and 2014 and prior to this spent seven years as CFO of QIC Limited.

Geoff Wilson AO, Director – Non-independent, founded and owns Wilson Asset Management where he serves as Chief Investment Officer. Wilson boasts 42 years' industry experience having held a variety of senior investment roles domestically and abroad. Wilson is a strong believer in the listed investment company structure.

Adrian Siew, Director – Non-independent, has over 26 years' investment experience, specialising particularly in private equity and alternative asset classes. Siew commenced his career with Goldman Sachs European investment banking advisory team in London before moving to Hong Kong and Singapore. Siew then spent 11 years with The Carlyle Group as part of their private equity buy-out investment team in Sydney and Singapore. Siew was previously the Lead Portfolio Manager for the strategy as the vehicle transitioned to WAMI albeit later relinquished this role. Siew is a Director of WAM Microcap Limited and serves as an Investment Committee member for the Company.

John Baillie, Director – Independent, holds over 26 years' experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings. Baillie was a Senior Investment Advisor with Shaw and Partners for 22 years, with an emphasis on portfolio management, trading and private equity capital raisings. In 2015, Baillie established JB & Partners Corporate Advisory. Baillie is currently Chairman of Seneca Financial Solutions and non-executive director of a number of private companies.

Kym Evans, Director – Independent, possesses over 31 years' experience in legal risk and general management roles. Evans was a private practice lawyer for 10 years

including seven years with Allens. Evans also had a further 10 years' experience as in-house counsel alongside management roles for a range of companies.

Board remuneration

Board remuneration is capped at A\$195,000 p.a. Directors do not receive bonuses or are issued options on securities for their work with WMA. Wilson is also remunerated through his equity ownership of WAMI whilst Siew is compensated for his role on the investment committee.

Size and experience - Investment team

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DANIA ZINUROVA	PM	23 / 2
DENI HOXHA	INVESTMENT ANALYST	<1 / <1

Dania Zinurova is WMA's Portfolio Manager and holds over 23 years' investment experience. Zinurova has held senior roles in Australia, the US, Europe and the UK throughout her investment career and most recently was Director of Manager Research in Australia and Head of Real Assets Australia at Willis Towers Watson. Prior to this, Zinurova held various real assets investment roles with Willis Towers Watson in London and New York. Zinurova has also held portfolio management and analyst roles at Russell Investments and commenced her career as a foreign currency trader at a Russian financial institution.

Zinurova is responsible for managing WMA's investment portfolio alongside research responsibilities and risk management.

Zinurova is supported by a dedicated Investment Analyst, Deni Hoxha, who joined in April 2022, alongside an Investment Committee whose primary function is to assist in implementing its investment strategy and to monitor WMA's investment performance and portfolio. The Investment Committee is chaired by Wilson whilst Siew is also a constituent. These two individuals are further supported by:

- **Sally Box** who holds over 18 years' experience in private capital advisory gained at Allens, Macquarie Capital, QIC and Greenhill & Co. Box is currently Managing Director at Cabot Properties, a private equity real estate firm.
- **John Roberts** who possesses 31 years' investment experience built across alternative focused roles with senior positions held at Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds and Executive Chairman of Macquarie Funds Group.

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Investment team remuneration

Remuneration comprises a mix of base salary and bonus. Salaries are described as being above average. Bonuses are dependent on the firm's profitability and WMA's performance. There is also a significant discretionary component which is applied by the CIO. Factors assessed are performance; demonstrating leadership and collaboration; mentoring & developing the investment team; marketing and communication. Bonuses are uncapped and cash settled once declared with no vesting or deferral requirements. Investing in WMA is not a requirement of the firm however Zinurova is currently co-invested. Further, all firm employees with greater than two years' tenure are shareholders given WAMI's staff retention plan which gives staff investments in each of the firm's LICs on their two-year anniversary of service and every year thereafter.

Research Approach

Overview

RESEARCH PHILOSOPHY	BLENDED QUALITATIVE AND QUANTITATIVE RESEARCH
TARGET MANAGER	MANAGERS CONSIDERED 'BEST OF BREED', TYPICALLY WELL-ESTABLISHED WITH EXTENDED TRACK RECORD
NO. OF MANAGERS IN UNIVERSE	C.50
NO. OF MANAGERS ACTIVELY RESEARCHED	15-20
RESEARCH INPUTS	VARIOUS - MANAGER MEETINGS, DESKTOP RESEARCH

Universe filtering

Identifying target managers and funds/strategies are reliant on networks and pre-existing relationships developed by Zinurova with those of the IC also being leveraged. Knowledge of the universe and desktop research for sourcing managers are also idea generation inputs. The current domestic focus also distils the opportunity set.

A thematic investment approach is adopted revolving around the following themes: (1) Ageing Population; (2) Digitalisation; (3) Demand for Food; and (4) Climate Change. Suitability for the targeted themes provides a mechanism to narrow potential investments.

Research process

A mix of qualitative and quantitative due diligence is undertaken on promising candidates. Qualitative analysis is guided by a success factor framework assessed across two dimensions: Competitive Advantage and Sustainability. A range of considerations underlies each factor, not limited to those mentioned below.

- **Competitive Advantage:** Investment Professionals such as calibre, depth of resources, team cohesion; Approach/Insight Generation being investment philosophy, idea generation, quality of research; and Portfolio Management including sizing and risk management.
- **Sustainability of Competitive Advantage:** Firm and team stability such as ownership structure, culture; Opportunity Set including size of opportunity set, competition; and Alignment being conflicts of interest, fee size and structure.

Qualitative assessment involves reviewing a wide range of manager provided and external documentation

alongside undertaking onsite meetings, site visits/asset tours, attending internal investment committees and reference checks, amongst other tasks. This is blended with quantitative analysis including reviewing financial models, analysing past manager track records and return assumption testing alongside fee modelling.

Investment and transaction structuring then occurs for potential investments that have satisfied the qualitative and quantitative due diligence process and involves negotiation on investment terms and implementation methods.

Investments considered suitable for portfolio inclusion are presented by Zinurova to the IC who reviews the investment due diligence and tests the thesis. This step also requires the selected investment partner to present to the IC for vetting and robustness. An operational review is also undertaken prior to approving a manager. That said, no formal approval is required at the IC, Board or operations levels prior to an investment being made.

Portfolio Construction

Overview

FUND BENCHMARK	N/A
INTERNAL RETURN OBJECTIVE	8% P.A. (NET) OVER FIVE-TO-EIGHT YEARS
INTERNAL RISK OBJECTIVE	NONE
PORTFOLIO MANAGEMENT APPROACH	MULTI-MANAGER
INVESTMENT STYLE	BLEND OF YIELD AND CAPITAL GROWTH
PORTFOLIO DECISION-MAKING	PM RECOMMENDATIONS VETTED BY COMMITTEE
TYPICAL NO. OF MANAGERS	7
EXPECTED PORTFOLIO TURNOVER	LOW
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	66.3% (JUNE 2022)

The portfolio is currently in transition given the change in investment mandate following the transition to WAMI. The Company's current investments will likely be realised over the next one-to-four years with returning cash flows being progressively invested per the current investment strategy in the interim.

The aim is to invest in a diversified portfolio of unlisted real assets, real estate, private equity, alongside private debt and infrastructure. This is executed by partnering with managers considered 'best of breed' for each asset class through a combination of primary and co-investments. A 'total portfolio approach' is adopted, meaning no hard asset allocation targets are set likewise investment verticals or financing stage with investments selected on a merit basis and bottom-up driven provided thematic fit is satisfied. Exposures to themes are likewise uncapped.

A core-satellite approach is adopted in portfolio construction and is expected to have a go-forward split of 60%/40%. Core strategies are income producing investments whilst satellite exposures comprise capital growth-oriented investments. Core strategies comprise infrastructure, real estate, private debt (senior) and niche strategies such as water rights with consistent and regular yield generation discounting more riskier investments and aiding in profit reserve building. Satellite or opportunistic strategies provide capital appreciation optionality to the portfolio and include private equity, capital oriented real estate and

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infrastructure investments, alongside higher risk-return strategies alternative credit strategies.

Risk Management

Risk limits

SEPARATE RISK MONITORING	NO
ASSET CLASS	40% (SOFT)
CASH LIMIT	UNCONSTRAINED 15% IN STEADY-STATE

The strategy is managed to only a broad soft risk limit of 40% at the asset class level. Various guidelines are internally used for managing the strategy such as max. LTV ratio, minimum track record and fund exposure.

Risk monitoring

Day-to-day risk management is regarded as a portfolio management function and a responsibility of Zinurova. Risk management is primarily managed through the research process and portfolio construction. Exposures are monitored on a manager and look-through basis by Zinurova and reporting is available to the Investment Committee at scheduled meetings.

Separate oversight is provided by the Operations department. Additionally, the Board will meet with Zinurova on a quarterly basis.

The responsibilities and expectations surrounding risks are set from the top and ensure that adequate and appropriate infrastructures including risk management, internal controls, processes and policy management are in place to identify and effectively manage and mitigate key risks. The Company's Audit & Risk Committee has oversight of these processes. This Committee is responsible for the monitoring and reporting of risk and controls in place to the Board of Directors on a six monthly basis.

Currency management

Foreign currency exposure within the Company is unhedged.

Risks

An investment in the Company carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the prospectus and should be read in full and understood by investors. Lonsec considers major risks to be:

Equity market risk

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Although liquidity is generally expected to exist in this secondary market on the ASX, there are no guarantees that an active trading market with sufficient liquidity will develop, or should it develop after listing, that such a secondary market will sustain a price representative of the NAV per Unit.

Risks of Investing with Third Parties; Non-Controlling Investments

The Company invests in investments sponsored, controlled and/or managed by third parties. Such third-party managers and sponsors may have interests (including financial interests) which are inconsistent with those of the Company and may be in a position to take or block actions in a manner adverse to the Company's interests. As a result, the performance of the Company will depend significantly on the investment and other decisions made by third parties, which could have an indirect, material adverse effect on returns to investors in the Company.

Illiquid investments

The Company invests in underlying funds and mandates managed by external third-party managers which are not expected to provide any voluntary liquidity to their investors and may, at any given time, hold significant amounts of securities and other assets issued by portfolio companies that are very thinly-traded, for which no market exists, or which are restricted as to their transferability. This will limit the Company's ability to redeem its holdings.

Risks associated with portfolio companies

The investments in which the Company will sometimes involve a high degree of business and financial risk. Such Portfolio Companies and/or their respective sponsors or managers may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may have a high level of leverage or may otherwise have a weak financial condition. In addition, Portfolio Companies and/or their respective sponsors and managers may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial and technical personnel.

In addition, during periods of difficult market conditions or slowdowns in a particular investment category, industry or region, Portfolio Companies may experience decreased revenues, financial losses, difficulties in obtaining access to financing and increased costs. During these periods, they may also have difficulty in expanding their respective businesses and operations and may be unable to service their outstanding obligations or pay expenses as they become due. A general market downturn or a specific market dislocation may adversely affect the Company's investment performance.

Portfolio valuation

Valuations of the underlying investments when reported by underlying managers are expected to involve uncertainties and discretionary determinations and may not be indicative of current or ultimate, realisable values. Moreover, there generally is no established secondary market for the Company's investments, and there may not be any comparable assets for which public market valuations exist. As a result, the valuation of investments of the Company may be based on limited

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information and is subject to inherent uncertainties. The performance of the Company will be adversely affected in the event the valuations assumed by WAMI or by third-party external managers in the course of negotiating acquisitions of investments prove to have been too high.

Concentration risk

The Company has approximately 25 typical investments and is unconstrained except for a broad soft risk limit of 40% at the asset class level. The Company is likely to become more diversified at the underlying level as the portfolio is built out. Investors should be mindful of the potential for sharper movements in the price of these investments.

Currency risk

Underlying managers may invest in assets that are denominated in foreign currencies. A rise in the relative value of the A\$ vis-à-vis the foreign currencies (predominantly the US\$), will negatively impact the market value of the Company's assets (and vice versa) from an Australian investor perspective.

Listed company risk

The market price of the Company's securities may not correlate exactly to the underlying value of the portfolio as reflected in its monthly NTA backing per share. The securities may trade on the ASX at a discount or a premium to the Company's monthly NTA backing per share.

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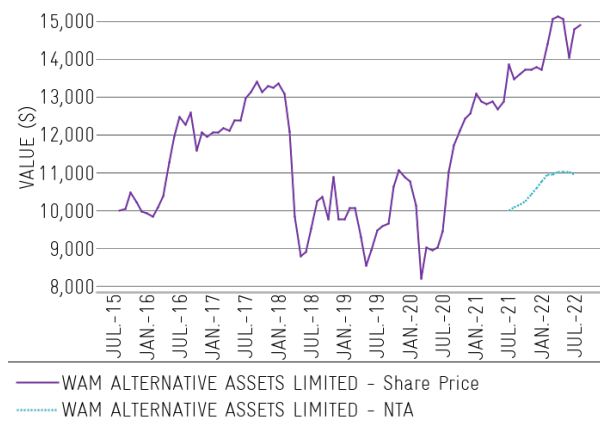
Quantitative Performance Analysis - annualised after-fee % returns (at 31-8-2022)

Performance metrics

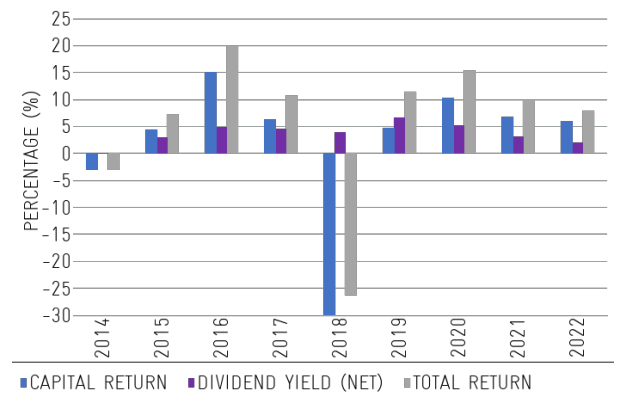
	1 YR	3 YR	5 YR	7 YR
TOTAL RETURN (% PA)	10.57	15.77	2.56	5.86
STANDARD DEVIATION (% PA)	11.08	19.64	21.53	19.20
EXCESS RETURN (% PA)	10.20	15.41	1.62	4.62
WORST DRAWDOWN (%)	-7.17	-25.92	-38.77	-38.77
TIME TO RECOVERY (MTHS)	NR	6	16	16
TRACKING ERROR (% PA)	11.08	19.67	21.59	19.24

PRODUCT: WAM ALTERNATIVE ASSETS LIMITED
 PRODUCT BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

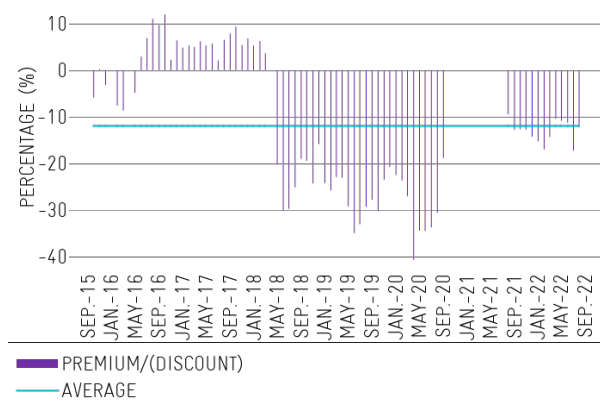
Growth of \$10,000 over seven years



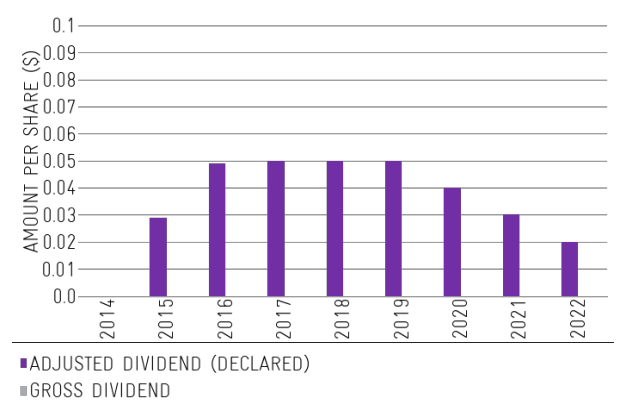
Calendar Year Returns over nine years



Share Price Premium/Discount to NTA over seven years



Dividend Record over nine years



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Glossary

[Click here for the glossary of terms.](#)

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

Analyst Disclosure and Certification

Analyst remuneration is not linked to the research or rating outcome. Where financial products are mentioned, the Analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the matters and financial product(s) to which this document refers.

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