

**WAM Alternative Assets Limited
(ASX: WMA)**

Initiation of Coverage

July 2021

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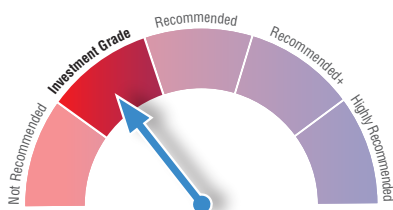
For more information regarding our services please refer to our website www.independentresearch.com.au.

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Note: This report is based on information provided by the Wilson Asset Management Group.

Rating



Key Investment Information (as at 31 May 2021)

ASX Code	WMA
Share Price (\$)	0.97
NTA Before Tax (\$)	1.14
Pre-tax NTA (including tax on realised gains) (\$)	1.14
Post-tax NTA (\$)	1.11
Shares on Issue (m)	193.9
Market Cap (\$m)	188.1
Structure	Listed Investment Company
Investment Exposure	Alternative Assets
Fees:	
Management Fee, p.a.	1.0% plus GST
Performance Fee	na

Key Exposure

Underlying Exposure	Portfolio of unlisted investments including private equity, real estate and real asset investments and committed to new real estate, infrastructure and private equity strategies. The Company will achieve this through partnering with managers that provide exposure to these asset classes.
FX Exposure	The portfolio currently has a small exposure to international investments and therefore will have some exposure to foreign currency movements. Moving forward, the Manager's core investments will be focused on domestic investments and is therefore expected to have limited foreign currency exposure.

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.

COMPANY SUMMARY

WAM Alternative Assets Limited (ASX: WMA), formerly Blue Sky Alternative Access Fund Limited, is a Listed Investment Company (LIC) that provides exposure to a portfolio of alternative assets including real assets, private equity and real estate. The Company has expanded into infrastructure since taking over the management of the portfolio and will be seeking to expand into private debt. The Company will gain exposure to these asset classes through an investment in a portfolio of funds and co-investments where opportunities arise.

The Company seeks to deliver absolute returns through a combination of income and capital growth, while providing the diversification benefits of alternative assets. Wilson Asset Management (International) Pty Ltd (WAMI) was appointed the Manager of the portfolio in September 2020 after shareholders approved the appointment. The Manager has taken over the management of the portfolio ("legacy portfolio") and will seek to deploy the available capital and redeploy the invested capital when the underlying investments are realised/exited over the next four years. The Manager will be employing a new investment strategy to the previous manager, with the Manager seeking to take more meaningful positions in the underlying investments and realign the portfolio with the broad macroeconomic trends identified by the Manager. The Manager will also seek to invest the portfolio to be able to achieve the investment objectives which include generating an income stream for shareholders.

INVESTOR SUITABILITY

An investment in WMA is suitable for investors seeking access to a portfolio of alternative assets with access provided through an ASX-listed vehicle, providing an element of liquidity to an illiquid portfolio of investments. The Company seeks to provide a steady stream of dividends to shareholders, franked to the maximum extent possible. Dividends will be made through income and capital gains generated from the portfolio. As at 31 May 2021, the Company had a little over two years dividend coverage in the Profits Reserve in the event the previous final and interim dividend were maintained. There is limited transparency into the underlying investments, a feature of private investments. Investors should be comfortable with the additional levels of risk associated with low levels of transparency. An investment in the Company provides the potential to provide diversification to an investors existing portfolio through assets with lower volatility and uncorrelated returns to equity markets. However, we note that achieving this will depend on the behaviour of the share price and whether it trades around the portfolio value over the long-term. Given the typically long-term nature of the underlying investments, investors should have a long-term investment horizon to realise the full value of the underlying investments.

RECOMMENDATION

Independent Investment Research (IIR) has assigned WAM Alternative Assets Limited (ASX: WMA) an **Investment Grade** rating. After a long and arduous process, the Manager was appointed in September 2020 after being approved by shareholders at the Extraordinary General Meeting (EGM). The Manager will retain the investments in the legacy portfolio until the investments are realised or able to be exited at a premium to the current market value. Once realised, the Manager will reinvest the capital in the pipeline of investment opportunities currently being developed. The legacy investments in the portfolio are in the mature stages of their investment period, with the investments expected to "roll-off" over the next four years, with inherited investments expected to be realised/exited by 2025. As the investments are realised, the Manager will seek to redeploy the capital in line with its investment objectives. The Manager will also seek to deploy available capital and since taking over as the Manager of the portfolio, the Company has made three capital commitments worth a total of \$38m, the capital for which is expected to be deployed over the next 12-24 months.

While the Company was first listed in June 2014, the Company under the current Manager has very little performance history and is the first LIC to be managed by WAMI in the alternative assets sector. As such, there is little to no performance history for the Company under its current management team. We note, that the Manager has recruited experienced personnel to manage and grow the portfolio. The Portfolio Manager has significant experience in the alternative assets sector.

SWOT

Strengths

- ◆ The Portfolio Manager, Dania Zinurova, has significant experience in the alternative assets market and is supported by an experienced Investment Committee.
- ◆ The portfolio has provided an uncorrelated exposure to equity markets and experienced low volatility since listing in June 2014. We note that the historical performance of the portfolio is not representative of the new Manager's investment strategy. Despite achieving these objectives, returns have been low. While the portfolio has provided these attributes, the return to shareholders has not provided the diversification characteristics the portfolio is seeking to achieve with significant volatility, primarily being driven by issues with the previous manager.
- ◆ The Manager and interests associated with Geoff Wilson (the 100% shareholder of the Manager) is the second largest shareholder of the Company and therefore interests are strongly aligned.
- ◆ The fees are at the low end of the peer group with no performance fee applicable.
- ◆ The LIC structure provides the Manager with captive capital, allowing the Manager to invest in typically illiquid assets without the need to worry about redemptions. Therefore, the full value can be realised from the underlying investments without the need to redeem early and potentially incur early withdrawal fees from the underlying investments.

Weaknesses

- ◆ As with most alternative investment strategies there is low levels of transparency into the underlying investments.
- ◆ The Company is small for an investment of this type. While this can be limiting with respect to gaining access to some investments, it can also provide opportunities to access investments that larger funds would not be able to consider.
- ◆ The Manager will retain the investments in the legacy portfolio until such time as the investments are realised or can be exited above the current value. The investments in the legacy portfolio are expected to be realised over the next four years. The Manager will redeploy available capital, however it will take time for the portfolio to reflect the new investment strategy being implemented by the Manager.
- ◆ The Company has traded at a significant discount to pre-tax NTA since 2018. The discount has narrowed over the last six months, however remains at double digits. The discount has been a key drawback for long-standing investors. The Manager will be making every effort to narrow the discount.
- ◆ The portfolio will primarily get exposure to the asset classes through an investment in funds. As with all fund of fund investments, there will be a double layer of fees.

Opportunities

- ◆ The Manager is seeking to implement strategies to narrow the discount to NTA, enabling shareholders to realise the value of the assets in the portfolio. Prior to the Manager being appointed in September 2020, the Company was trading at a significant discount to NTA. Under the Investment Management Agreement (IMA), shareholders will have the right to liquidate the Company in the event the Premium Target is not achieved. In the event the Manager is successful at narrowing the discount, this represents an opportunity for new investors to potentially generate capital returns in addition to the returns generated by the portfolio.
- ◆ The Manager will be seeking to invest the Company's capital in what we view to be an improved manner moving forward with the Manager seeking to take more meaningful positions in funds and invest in assets that will deliver on the investment objectives of the Company, including income generating assets. The Manager will also seek to invest across multiple managers, improving the manager diversification of the portfolio.
- ◆ An investment in the Company may provide diversification to an investors portfolio through uncorrelated returns and lower volatility, assuming the share price moves predominantly in line with the portfolio movements in future. The share price has been

dislocated from the underlying portfolio performance over the last few years which has resulted in shareholders not reaping the benefits of the underlying portfolio exposure.

- ◆ An investment in the intended underlying funds is typically not available to retail investors, with access only gained through a professionally managed vehicle such as WMA.
- ◆ The Manager will be seeking to grow the size of the Company through capital raisings and absolute performance. An increase in the size of the Company will allow for larger investments to be made which will open up investment opportunities for the Company as well as improve liquidity and potentially reduce operating costs.

Threats

- ◆ The portfolio is currently heavily concentrated to the Argyle Water Fund with over 30% of the portfolio invested in this Fund.
- ◆ The investment team currently has a single dedicated investment professional managing the portfolio (Dania Zinurova). As such, key person risk is elevated. The Portfolio Manager joined the Group specifically for the purpose of managing the WMA portfolio. The Manager has stated that they will seek to grow the investment team in line with the growth of the portfolio and the maturity of the legacy portfolio investments. Dania is supported by the broader Wilson Asset Management team.
- ◆ The Manager is currently developing a pipeline of investment opportunities for when capital is available for redeployment. Given the pipeline is still being developed, the ultimate investment exposure and the composition of the portfolio is unknown at this time.

COMPANY OVERVIEW

WAM Alternative Assets Limited (ASX: WMA), formerly Blue Sky Alternative Access Fund Limited (ASX: BAF), was first listed in June 2014. The Company was established as a co-investment vehicle for retail investors to access Blue Sky's predominantly wholesale and institutional alternative investment strategies. In 2019, the manager of the portfolio, Blue Sky Investments Limited, went into receivership, resulting in the Board seeking a new manager for the portfolio. After a long and arduous process, Wilson Asset Management (International) Pty Ltd (the "Manager") was appointed as the manager of the portfolio by shareholders at an EGM in September 2020.

The Company seeks to provide exposure to a portfolio of alternative assets including real assets, private equity, real estate, infrastructure and private debt. The Company will gain exposure to the asset classes primarily through the investment in funds but also through co-investment opportunities when they arise and fit the portfolio's strategy and objectives.

The Company will seek to deliver absolute returns through a combination of dividend income and capital growth, while providing diversification benefits to shareholders through lower volatility and returns not correlated to equity markets.

The Manager will receive a management fee of 1%p.a (plus GST) of the gross value of the assets of the Company. No performance fee is applicable. The Manager may seek to incorporate a performance fee, however would require shareholder approval to do so.

The Manager will implement a new investment strategy under the IMA, in which the Manager will seek to partner with best of breed investment partners in the alternative assets market. Under the new IMA, the Manager has the mandate to expand the investable universe to include private infrastructure, private debt and other alternative private assets as recommended or approved by the Manager and the Board.

Premium Target

Under the IMA that was approved at the EGM in September 2020, the Manager has agreed to seek to remove the discount to NTA that the company has been trading at with the Manager agreeing to a Premium Target. The Premium Target means the Company must trade above the Company's pre-tax NTA lodged with the ASX on a VWAP basis during at least three months of the initial five-year term of the IMA. If the Company fails to meet the Premium Target on at least three occasions over the initial term of the IMA, the Board will propose a special resolution to shareholders to liquidate the Company.

BOARD & INVESTMENT MANAGER

Board of Directors

WMA has a strong Board with 60% of the Directors Independent from the Manager and the investment process. The Independent Chairman and two Independent Directors were appointed in late 2018. The Directors were appointed as part of a rejuvenation of the Board resulting from turbulence experienced by the previous manager of the portfolio.

Board of Directors		
Name	Position	Experience
Michael Cottier	Chairman (Independent)	Michael was appointed as Chairman in November 2018. Michael is currently an Independent Non-Executive Director of three other private companies, two of which are in financial services. Between 2009 and 2014, Michael served as CFO of QSuper Group, where he was responsible for the group-wide finance and governance functions. Prior to this, Michael was CFO of QIC Limited and was Head of Finance at Suncorp Metway Ltd.
Geoff Wilson	Director (Non-Independent)	Geoff is the Founder, Chairman and Chief Investment Officer of the Manager and Chairman of the six other LICs managed by WAMI. Geoff has over 39 years' experience in investment markets, having held a variety of senior investment roles in Australia, UK and the US.
John Baillie	Director (Independent)	John has over 25 years' experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings. John 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, John established JB & Partners Corporate Advisory that specialises in strategic advice and succession planning for private companies, particularly family businesses.
Kym Evans	Director (Independent)	Kym has over 30 years' experience in legal and risk management roles. Kym was a private practice lawyer for 10 years, including 7 years with Allens. Kym has also worked as in-house counsel with HBOS Australia, NortelNetworks, Arnott's Biscuits and Flexirent Capital. Kym has held management roles at BankWest, NortelNetworks Australia and Flexirent Capital.
Adrian Siew	Director (Non-Independent)	Adrian has 25 years' experience in investment markets, specialising in private equity and alternative asset classes. Adrian has held many roles including corporate investment advisor, director on a number of boards, and principal investor of a private equity buy-out fund. Adrian spent 11 years with The Carlyle Group in their private equity buy-out team in both Sydney and Singapore.

Investment Manager

WAMI was appointed the Manager of the portfolio by shareholders at an EGM in September 2020. WMA is one of eight LICs issued and managed by the Wilson Asset Management Group, of which WAMI is a wholly-owned subsidiary. WAMI is 100% owned by Geoff Wilson and interests associated with Geoff Wilson. WMA is the first alternative asset fund managed by the Group. The Manager has recruited investment professionals with expertise in the alternative assets sector to manage the portfolio.

The Wilson Asset Management Group employs 43 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 eight LICs and one wholesale trust.

Investment Team

The portfolio will be managed by Dania Zinurova, who joined the Manager in October 2020 for the purpose of managing and growing the WMA portfolio. Dania has significant experience in the alternative assets sector with over 20 years' experience including senior investment roles in Australia, US and Europe. Prior to joining the Manager, Dania was the Director of Manager Research in Australia and Head of Real Assets Australia at Willis Towers Watson where she advised institutional asset owners on alternative assets portfolio strategies, portfolio construction and asset allocation.

Dania is supported by an Investment Committee which comprises four members, all of whom have significant investment experience.

Investment Team		
Name	Position	Experience
Dania Zinorova	Portfolio Manager	See above
Geoff Wilson	IC Member	See above
John Roberts	IC Member	John has almost 30 years' investment experience with senior alternative focused roles with Macquarie Group including, Head of Europe, Joint Head of Macquarie Capital Advisors, Global Head of Macquarie Capital Funds and Executive Chairman of Macquarie Funds Group. John is currently Chairman of Macquarie Infrastructure and Real Assets and a Partner at Alfred Street Investment Partners.
Andrew Siew	IC Member	See above
Sally Box	IC Member	Sally has over 17 years' experience in private capital advisory gained with leading organisations such as Allens, Macquarie Capital, QIC, Greenhill & Co, and is currently Managing Director at Cabot Properties Inc, a private equity real estate investment firm.

INVESTMENT PROCESS

Investment Objective

The Company seeks to provide capital growth over the medium-to-long term, deliver a stream of fully franked dividends (subject to sufficient Profits Reserve and franking credits) and preserve shareholder capital. The Company will seek to achieve this through an investment in a portfolio of alternative assets.

Investment Process

The Manager has committed to holding the inherited assets until the investments are realised/exited, which is expected over the next two to four years. Included in this, the Manager has committed to not exiting the Argyle Water Fund for at least 12-months from the Execution Date of the IMA. Upon realisation of the investments in the legacy portfolio, the Manager will seek to reinvest the capital in line with the new investment strategy.

The Manager will seek to invest and partner with quality managers in the respective asset classes the Company is seeking exposure to. The Manager will seek to use their network and knowledge of the market to identify investment opportunities that are in line with the macro economic trends that the Manager has identified. The macro economic trends that the Manager will seek to provide exposure to include:

- ◆ Climate Change;
- ◆ Increasing demand for food;
- ◆ Ageing populations; and
- ◆ Digitalisation

The Manager will seek to invest with investment partners that have an established track record of creating value for investors with robust risk management systems in place and will seek to build long-term relationships with these partners by making primary fund investments and co-investing on specific transactions.

Environmental, Social and Governance (ESG) factors are an important aspect of the investment selection process with the Manager seeking to ensure the Company's new investments and returns are sustainable and resilient. This is important in the unlisted investment sector as investments are typically long-term in nature.

Under the previous manager, with the exception of the Argyle Water Fund, the portfolio had a number of small investments which would typically be considered sub scale. Investments of this size mean that the investor can impart very little influence in the investment. The Manager will seek to take more substantial positions in its investments, which may result in a lower number of investments, but the investments are expected to be a higher quality.

Portfolio Construction

The Manager will seek to invest with best of breed investment partners across alternative asset classes including real assets, private equity, real estate, infrastructure and private debt. The Manager will seek to provide access to a diversified portfolio of managers and asset classes. The Manager has stipulated that the core investments of the portfolio with respect to the redeployed capital will be focused on domestic investments.

There are no stated limitations on the investment of the portfolio at present with the exception of the investable universe.

PORTFOLIO COMPOSITION

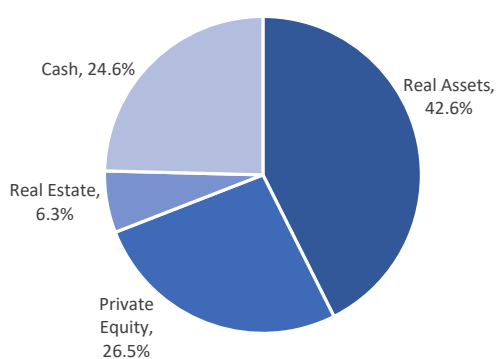
As at 31 May 2021, the portfolio was invested across real assets, private equity and real estate investments and committed to new real estate, infrastructure and private equity investments. The portfolio is currently heavily weighted to real assets primarily through the investment in the Argyle Water Fund. The Manager currently has a reasonable amount of cash at their disposal with over \$50m in cash (\$38m of which has been committed to new investments).

Since taking over the management of the portfolio, the Manager has made three new capital commitments: (1) Palisade Investment Partners (\$15m) - an infrastructure fund; (2) Barwon Property Funds Management (\$15m) - a health care real estate fund; and (3) Adamantem Fund 2 (\$8m) - a mid-market private equity fund. The commitments are larger investments than the majority of the legacy portfolio investments, albeit still small in terms of the investable universe. The Manager will be seeking to take more meaningful positions than the previous manager.

(1) Palisade Investment Partners: a diversified infrastructure fund that typically invests in Australian based assets with up to 20% of the fund able to be invested in global assets. The fund typically focuses on mid-market investments (\$50m-\$200m). The portfolio includes infrastructure assets in: Transport (air and sea); Energy (renewable energy generation and transmission); Utilities (waste); Agriculture (livestock exchanges); Health (hospital and research); and Social Infrastructure (defence, justice and transport).

(2) Barwon Property Funds Management: a health care real estate fund that seeks to provide exposure to a portfolio of Australian healthcare facilities such as medical centres and allied health facilities, secondary health facilities and tertiary health care facilities. The underlying investments typically have a long lease profile with strong yields and inflation reviews meaning that the investments are typically hedged against inflation.

(3) Adamantem Fund 2: invests in a portfolio of private mid-sized Australian and New Zealand companies with an enterprise value typically of between \$100m and \$300m at the time of the investment. The Manager views the Adamantem investment team to have strong credentials, deep knowledge and expertise in the private equity market. Adamantem's strategy involves making controlling investments in companies with strong fundamentals an supporting management teams to take considered risks, create change and grow value. Adamantem facilitates the implementation of a clearly defined agenda with a path to exit and seeks to deliver positive outcomes for all stakeholders, including investors, the environment and the broader community.

WMA Portfolio Composition as at 31 May 2021

The portfolio composition will change as the Manager deploys capital in line with the new investment strategy, as it becomes available. Since taking over the portfolio late last year, the Manager has made three new capital commitments. The Manager has not disclosed the exact timing of the realisation of the inherited assets in the portfolio, however has disclosed that they are all in the later stages of investment with all inherited assets/investments expected to be realised by 2025.

WMA Portfolio Composition by Value (\$m) as at 31 May 2021

\$m	30 June 2020	31 December 2020	31 May 2021
Real Assets	90.0	92.2	94.3
Private Equity	52.1	54.6	58.7
Real Estate	14.4	13.8	13.9
Cash	55.0	48.3	54.4
Total	211.4	209.9	221.3

The legacy portfolio is predominantly comprised of a number of small investments across the asset classes, with the exception of the investment in the Argyle Water Fund which accounts for over 30% of the portfolio.

Legacy Portfolio (as at 31 December 2020)

Investment	Portfolio Weighting (%)	Date Invested	Status
Private Equity Funds			
Wild Breads Fund	0.4%	Jun-14	Invested
Hotel Fund	2.8%	Jun-15	Invested
Origo Education Fund	0.4%	Jun-15	Invested
Aquila Fund	0.3%	Dec-15	Invested
Digital Outdoor Advertising Fund	0.0%	Feb-16	Invested
Shopper Media Group Fund	2.5%	Dec-16	Invested
QFS Fund	2.5%	Dec-16	Invested
Wild Breads RCPS Fund	0.5%	Apr-17	Invested
Better Medical Fund	2.5%	May-17	Exited
Tourism Fund	0.8%	May-17	Invested
Sunfresh Fund	0.8%	Jun-17	Invested
SMG Fund II	0.4%	Oct-17	Invested
Energy Storage Fund	2.6%	Nov-17	Invested
IT Consulting Fund	1.1%	Dec-17	Invested
Birch & Waite Fund	2.1%	Dec-17	Invested
VC2014 Fund	1.1%	Jun-14	Invested
Vinomofo Fund	1.2%	Dec-15	Invested
Acommerce Fund	1.2%	Jul-16	Invested
aCommerce Fund 2	2.3%	Nov-16	Invested
aCommerce Fund 3	0.9%	Nov-17	Invested
Subtotal	26.0%		

Legacy Portfolio (as at 31 December 2020)			
Investment	Portfolio Weighting (%)	Date Invested	Status
Real Assets			
Argyle Water Fund	27.3%	Jun-14	Invested
Agriculture Fund II	2.9%	Oct-15	Invested
Strategic Australian Agriculture Fund	13.2%	Jun-17	Invested
Solar Fund	0.6%	Sep-17	Invested
Subtotal	43.9%		
Private Real Estate			
Student Accommodation Fund	0.1%		Exited
Darra Industrial Income Fund	1.1%	Dec-14	Invested
Revesby Industrial Income Fund	1.3%	Dec-17	Invested
Cove Property Group 2 Rector Street Trust	3.0%	Feb-16	Invested
Cove Property Group 441 Ninth Avenue Trust	1.1%	Nov-16	Invested
Subtotal	6.6%		
Total	76.5%		
Cash	23.5%		

PERFORMANCE ANALYTICS

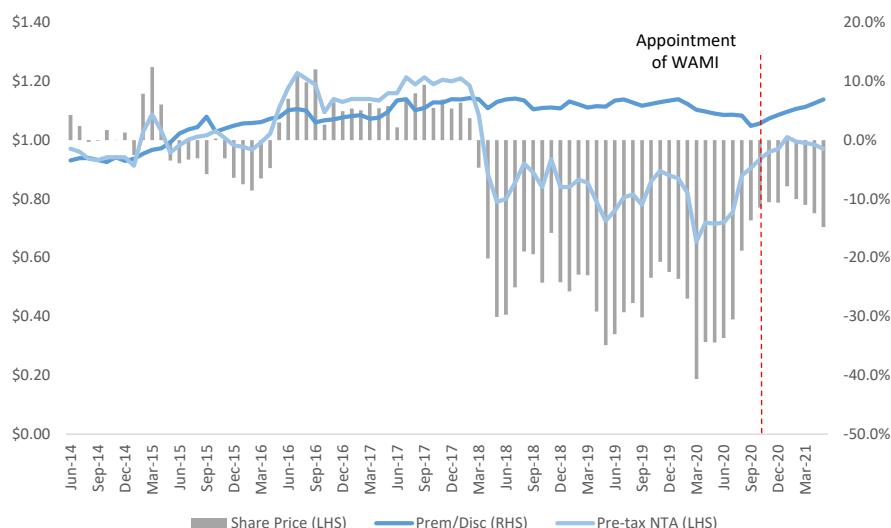
We have provided the performance analytics for the Company's share price and portfolio (pre-tax NTA) since it's listing in June 2014. We note that the Manager was only appointed in September 2020 and therefore the performance does not necessarily provide an insight into the risk/return profile of the portfolio in future given the Manager will be seeking to implement a new investment strategy once the assets in the portfolio are realised and the capital can be reinvested.

Performance Analytics (based on month-end figures) to 31 May 2021			
	WMA Pre-tax NTA	WMA Share Price	S&P/ASX 200 Acc Index
Cumulative Return:			
CYTD	5.8%	1.0%	10.4%
Since Appointment of Manager*	9.0%	15.0%	20.9%
1 Year	8.4%	41.6%	28.2%
3 Year (p.a)	4.5%	13.1%	9.9%
5 Year (p.a)	5.7%	2.4%	10.1%
Since Inception (p.a)	6.8%	4.2%	8.5%
Risk Metrics			
Standard Deviation:			
1 Year	3.0%	16.9%	11.1%
3 Year (p.a)	3.3%	23.7%	17.6%
5 Year (p.a)	3.5%	21.7%	14.6%
Since Inception (p.a)	3.8%	19.8%	14.4%
Correlation with S&P/ASX 200 Acc Index:			
1 Year	0.41	-0.15	na
3 Year (p.a)	0.35	0.49	na
5 Year (p.a)	0.16	0.39	na
Since Inception (p.a)	0.03	0.37	na

*Performance since 31 August 2020. Manager was appointed in early September 2020.

The Company has traded at a significant discount to pre-tax NTA since 2018. While the discount has narrowed since the Manager was appointed, the discount remains at double digits as at 31 May 2021. A key element to the Manager's appointment was the mandate to narrow the discount to allow shareholders to realise the value of their investment.

Historical Pre-tax NTA & Share Price Performance



PEER COMPARISON

There are five other Alternative Asset LICs/LITs on the ASX that we view as comparable to WMA. We have not included a performance comparison below as the historical performance of WMA does not reflect the Manager's investment strategy.

Of the six LICs/LITs, Bailador Technology Investments Limited (ASX:BTI) is the only LIC/LIT that provides direct investment exposure to the underlying assets. All the other LICs/LITs are fund of fund vehicles. The peer group all offer a different exposure to each other with WMA providing the greatest level of diversification from an asset class allocation perspective with investments across real assets, real estate, infrastructure, private equity and the expected inclusion of private debt.

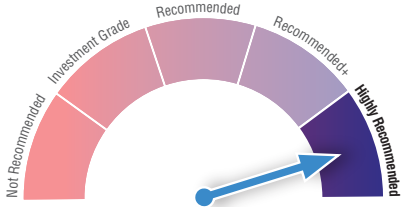
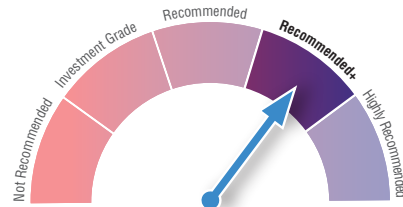
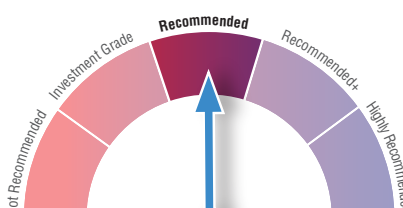
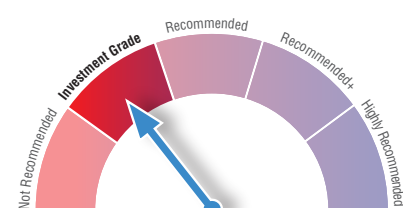
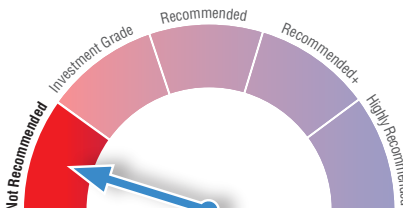
From a fee perspective, WMA's fees are at the low-end of the peer group with a management fee of 1.0%p.a and no performance fee applicable.

Peer Comparison						
LIC Name	ASX Code	Market Cap (\$m)	Sector Exposure	Management Fee (% p.a)	Performance Fee (%)	Performance Fee Hurdle
Bailador Technology Investments Limited	BTI	190.4	Technology	1.75%	17.5%	8%p.a
CD Private Equity Fund 1	CD1	41.4	Small & Mid-market private equity funds	2.33%	na	na
CD Private Equity Fund 2	CD2	69.0	Small & Mid-market private equity funds	2.33%	na	na
CD Private Equity Fund 3	CD3	90.0	Small & Mid-market private equity funds	1.33%	10.0%	8.0%p.a
Pengana Private Equity Trust	PE1	292.5	Global Private Equity Investments	1.25%	20.0%	8.0%p.a
WAM Alternative Assets Limited	WMA	191.0	Real Assets, Real Estate, Infrastructure Private Equity, Private Debt	1.0%	na	na

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

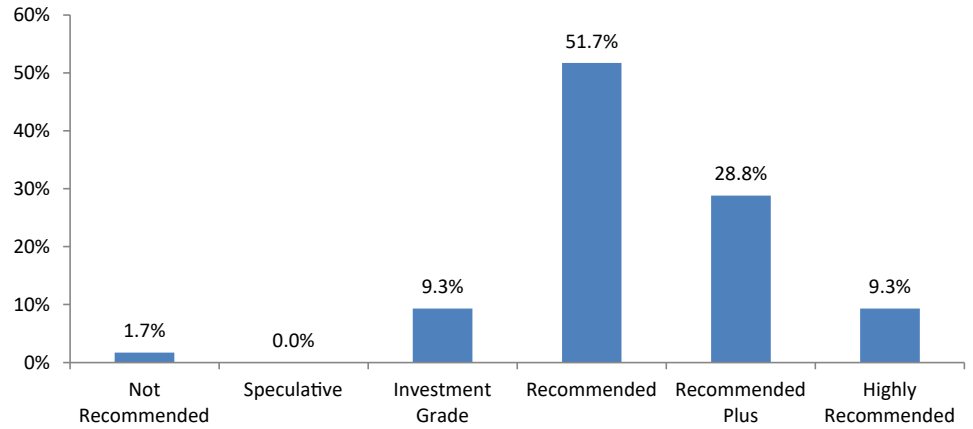
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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

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

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



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