Purchase of Worley & May Dividend Harvest

Across the Australian Equity component of investor portfolios (Income), we have bought Worleys (WOR.ASX) & National Australia Bank (NAB.ASX) and increased our weighting to Westpac (WBC.ASX).

Worley is a global consulting firm that provides services to the Energy, Chemicals & Resources industries. They consult on projects ranging from traditional oil & gas developments to more contemporary energy transition projects including the development of renewables, batteries, hydrogen and CO2 capture. They are generally accepted to be the market leader in consulting on the energy transition. The services they provide involve project delivery, engineering, procurement, and construction.

We are attracted to Worleys for the following reasons:

- Market leader in energy transition consulting work
- Recognition for superior technical capabilities within the industry
- Lower risk contracting structure – cost plus vs lump sum

Worleys has key levers for value creation:

- Shift to higher value business mix
- Margin expansion initiatives

Firstly, the significant investments the business has made in building out their capabilities is leading to a shift towards higher value work being won, specifically relating to the energy transition. We can see this in the strong revenue growth generated, the quality of the clients they have won work from and their ability to win contracts on a cost plus basis (which anecdotally is unique within the industry).

Secondly, over a number of years they have been restructuring their workflows to ensure high value employees are spending as little time as possible on lower value work. In recent results we have started to see these efforts benefit margins and expect this to continue medium term. In addition to this the shift towards higher value projects as mentioned above will also contribute to margin expansion.

In preparation for the upcoming bank reporting season we increasing our allocation to Westpac to harvest the dividend it will pay in May.

We have funded the purchase of Worleys and increase in weight of Westpac via sale of Nine Entertainment (NEC.ASX) & Perpetual (PPT.ASX).

The decision to sell NEC was driven by two main considerations:

- The likelihood of NEC rejecting the offer / Co Star abandoning the bid for Domain Group ("DHG") and the likely ensuing sell-off;
- The Co Star bid for DHG is accepted with NEC ultimately (timeframe unknown) returning cash to shareholders. With the sale of DHG, the remaining business is unlikely to rejoin the S&P ASX 100 Index, our investable universe, within any reasonable timeframe. In this scenario the policy would require us to sell the position.

We do acknowledge that other possibilities include a higher bid from Co Star for DHG or a consortium bid for NEC between Co Star and major NEC shareholder Bruce Gordon.

The downside of the bid being abandoned was seen to be greater than the upside of the other 2 scenarios.

The decision to sell PPT was driven by 2 main considerations:

- Perpetual is now unlikely to rejoin the ASX 100 within our 3 year investment horizon
- It is now clear that the divestment of the corporate trust and wealth management business is unlikely to eventuate and unlock value within the business in the short term