

22 December 2021

ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

By: E-lodgement

PM Capital Asian Opportunities Fund (ASX: PAF) – PAF Directors recommend accepting WAM Takeover

The Directors of PM Capital Asian Opportunities Fund Limited now recommend that PAF shareholders should accept the WAM Capital Limited takeover bid (WAM Takeover Bid) before it expires, in the absence of a superior proposal.

Attached is a copy of the PAF Directors Supplementary Target Statement in this regard. The Supplementary Target's Statement includes a Supplementary Independent Expert's Report from Lonergan Edwards & Associates Limited. That report concludes that the WAM Takeover Bid is fair and reasonable to PAF Shareholders in the absence of a superior proposal.

For details in relation to the recommendation of the PAF Directors and in relation to the Supplementary Independent Expert Report, please refer to the attached documentation.

The WAM Takeover Bid is due to close on 14 January 2022 unless extended.

Yours faithfully
PM Capital Asian Opportunities Fund Limited

This announcement was authorised for release by the PAF Board Committee.

PM Capital Asian Opportunities Fund Limited (“PAF”)

SUPPLEMENTARY TARGET'S STATEMENT

1. Introduction

This document is a supplementary target’s statement (“**Supplementary Target’s Statement**”) under section 644 of the Corporations Act 2001 (Cth) issued by **PM Capital Asian Opportunities Fund Limited** ACN 168 666 171 (“PAF”) in response to the unconditional off-market takeover bid from WAM Capital Limited (“**WAM**”) for all of the PAF Shares (“**WAM Takeover Bid**”).

This Supplementary Target’s Statement is dated and was lodged with ASIC on 22 December 2021 and supplements, and should be read together with, the PAF target’s statement dated 8 November 2021 (“**Initial Target’s Statement**”).

The Initial Target’s Statement, in response to the **WAM Takeover Bid**, was issued in the context of PM Capital Global Opportunities Fund Limited (“**PGF**”) agreeing to acquire all of the shares in PAF that it didn’t already own by way of a scheme of arrangement (“**PGF Scheme**”). As announced on 13 December 2021, the PGF Scheme was not passed by the requisite majorities of PAF shareholders at the Scheme Meeting. In addition, on 17 December 2021, PGF announced that “PGF has decided that it is not going to pursue an alternative approach to acquiring shares in PAF at this time, and may never pursue an alternative approach.” As such, this Supplementary Target’s Statement is issued in the context of the WAM Takeover Bid currently being the only offer to acquire all shares in PAF not held by WAM.

Unless defined to the contrary, words defined in the Initial Target’s Statement have the same meaning given to them in this Supplementary Target’s Statement.

2. Recommendation

The PAF Directors (who comprise the PAF Board Committee) recommend that Shareholders should ACCEPT the WAM Takeover Bid before it expires, in the absence of a superior proposal.

The reasons for the PAF Board Committee’s **ACCEPT** recommendation are as follows:

- **PGF Scheme no longer an alternative:** The PGF Scheme was not passed by the requisite majorities of PAF shareholders at the Scheme Meeting and PGF has subsequently announced that “PGF has decided that it is not going to pursue an alternative approach to acquiring shares in PAF at this time, and may never pursue an alternative approach.”
- **Implied price of WAM Takeover Offer:** PAF Shareholders accepting the WAM Takeover Offer will receive 1 WAM Share for every 1.99 PAF shares. As of 21 December 2021, the closing price of WAM shares was \$2.215, implying an offer value of \$1.113 per PAF Shares, and the WAM one month VWAP was \$2.222, implying an offer value of \$1.117 per PAF Share. A WAM share price of \$2.22, represents

a premium of:

- 6.8% to PAF's After Tax NTA (Excluding Deferred Tax Assets) per share of \$1.0450 as at Friday 17 December 2021;
 - 6.2% to the mid-point of the Independent Expert's assessed valuation range for PAF shares on a 100% controlling interest basis; and
 - 15.0% to PAF's closing price of \$0.97 on 14 September 2021, being the day before the announcement of the PGF Scheme.
- **Supplementary Independent Expert Report (Refer Annexure A):** The PAF Directors (who comprise the PAF Board Committee) requested that the Independent Expert provide PAF with a Report dated 21 December 2021 advising as to whether the Independent Expert viewed the WAM Takeover Bid to be fair and reasonable in the absence of the PGF Scheme (the **"Supplementary Independent Expert Report"**). The PAF Board Committee notes the following findings of the Independent Expert:
 - The WAM Capital Offer has been assessed as being fair and reasonable to PAF shareholders in the absence of a superior proposal;
 - The WAM Takeover Bid consideration exceeds the assessed valuation range for PAF shares on a 100% controlling interest basis;
 - Nevertheless, the WAM Takeover Bid will result in a material post-tax NTA per share dilution for those PAF shareholders that accept the WAM Takeover Bid and then retain the WAM Shares received as consideration; and
 - That said, as announced on 10 November 2021, WAM expects to issue new WAM Shares to accepting PAF Shareholders as soon as possible and no later than four business days after the processing of the valid acceptance. Accordingly, PAF Shareholders who accept the WAM Takeover Bid will have the prompt opportunity to liquidate their WAM Shares on market for cash consideration (subject to prevailing market prices).
 - **Prospect of a superior bid from a third party unlikely:** The contest for the acquisition of PAF Shares between WAM and PGF has been the subject of considerable market attention. As such, if another party were to emerge with a competing proposal it would have likely done so by now. This combined with PAF Directors requesting that WAM improve its offers on numerous occasions, but to no avail, means that PAF considers the prospect of a superior proposal emerging for your PAF Shares is now unlikely. PAF Directors note that in the event that WAM chooses to increase the consideration under the WAM Takeover Bid, all accepting PAF Shareholders will obtain the benefit of such increase, including those PAF Shareholders that have already accepted the WAM Takeover Bid.

PAF Shareholders that ACCEPT the WAM Takeover Bid with the objective of then selling their WAM Shares should have particular regard to Section 2.2.4 **"Ability to realise WAM Takeover Bid Consideration at the current WAM Share price in the short term"** of the Initial Target's Statement. Specifically, if a large number of PAF Shareholders seek to sell their WAM shares shortly after receiving them, any material increase in the average trading volume of WAM Shares may lead to a lower realised price than WAM's current market price.

3. Qualifications to the ACCEPT recommendation

It is not possible to accurately predict future WAM Share price movements, any decision to hold WAM Shares should be made by shareholders having regard to their personal risk profile, the risks outlined in the WAM Bidder's Statement and the concerns associated with retaining a shareholding in WAM. These concerns are outlined in the Initial Target's Statement and include the following sections:

- Section 2.2.2 WAM Takeover Bid Dilution to Net Tangible Asset and Franking Credits;
- Section 2.2.5 Inability to realise WAM Takeover Bid Consideration at the current WAM Share price in the longer term;
- Section 2.2.7 Concerns about the relevance of WAM's Longer Dated Historical Investment Performance; and
- Section 2.2.8 Concerns about perceptions surrounding sustainability of WAM's Fully Franked dividends.

PAF Shareholders who are not comfortable holding WAM Shares may consider rejecting the WAM Takeover Bid.

PAF Shareholders that reject the WAM Takeover Bid should have particular regard to Section 5.2 (a) **“Risks associated with rejecting the WAM Takeover Bid”** of the Initial Target’s Statement. Specifically, prior to the PGF Scheme and WAM Takeover Bid proposals, PAF Shares traded at a material discount to underlying net tangible assets per share. In the event that you remain a PAF Shareholder after the close of the WAM Takeover Bid, there is a risk that PAF Shares could fall and trade at a material discount to underlying net tangible assets per share.

4. WAM Takeover Bid Offer Period

The WAM Takeover Bid is currently scheduled to close on 14 January 2022.

To ACCEPT the WAM Takeover Bid, follow the instructions set out in the Bidder’s Statement.

5. Lodgement

In accordance with section 647(3) of the Corporations Act, a copy of the Supplementary Target’s Statement has been lodged with ASIC and ASX.

Neither ASIC nor any of its officers take any responsibility for the contents of this Supplementary Target’s Statement.

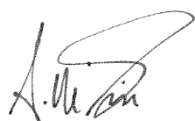
6. Consents

The Independent Expert has consented to being named in the Supplementary Target’s Statement as having prepared the Supplementary Independent Expert Report for PAF in relation to the WAM Takeover Bid, and to references to its report in the form and context in which they appear, and has not withdrawn that consent at the date of this Supplementary Target’s Statement.

7. Approval of Supplementary Target’s Statement

This Target’s Statement has been approved by a resolution passed by PAF Directors.

Signed for and on behalf of PAF by:



Andrew McGill, Chairman

Date: 22 December 2021

The PAF Board Committee
PM Capital Asian Opportunities Fund Limited
Level 11, 68 York Street
Sydney NSW 2000

21 December 2021

Subject: Proposed acquisition of PM Capital Asian Opportunities Fund Limited by WAM Capital Limited

Dear PAF Board Committee members

Introduction

Background

- 1 On 15 September 2021, PM Capital Asian Opportunities Fund Limited (PAF or the Company) and PM Capital Global Opportunities Fund Limited (PGF) announced that they had entered into a binding Scheme Implementation Deed under which PAF and PGF would effectively merge by way of PGF acquiring 100% of the share capital in PAF that it did not already own¹ (the PGF Scheme). The number of PGF shares proposed to be exchanged for each PAF share would be equal to PAF's after-tax net tangible assets (NTA) (before deferred tax assets) per share divided by PGF's after-tax NTA (before deferred tax assets) per share, calculated in a manner consistent with that published by the companies in their respective monthly Australian Securities Exchange (ASX) NTA announcements.
- 2 Implementation of the PGF Scheme was subject to the satisfaction of a number of conditions, including (in particular) shareholder approval at a meeting of PAF shareholders at which 75% of shares voted were in favour of the PGF Scheme and 50% of all shareholders voting were in favour.
- 3 Subsequent to the announcement of the PFG Scheme, on 28 September 2021, WAM Capital Limited (WAM Capital) announced an intention to make an off-market takeover offer for all of the fully paid ordinary shares in PAF subject to certain conditions (WAM Capital Offer). Under the WAM Capital Offer, PAF shareholders that accept the offer will receive 1 WAM Capital share for every 1.99 PAF shares they own. In the event the break fee imposed under

¹ At the time of announcement PGF held a 19.9% shareholding interest in PAF.

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
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the PGF Scheme was removed², WAM Capital indicated it would increase its offer to 1 WAM Capital share for every 1.975 PAF shares³.

- 4 On 4 November 2021, PAF dispatched the Explanatory Memorandum to its shareholders, which included a copy of our Independent Expert's Report (IER) dated 3 November 2021. The IER included our opinion that the PGF Scheme was fair and reasonable and in the best interests of PAF shareholders in the absence of a superior proposal. Further, given the competing offer from WAM Capital, the IER also considered the merits of the WAM Capital Offer relative to the PGF Scheme and concluded that the WAM Capital Offer was less attractive than the PGF Scheme. However, given we were not commissioned to do so, the IER did not provide an opinion as to whether the WAM Capital Offer was fair and reasonable to PAF shareholders.

Events subsequent to dispatch of the Explanatory Memorandum

- 5 On 5 November 2021, WAM Capital announced that the WAM Capital Offer was now unconditional (i.e. free from all of the previous defeating conditions⁴). On 10 November 2021, WAM Capital announced that it expected to process valid acceptances received under the WAM Capital Offer daily and new WAM Capital shares would be issued to accepting PAF shareholders as soon as possible and no later than four business days after the processing of the valid acceptances. On 22 November 2021, WAM Capital announced that the WAM Capital Offer would now remain open for acceptance until 7.00pm (Sydney time) on 14 January 2022 (unless otherwise indicated)⁵.
- 6 On 6 December 2021, the Australian Government Takeovers Panel (Takeovers Panel) made a declaration of unacceptable circumstances in relation to an application made by WAM Capital on 15 October 2021. On 8 December 2021, Paul Moore (and his associated entities) and PM Capital Limited (PMC) made an application seeking a review of the Takeover Panel's decision. On 10 December 2021, the review Panel announced it was still considering whether to conduct proceedings on the review.
- 7 On 13 December 2021, PAF advised that the resolution to approve the PGF Scheme, as set out in the Notice of Scheme Meeting included in the Explanatory Memorandum dated 4 November 2021, was not passed by the requisite majorities of PAF shareholders at the Scheme Meeting (due primarily to WAM Capital voting against the PGF Scheme in respect of the PAF shares acquired pursuant to acceptances of the WAM Capital Offer). A summary of the voting results of the Scheme Meeting is set out below:

² Under the PGF Scheme, a mutual break fee of \$500,000 is payable by each of PAF and PGF to the other in certain circumstances if the PGF Scheme does not proceed. These circumstances include a party other than PGF acquiring an interest of 20% or more in PAF. WAM Capital challenged this fee in the Takeovers Panel, however the Takeovers Panel determined that the break fee, of itself, did not give rise to unacceptable circumstances.

³ Notwithstanding WAM Capital has indicated it will increase the exchange ratio if the PGF Scheme break fee is waived, we have been advised that PGF has no intention of waiving this fee.

⁴ Details on the defeating conditions were set out in the WAM Bidder's Statement dated 28 October 2021.

⁵ Pursuant to the Bidder's Statement dated 28 October 2021, the WAM Capital Offer was scheduled to close on 29 November 2021.

PAF Scheme Meeting – voting results			
	For	Against	Abstain
Votes	21,675,575	8,952,600	1,903,412
<i>% votes</i>	70.77%	29.23%	
Number of shareholders voting	344	13	5
<i>% shareholders</i>	96.36%	3.64%	

- 8 On 13 December 2021 (subsequent to the outcome of the Scheme Meeting), PGF announced that it was considering what alternatives were available to it in relation to the acquisition of shares in PAF, but it had not yet decided to make, or proceed with any other alternative proposal. Subsequently, on 17 December 2021, PGF advised that it would not be proceeding with an alternative proposal at this time.
- 9 Based on the latest substantial shareholder notice lodged, as at 20 December 2021, WAM Capital held 9.5 million or 16.59% of the ordinary shares in PAF.

Purpose

- 10 Given the subsequent events and circumstances outlined above, the PAF Board Committee has recognised a need to provide a Supplementary Target’s Statement in relation to the WAM Capital Offer.
- 11 As indicated above, WAM Capital’s voting power in PAF is currently less than 30% and there are no common directors between PAF and WAM Capital. Accordingly, there is no regulatory requirement for an IER to be prepared for PAF shareholders pursuant to the Corporations Act.
- 12 Notwithstanding, the PAF Board Committee has requested that we provide an opinion as to whether or not the WAM Capital Offer is fair and reasonable to PAF shareholders in the absence of a superior proposal. Our opinion in this regard is set out in this Supplementary Report. In considering this Supplementary Report PAF shareholders should also have regard to our IER⁶ dated 3 November 2021.

Summary of opinion on the WAM Capital Offer

- 13 In our opinion, the WAM Capital Offer is fair and reasonable to PAF shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out in this Supplementary Report.

General

- 14 In preparing this Supplementary Report we have considered the interests of PAF shareholders as a whole. Accordingly, this Supplementary Report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

⁶ A copy of our IER dated 3 November 2021 was included in the Explanatory Memorandum dispatched to PAF shareholders on 4 November 2021.

- 15 The impact of accepting the WAM Capital Offer on the tax position of PAF shareholders depends on the individual circumstances of each investor. PAF shareholders should read the Supplementary Target’s Statement and WAM Capital Bidder’s Statement and consult their own professional advisers if in doubt as to the taxation consequences of acceptance of the WAM Capital Offer.
- 16 The ultimate decision whether to accept the WAM Capital Offer should be based on each PAF shareholder’s assessment of their own circumstances. If PAF shareholders are in doubt about the action they should take in relation to the WAM Capital Offer or matters dealt with in this Supplementary Report, shareholders should seek independent professional advice.

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- B Qualifications, declarations and consents**
- C Glossary**

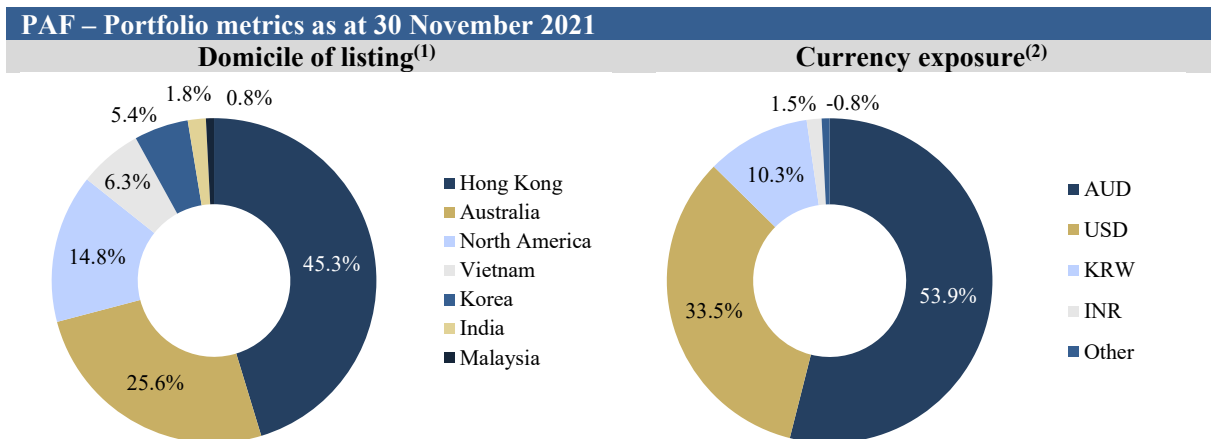
I Valuation of PAF

Profile of PAF

18 Section III of our IER dated 3 November 2021 included a profile of PAF as at that date. Since the date of our IER, we note the following changes to the profile of PAF⁷.

Portfolio

19 We set out below a breakdown of PAF's investment portfolio by domicile of listing and currency as at 30 November 2021⁸:



Note:

- 1 Domicile of listing represents the location of stock exchange listing of each entity's head office.
- 2 United States of America (US) dollar (USD), Australian dollar (AUD), South Korean won (KRW), Indian rupee (INR).

Significant shareholders

20 As at 20 December 2021, there were three substantial shareholders⁹ in PAF, as set out below:

PAF – substantial shareholders	Shares held	
	(million)	% total
PGF	11.4	19.93
WAM Capital	9.5	16.59
Paul Moore and associated entities	7.5	13.06

Valuation of PAF

21 We have assessed the value of PAF as at 17 December 2021 (based on the financial position of PAF as at that date¹⁰). Our analysis has been prepared on a consistent basis with that set out in Section V our IER, which includes, inter alia:

⁷ Unless indicated below, the other materials set out in Section III of our IER remain current.

⁸ Being the latest publicly disclosed information as at the date of our Supplementary Report.

⁹ Being shareholders that held an interest of 5.0% or more of the voting shares in PAF.

¹⁰ We note that this financial position excludes the break fee of \$500,000 (which will become payable if / when WAM Capital acquires in excess of 20% of PAF). Allowance for this fee will have the effect of lowering NTA by around \$0.009 per share.

- (a) the assumption of a notional realisation of the investment portfolio
- (b) a value for PAF's listed investment portfolio of +/-5% the listed market price to allow for market fluctuations in the price of these securities
- (c) the value of deferred tax assets (DTAs) is limited to the extent there are existing deferred tax liabilities (i.e. the net deferred tax position is \$nil)
- (d) no allowance for any termination payments of the IMA on the basis that a 100% owner of PAF may be able to liquidate the PAF investment portfolio and distribute the proceeds without incurring the termination fee.

22 On this basis we have assessed the (stand-alone) value of 100% of the shares in PAF (as at 17 December 2021) at \$1.00 to \$1.09 per share, as shown below:

Valuation of PAF	LEA assessed values	
	Low	High
	\$m	\$m
Investments	46.7	51.6
Cash and other assets ⁽¹⁾	11.4	11.4
Gross assets	58.1	63.0
Distribution payable ⁽²⁾	-	-
Accruals ⁽³⁾	(0.2)	(0.2)
Termination payment	-	-
Net asset value before tax adjustments	57.9	62.9
Income tax payable	(0.5)	(0.5)
DTA (net)	-	-
NTA	57.5	62.4
Shares on issue (million)	57.3	57.3
PAF value per share	\$1.00	\$1.09

Note:

- 1 Includes accrued interest, outstanding settlements (net), forwards and foreign exchange assets and withholding tax.
- 2 The FY21 final dividend was paid on 14 October 2021. There are no outstanding distributions payable.
- 3 Relates to outstanding fee liabilities owed to PMC.

23 As noted above, our valuation of PAF notionally assumes the portfolio is liquidated. In the event of a related distribution to shareholders, we have been advised that PAF has available franking credits of around \$3.75 million, of which some \$1.9 million could be available for distribution. The potential value of these franking credits to those PAF shareholders able to utilise them is not reflected in our assessed stand-alone value of PAF.

II Valuation of WAM Capital consideration

Profile of WAM Capital

Overview

- 24 WAM Capital is an ASX listed investment company (LIC) managed by Wilson Asset Management (International) Pty Limited (Wilson Asset Management). Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of growth companies listed on the ASX, with a focus on small-to-medium sized businesses. WAM Capital's investment objective is to invest in undervalued companies to deliver a stream of fully franked dividends, provide capital growth and preserve capital.
- 25 Wilson Asset Management is the investment manager for eight ASX listed LICs¹¹ and invests over \$5 billion on behalf of more than 110,000 retail investors.

Portfolio overview

- 26 A summary of WAM Capital's key portfolio metrics as at 30 November 2021¹² is set out below:

WAM Capital portfolio metrics		30 Nov 21
Share price (\$ per share)		2.22
Shares on issue (million)		902.5
Market capitalisation (\$m)		<u>2,003.7</u>
Gross assets (\$m)		1,689.6
Listed equities (\$m)		1,481.3
NTA before tax (cents per share)		186.18
NTA after tax (cents per share)		189.98
NTA after tax (excluding deferred tax assets) ⁽¹⁾		181.90

Note:

- 1 NTA after tax less 1.20 cents per share of tax assets resulting from the acquisition of unlisted investment companies and 6.88 cents per share of income tax losses.

- 27 In addition to the above, we set out below a breakdown of WAM Capital's portfolio by sector and largest 20 holdings as at 30 November 2021¹³:

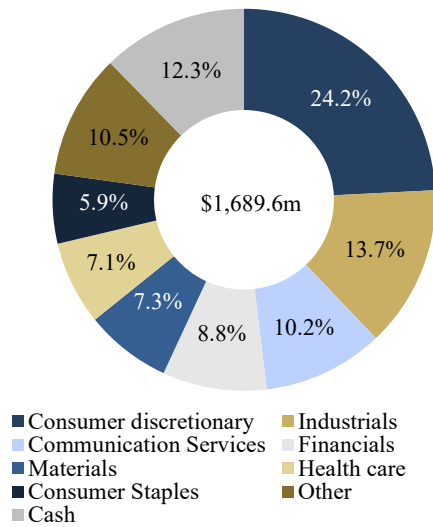
¹¹ Including WAM Capital, WAM Leaders Limited, WAM Global Limited, WAM Microcap Limited, WAM Alternative Assets Limited, WAM Strategic Value Limited, WAM Research Limited and WAM Active Limited.

¹² Being the latest publicly available information as at the date of our Supplementary Report.

¹³ Being the latest publicly available information as at the date of our Supplementary Report.

WAM Capital – Portfolio overview

Portfolio by sector⁽¹⁾



Largest 20 holdings (in alphabetical order)

Life360	ARDENT	ARISTOCRAT	ALS	ARB
360	ALG	ALL	ALQ	ARB
Accent	BRICKWORKS	Breville	carsales.com ltd	Credit Corp Group
AX1	BKW	BRG	CAR	CCP
CIMIC	ctm	EVENT	idp	iph
CIM	CTD	EVT	IEL	IPH
MGH	PMV	Pinnacle	PEXA	VIVA
MGH	PMV	PNI	PXA	VEA

Note:

1 Other includes Information Technology (5.7%), Energy (3.2%) and Real Estate (1.6%).

- 28 PAF shareholders should note that WAM Capital's asset allocation is focused on Australian listed equities, compared to PAF which has an Asian equities focus. In addition, WAM Capital's investment approach inherently has a much higher portfolio turnover than PAF, as set out below:

WAM Capital – implied portfolio turnover

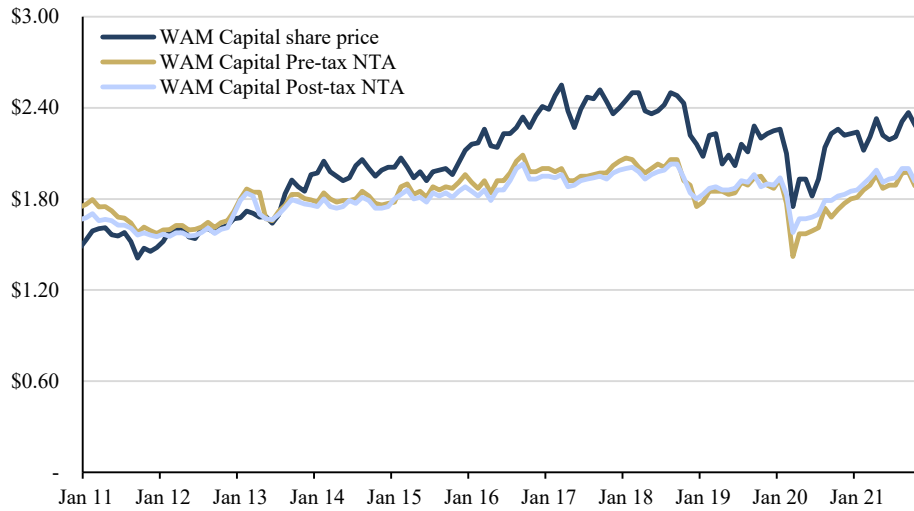
	FY20 \$m	FY21 \$m
Proceeds from sale of investments	3,724	3,689
Closing value of investments at period end	964	1,567
<i>Implied turnover</i>	386.5%	235.4%
Purchases of investments	3,737	3,657
Closing value of investments at period end	964	1,567
<i>Implied turnover</i>	387.8%	233.4%

Historical share price performance and NTA per share

- 29 The following chart illustrates the monthly movement in the share price of WAM Capital from January 2011 to November 2021¹⁴ relative to its reported pre-tax and post-tax NTA per share:

¹⁴ Being WAM Capital's most recent monthly update as at the date of our Supplementary Report.

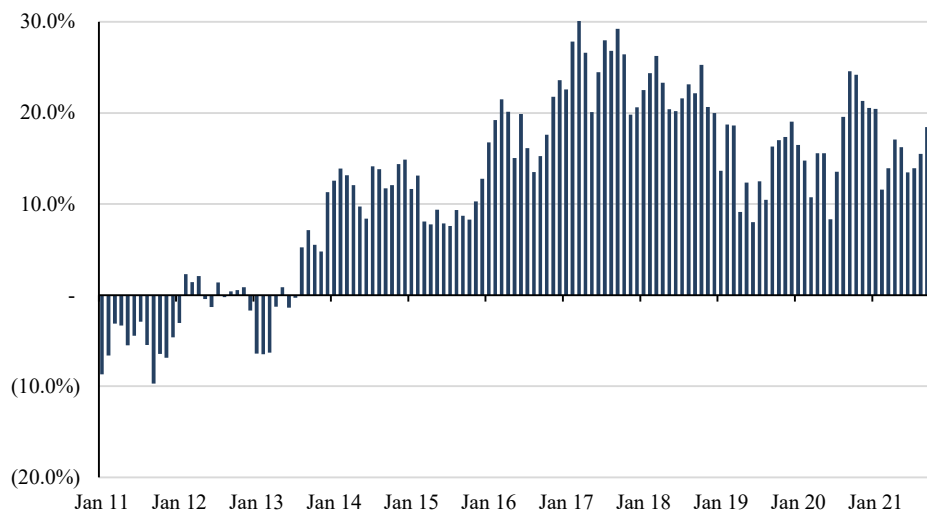
WAM Capital – historical share price performance



Source: Morningstar monthly LIC reports, WAM Capital ASX announcements, Bloomberg and LEA analysis.

- 30 As indicated above, WAM Capital has generally traded at a significant premium to both its pre-tax and post-tax NTA per share since mid-2013. As shown in the chart below, WAM Capital’s premium to post-tax NTA¹⁵ has generally ranged between 10% and 20% in the more recent periods:

WAM Capital – Premium / (discount) to post-tax NTA



Source: Morningstar monthly LIC reports, WAM Capital ASX announcements, Bloomberg and LEA analysis.

¹⁵ We note that WAM Capital’s post-tax NTA appears to include DTAs associated with tax assets resulting from the acquisition of unlisted investment companies and share of income tax losses available to the company.

- 31 As at 30 November 2021, WAM Capital's observed premium to its reported NTA per share was broadly consistent with the position as at 30 September 2021 (being the most recent information available as at the date of our IER).
- 32 WAM Capital's observed premium to its reported NTA per share is likely to reflect (inter alia):
- (a) WAM Capital's high dividend yield, noting WAM Capital has paid fully franked dividends in excess of 14 cents per share since FY15¹⁶. As at 30 November 2021, WAM Capital was trading on a fully franked dividend yield of 7.0%¹⁷
 - (b) WAM Capital's reported investment management track record, noting WAM Capital has outperformed the S&P / ASX All Ordinaries Accumulation Index every year since FY00 (except FY05, FY08, FY17 and FY19) as evidenced below:

WAM Capital portfolio performance relative to benchmark			
Financial year	WAM Capital Investment Portfolio ⁽¹⁾ %	S&P / ASX All Ordinaries Accumulative Index %	Outperformance %
1999/2000	33.3	11.3	22.0
2000/2001	30.2	8.9	21.3
2001/2002	32.7	(4.5)	37.2
2002/2003	12.3	(1.1)	13.4
2003/2004	27.3	22.4	4.9
2004/2005	13.9	24.8	(10.9)
2005/2006	27.4	24.2	3.2
2006/2007	44.1	30.3	13.8
2007/2008	(23.0)	(12.1)	(10.9)
2008/2009	(3.2)	(22.1)	18.9
2009/2010	29.8	13.8	16.0
2010/2011	17.9	12.2	5.7
2011/2012	4.2	(7.0)	11.2
2012/2013	22.7	20.7	2.0
2013/2014	19.2	17.6	1.6
2014/2015	14.7	5.7	9.0
2015/2016	21.6	2.0	19.6
2016/2017	11.7	13.1	(1.4)
2017/2018	15.0	13.7	1.3
2018/2019	2.0	11.0	(9.0)
2019/2020	(2.8)	(7.2)	4.4
2020/2021	37.5	30.2	7.3

Note:

1 WAM Capital investment portfolio performance is before expenses, fees and taxes.

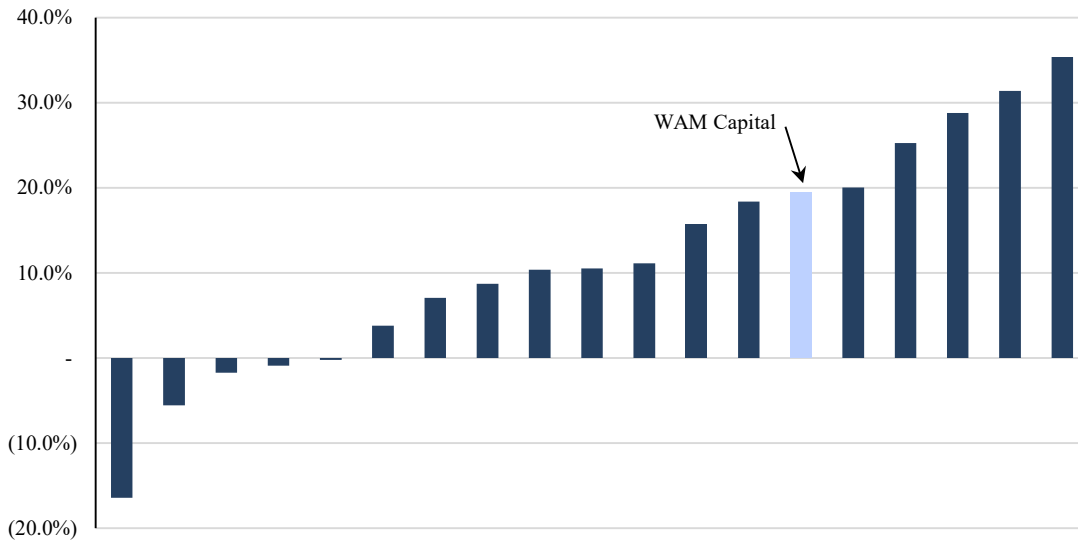
Source: WAM Capital FY21 Report.

¹⁶ We note that WAM Capital only had a franking account balance of \$35.4 million as at 30 June 2021 (equivalent to around 4.0 cents per share). WAM Capital's ability to continue to fully frank dividends in future will therefore largely depend on its ability to generate future taxable income from gains on its investment portfolio. In contrast, PAF and PGF had larger franking credit balances than WAM Capital relative to their size, as their franking account balances were equal to approximately 8.8 cents and 9.4 cents per share respectively as at 30 June 2021.

¹⁷ Based on the WAM Capital closing price of \$2.22 on 30 November 2021 and the FY21 fully franked dividend of 15.5 cents per share (excluding the attached franking credit).

33 In addition to the above, we note that there are a number of other ASX listed LICs that focus on investing in Australian shares that are also trading at a premium to their reported post-tax NTA. The table below sets out the implied premium / (discount) to reported post-tax NTA for the Australian LICs which focus on investment in Australian shares, which have a market capitalisation greater than \$300 million:

Premium / (discount) to post-tax NTA – ASX listed LIC’s focused on Australian shares
As at 31 October 2021



Source: Morningstar LICs – 31 October 2021, LEA analysis.

34 As indicated above, a large number of the LICs are trading at a premium to their post-tax NTA, noting the average premium for the LICs in the table above was some 11.6%. WAM Capital’s observed premium to its reported post-tax NTA is therefore broadly consistent (albeit slightly above) this average.

Value of WAM Capital Offer consideration

35 As indicated above, under the WAM Capital offer, PAF shareholders that accept the offer will receive 1 WAM Capital share for every 1.99 PAF shares held¹⁸.

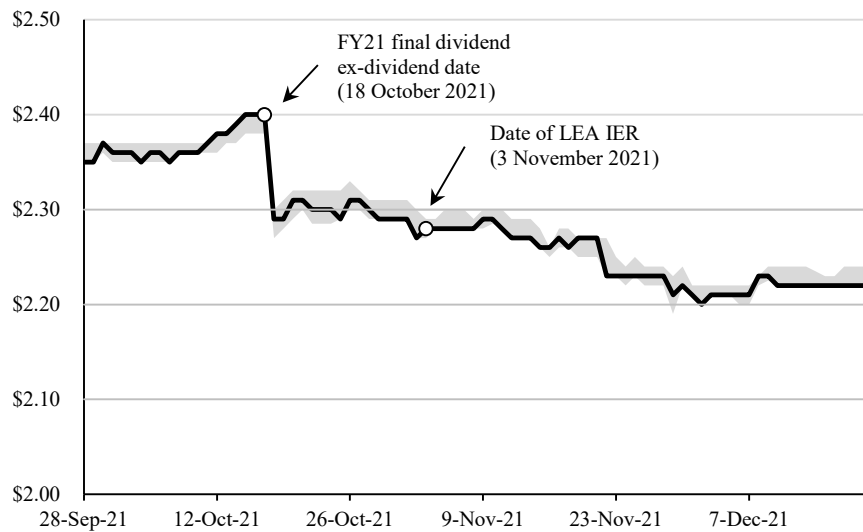
36 As set out at paragraph 233 of our IER, for the purposes of considering the merits of the WAM Capital Offer, we adopted a WAM Capital share price of \$2.25 to \$2.35 per share.

37 The diagram below sets out recent trading in WAM Capital shares over the period from 28 September 2021¹⁹ to 20 December 2021:

¹⁸ Notwithstanding WAM Capital has indicated it will increase the exchange ratio to 1 WAM share for every 1.975 PAF shares if the PGF Scheme break fee is waived, PGF has stated it has no intention of waiving this fee.

¹⁹ Being the date WAM Capital announced its intention to make an off-market takeover offer for PAF.

WAM Capital – share trading⁽¹⁾



Note:

1 The grey shaded area represents the intraday high and low.

Source: Bloomberg.

- 38 PAF shareholders who accept the WAM Capital Offer will not receive the WAM Capital FY21 final dividend²⁰. Accordingly, we set out below a summary of the trading in WAM Capital shares excluding any entitlement to the FY21 final dividend:

WAM Capital – share price history

Time periods	Low \$	High \$	VWAP ⁽¹⁾ \$	Number traded (m)	Value traded \$m
18 October 2021 to 1 November 2021 ⁽²⁾	2.27	2.33	2.30	13.8	31.8
2 November 2021 to 20 December 2021 ⁽³⁾	2.19	2.30	2.25	32.2	72.3
One month to 20 December 2021	2.19	2.27	2.22	19.5	43.3

Note:

1 Volume weighted average price.

2 Being the trading period assessed in our IER.

3 Being the trading period subsequent to our IER.

Source: Bloomberg.

Conclusion on value of WAM Capital Offer consideration

- 39 Based on the above we have adopted a WAM Capital share price of \$2.20 to \$2.25 to determine the implied value of the WAM Capital Offer consideration. We note that this represents a decline of some \$0.05 to \$0.10 of the low and high values per WAM Capital share respectively since the date of our IER, which we consider appropriate having regard to the gradual decline in WAM Capital shares and underlying NTA per share over the relevant period.

²⁰ WAM Capital shares traded ex an entitlement to this FY21 final dividend effective 18 October 2021.

- 40 We have therefore assessed the value of the WAM Capital Offer consideration to be received by PAF shareholders pursuant to the WAM Capital Offer as follows:

Value of WAM Capital Offer consideration		
	Low	High
	\$	\$
Value of WAM Capital shares	2.20	2.25
Exchange ratio	0.50	0.50
Value of WAM Capital Offer consideration	1.11	1.13

- 41 PAF shareholders should note that the listed market prices of WAM Capital shares are subject to daily fluctuation. The price at which WAM Capital shares may be sold may therefore be greater or less than our assessed realisable value.
- 42 PAF shareholders should also note that any decision to hold WAM Capital shares beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold WAM Capital shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

III Evaluation of the WAM Capital Offer

Fairness

- 43 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guideline 111 – *Content of expert reports* (RG 111), an offer is “fair” if:

“The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.”

- 44 This comparison is shown below:

Assessment of fairness ⁽¹⁾			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of WAM Capital Offer consideration	1.11	1.13	1.12
Value of 100% of PAF	1.00	1.09	1.05
Extent to which the WAM Capital Offer consideration exceeds the value of PAF	0.11	0.04	0.07

Note:

1 Values have been rounded to the nearest cent.

- 45 As the WAM Capital Offer consideration exceeds our assessed valuation range for PAF shares on a 100% controlling interest basis, in our opinion, the WAM Capital Offer consideration is fair to PAF shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 46 Pursuant to RG 111, an offer is reasonable if it is fair. Consequently we have concluded that the WAM Capital Offer is both fair and reasonable.

Other relevant considerations

- 47 We note that our adopted value of WAM Capital shares of \$2.20 to \$2.25 per share materially exceeds WAM Capital’s most recently reported post-tax NTA (excluding DTAs) as at 30 November 2021:

	Low \$ per share	High \$ per share
Assessed value of WAM shares	2.20	2.25
WAM Capital NTA after tax (30 November 2021)	1.90	1.90
Less tax assets resulting from the acquisition of investment companies	(0.01)	(0.01)
Less income tax losses	(0.07)	(0.07)
Adjusted WAM Capital NTA after tax (ex DTAs)	1.82	1.82
Implied premium to underlying NTA after tax	20.9%	23.7%

- 48 Notwithstanding that our assessed value of WAM Capital shares implies a significant premium to the underlying post-tax NTA per share, we note these observed premiums are consistent with WAM Capital's observed historical premium to reported NTA per share set out at paragraph 30 above.
- 49 Nevertheless, the WAM Capital Offer will result in a material post-tax NTA per share dilution for those PAF shareholders that accept the WAM Capital Offer and then retain the WAM Capital shares received as consideration, as set out below:

	\$
Adjusted WAM Capital NTA after tax (ex DTAs) (30 November 2021)	1.82
Exchange ratio	0.50
Implied post-tax NTA (ex DTAs) per PAF share	0.91
PAF post-tax NTA (ex DTAs) (17 December 2021)	1.05
Post-tax NTA (ex DTAs) dilution	(12.5%) ⁽¹⁾

Note:

- 1 Rounding differences exist.

- 50 That said, as announced on 10 November 2021, WAM Capital expects to issue new WAM Capital shares to accepting PAF shareholders as soon as possible and no later than four business days after the processing of the valid acceptance. Accordingly, PAF shareholders who accept the WAM Capital Offer will have the prompt opportunity to liquidate their WAM Capital shares on market for cash consideration (subject to prevailing market prices).
- 51 In addition, we note that:
- (a) the WAM Capital Offer consideration represents a significant premium to the recent market prices of PAF shares prior to the announcement of the PGF Scheme on 15 September 2021
 - (b) in the absence of a change of control transaction (such as the WAM Capital Offer), the price of PAF shares is likely to trade at a significant discount to our valuation and the WAM Capital Offer consideration due to the difference between the value of PAF shares on a portfolio basis and the value ascribed to them pursuant to the exchange ratio under the WAM Capital Offer
 - (c) the WAM Capital Offer provides PAF shareholders with improved share market liquidity, as the value of WAM Capital shares traded on the ASX materially exceeds that for PAF
 - (d) as we have assessed the value of PAF shares on a notional realisation basis, it follows that we would expect a shareholder requisitioned voluntary liquidation of PAF to provide for a lower realised value per PAF share than that being offered by WAM Capital
 - (e) whilst franking credits attached to potential distributions under a shareholder requisitioned voluntary liquidation of PAF could provide certain PAF shareholders with a value above our assessed stand-alone value of PAF, we note that such a voluntary liquidation requires the voting support of 75% (by value) of PAF shareholders. This is

a similar level of support as was required under the failed PGF Scheme. Given the subsequent increase in the interest of WAM Capital in PAF (reflecting additional acceptances under the WAM Capital Offer), PAF shareholders should note the significant risk that such a proposed voluntary liquidation would gain an insufficient level of shareholder support.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of a Supplementary Report to accompany the Supplementary Target's Statement to be sent to PAF shareholders in connection with the WAM Capital Offer.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the Supplementary Report. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Supplementary report and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The Supplementary Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the Supplementary Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this Supplementary Report. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this Supplementary Report, LEA is entitled to receive a fee estimated at \$20,000 plus GST.

Appendix A

- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 27 years and 35 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the PAF Board Committee to accompany the Supplementary Target's Statement to be sent to PAF shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the WAM Capital Offer is fair and reasonable to PAF shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the WAM Capital Offer. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, PAF agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of PAF which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Supplementary Target's Statement.

Glossary

Term	Meaning
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD / A\$	Australian dollar
Corporations Act	<i>Corporations Act 2001</i> (Cth)
DTA	Deferred tax asset
Excess Shares	The acquisition of approximately 3.19% of PAF shares by the Moore Group between 28 September 2021 and 12 October 2021
Exchange Ratio	The number of WAM Capital shares proposed to be exchanged for each PAF share
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
IMA	Investment Management Agreement between PM Capital and PGF
INR	Indian rupee
KRW	South Korean won
LEA	LonerGAN Edwards & Associates Limited
LIC	Listed investment company
NTA	Net tangible assets
PAF / the Company	PM Capital Asian Opportunities Fund Limited
PGF	PM Capital Global Opportunities Fund Limited
PGF Scheme	Scheme Implementation Deed under which PAF and PGF would effectively merge by way of PGF acquiring 100% of the share capital in PAF that it did not already own
PMC	PM Capital Limited
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Takeovers Panel	Australian Government Takeovers Panel
US	United States of America
USD / US\$	US dollar
WAM Capital	WAM Capital Limited
WAM Capital Offer	WAM Capital's off-market takeover offer for all of the issued fully paid ordinary shares in PAF
Wilson Asset Management	Wilson Asset Management (International) Pty Limited