



3 April 2017

Dear fellow optionholder,

Exercise your options today to receive the fully franked interim dividend

As an optionholder, you are entitled to receive the 1.0 cent per share maiden fully franked interim dividend on options exercised **on or before Monday 10 April 2017**. The fully franked interim dividend will be paid on 28 April 2017.

The board currently anticipates the final dividend will be higher than the interim dividend. The final dividend is expected to be announced in August 2017, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices.

Your options offer you the opportunity to receive the interim and final dividend and increase your holding of WAM Leaders shares without incurring brokerage fees.

The WAM Leaders initial public offering price was \$1.10 per share, which included an attached bonus option. The option exercise price is \$1.10. On Friday 31 March 2017, WAM Leaders shares closed at \$1.14 and WAM Leaders options closed at 3.4 cents.

If you would like to exercise your options, simply process your payment with BPAY or send a cheque with the form and reply paid envelope mailed to you on 7 February 2017.

Options can be difficult to understand, so we have enclosed a brief factsheet. Wilson Asset Management Portfolio Manager Matthew Haupt has also explained options in two short videos, available on our website.

If you have any further queries please call Alexandra Hopper or me on (02) 9247 6755 or email info@wilsonassetmanagement.com.au.

Yours sincerely,

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LIC options explained

Many listed investment companies (LICs) issue bonus options to shareholders giving optionholders various benefits, including the opportunity to buy shares at a discount. This factsheet explains the key features and benefits of LIC options.

Overview

Options give the optionholder the right, but not the obligation, to buy shares in the LIC at a fixed price until they expire. If the share price increases above the option exercise price optionholders have the opportunity to acquire new shares at a discount.

Optionholders have two main choices before their options expire:

1

Exercise some or all options for the exercise price and be issued new shares in the LIC.

2

Sell some or all options for a profit.



If optionholders take no action, their options will simply expire.

Buy shares at a discount

Example:

If shares are trading on the ASX above the exercise price:

Optionholders can exercise their options and be issued new shares in the company at a discount to the current market price.

If shares are trading on the ASX below the option exercise price:

Optionholders can choose not to exercise their options and instead buy additional shares on market at less than the exercise price.



Key terms

Bonus option issue

The issue of free options to shareholders by a company. A company may issue bonus options when it lists on the ASX (initial public offering) or once it is trading.

Exercise price

The price shares can be purchased when an option is exercised. Sometimes called the strike price.

Expiry date

The last day to exercise options.

In the money

A phrase used when the share price of the underlying shares is higher than the exercise price of the option.

Option price

The price options are trading at on the ASX.

Underlying shares

The company shares or securities over which the options are issued. Options can be exercised to receive additional underlying shares.

Benefits



Acquire shares at a discount

Until the time the options expire, optionholders can exercise options to receive shares in the company for a fixed price (the exercise price). If the exercise price is lower than the current price of the underlying shares, optionholders acquire shares at a discount.



Receive dividends

If optionholders exercise their options before the record date for dividends, they are entitled to receive any announced dividends for each option exercised. This assumes the shares received from the exercise of options are held on the dividend record date.



No brokerage

Unlike buying shares trading on the ASX, exercising options allows optionholders to acquire new share without paying brokerage.



Sell options for a gain

As options trade on the ASX, optionholders can sell their options for a profit. Options are issued at no cost to the option holder.



Grow assets

Issuing options grows the assets of the LIC. As the company's size increases, the on-market liquidity for its shares can increase. If the exercise price is at a premium to its net tangible assets (NTA), the exercise of options is NTA accretive.



Motivate the manager

Options incentivise the manager of the LIC to do all they can to increase the share price above the exercise price, for example, by delivering strong portfolio performance. If the share price rises above the exercise price, more optionholders are likely to exercise their options, increasing the total assets of the LIC and the fees payable to the manager.



Flexibility

Optionholders have maximum flexibility and can exercise, sell or hold their options in any combination until they expire.

Wilson
Asset Management

If you would like further information about LIC options, please contact Alexandra Hopper.

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