



# HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

2 May 2017

Market Announcements Office  
ASX Limited  
Level 5, 20 Bridge Street  
Sydney NSW 2000

## EXPLANATORY MEMORANDUM IN RELATION TO THE RECOMMENDED MERGER OF HUNTER HALL AND PENGANA

- **Significant benefits to flow from the merger of two strongly aligned investment managers with significant cost and revenue synergy potential**
- **Hunter Hall Directors unanimously recommend the merger**
- **Independent Expert concludes that the transaction is fair and reasonable to non-associated shareholders**
- **Independent Expert indicates the merged group to be valued between \$3.00 and \$3.50 per share, the mid-point of which represents a 29% premium to the last close price of Hunter Hall shares on 1 May 2017**

Hunter Hall International Limited (ASX: HHL, or "Hunter Hall") today announces the details for the General Meeting of Hunter Hall shareholders to consider the proposed merger between Hunter Hall and Pengana Capital Holdings Pty Ltd ("Pengana"), which will be held on Thursday 1st June this year.

### Board Recommendation

The proposed merger has the potential to deliver significant strength to the existing Hunter Hall business, superior value for our shareholders and a more diverse offering of investment options for our investors, compared to continuing as a stand-alone business.

**The Directors of Hunter Hall unanimously recommend that Hunter Hall shareholders vote in favour of the required resolutions to approve the proposed merger. The Board's recommendation is subject only to the absence of a superior proposal or the independent expert ceasing to conclude that the proposed merger is fair and reasonable to non-associated Hunter Hall shareholders.**

Each of the Directors of Hunter Hall intends to vote all Hunter Hall shares held or controlled by them in favour of the resolutions to be considered at the General Meeting on June 1<sup>st</sup> this year.

Hunter Hall Chairman, Kevin Eley, said: "Over recent months the HHL Board has worked intensely to consider a wide range of proposals and options for the future of this business including the introduction of a new major shareholder in Washington Soul Pattinson & Company Limited (WHSP), two take-over proposals and other potential merger and growth initiatives but the proposed merger with Pengana is the stand-out opportunity for our shareholders."

"As a result of all of this work, the HHL Board is very confident that putting these two great businesses together will deliver a much stronger and rewarding future for our shareholders," Mr Eley said.

### Merger Overview

Under the proposed merger, Hunter Hall will acquire all of the shares in Pengana, and shareholders of Pengana will be issued new shares in Hunter Hall as consideration ("the Merged Group"). Subject to shareholder approval at the General Meeting, the Merged Group will be re-named and listed on the Australian Securities Exchange as Pengana Capital Group Limited (ASX: PCG).

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If the proposed merger is implemented, Hunter Hall will issue 120.21 new Hunter Hall Shares for each Pengana share on issue as at the completion date.

As a result, upon completion, existing Pengana shareholders will hold 73.1% of the Merged Group and existing Hunter Hall shareholders will hold 26.9% of the much larger Merged Group.

### **Independent Expert's Report**

The Explanatory Memorandum includes an Independent Expert Report from Leadenhall Corporate Advisory Pty Limited ("Independent Expert"), which concludes that the transaction is fair and reasonable to Hunter Hall shareholders not associated with entities which are part of WHSP which is already a substantial shareholder in both HHL and Pengana.

**The Independent Expert has estimated the fair market value of Hunter Hall Shares upon completion of the proposed merger to be \$3.00 to \$3.50 per Hunter Hall share. The mid-point of this valuation range represents a 29% premium to the last close price of Hunter Hall Shares on 1 May 2017. This is despite the valuation of the Merged Group being undertaken on a minority basis which includes a 20% discount for lack of control by non-associated Hunter Hall shareholders.**

Non-associated Hunter Hall shareholders are encouraged to read the Independent Experts Report, together with the Explanatory Memorandum, in its entirety.

### **Benefits of the Proposed Merger**

The proposed merger is expected to provide Hunter Hall shareholders with a superior value outcome compared to Hunter Hall continuing as a stand-alone business.

The proposed merger offers the following potential benefits to Hunter Hall:

- significant benefits for Hunter Hall investors through the enhanced experience and expertise of the broader team;
- significant historical growth in funds under management (FUM);
- more diversified investment offering;
- enhanced investment support infrastructure and distribution capabilities;
- significant cost and revenue synergy potential; and
- an aligned and experienced Board and management team.

### **General Meeting**

The General Meeting to consider the proposed merger will be held at the offices of K&L Gates Level 31, 1 O'Connell Street, Sydney at 9.30am (AEST) on Thursday 1 June 2017.

All eligible Hunter Hall shareholders are encouraged to vote either by attending the General Meeting in person, or by lodging a proxy vote by no later than 9.30 am (AEST) on Tuesday 30 May 2017.

Details of how to lodge a proxy vote are included in the proxy form and in the Explanatory Memorandum.

### **Hunter Hall Shareholder Information**

Hunter Hall shareholders who have any questions in relation to the resolutions, the proposed merger or the General Meeting should contact a financial, legal or other professional advisor or telephone the Shareholder Information Line on: 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (AEST).

#### **Hunter Hall shareholders and investors**

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