

**ASX RELEASE**

Company Announcement  
Australian Securities Exchange

By Electronic Lodgement

1 August 2019

**Recommended merger by way of a scrip-for-scrip offer by Clime Capital Limited**

CBG Capital Limited ACN 168 936 249 (ASX: CBC) (**CBG**) is pleased to provide shareholders with the CBG Target's Statement in response to the scrip-for-scrip offer from Clime Capital Limited ACN 106 282 777 (ASX: CAM) (**CAM**) under which it is proposed that CAM will merge with CBG by way of a scrip-for-scrip offer (**Offer**).

The Target's Statement includes an Independent Expert's Report which concludes that the Offer is fair and reasonable and therefore in the best interests of CBG shareholders.

Given the opinion of the Independent Expert and consistent with the recommendation provided by James Beecher and Peter Velez (your **Independent Directors**) on 18 June 2019, the Independent Directors confirm their recommendation that CBG shareholders should accept the Offer in respect of all of their CBG shares in the absence of a superior proposal.

All Directors of CBG intend to accept the Offer in respect of the CBG shares in which they have a relevant interest in the absence of a superior proposal.

The Independent Directors also confirm that no superior proposal has emerged as at the date of the Target's Statement.

The Target's Statement and the Independent Expert's Report accompany this announcement. The Independent Directors encourage CBG shareholders to read these documents in full and to consult their legal, financial or other professional advisers where required. The Independent Directors also encourage CBG shareholders to read the Bidder's Statement provided by CAM in full.

The Target's Statement has been served on CAM and lodged with ASIC today and will be despatched to CBG shareholders by 5 August 2019.

**Key dates of the Offer**

Event	Key Dates
Original Bidder's Statement lodged with ASIC and ASX	<b>19 July 2019</b>
Date of Target's Statement	<b>1 August 2019</b>
Offer period commences	<b>1 August 2019</b>
Date for CAM to provide notice of status of conditions*	<b>2 September 2019</b>
Close of offer period (unless extended or withdrawn**)	<b>9 September 2019</b>

\* Note: if the offer period is extended, this date will be taken to be postponed for the same period of the extension.

\*\* Note: the Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act.

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**Contact**

Enquiries regarding the Offer should be directed to James Beecher or Peter Velez, who can be reached at 1300 788 568. If you have any questions regarding CBG or its investments, please call Ronni Chalmers on 1300 788 568.

**Biju Vikraman**

Company Secretary  
CBG Capital Limited



## Maddocks

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DX 10284 Sydney Stock Exchange

**1 August 2019**

The Manager  
Market Announcements Office  
ASX Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

### Electronic Lodgement

Dear Sir / Madam

### Takeover offer by Clime Capital Limited for the entire issued share capital of CBG Capital Limited (Takeover)

We act for CBG Capital Limited ACN 168 936 249 (ASX: CBC) (**CBG**) in connection with the Takeover.

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), please find **enclosed** a copy of CBG's Target's Statement dated 1 August 2019 (including accompanying Independent Expert's Report) prepared in response to the Takeover (**Target's Statement**).

The Target's Statement was lodged with the Australian Securities & Investments Commission and sent to Clime Capital Limited earlier today.

Yours faithfully

**Stuart Naphali | Partner**  
**Maddocks**

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**CBG CAPITAL LIMITED**  
**ACN 168 936 249**

## **TARGET'S STATEMENT**

This Target's Statement has been issued in response to the off-market takeover bid made by Clime Capital Limited ACN 106 282 777 to acquire all of your ordinary fully paid shares in CBG Capital Limited ACN 168 936 249

The Independent Directors unanimously recommend that you

**ACCEPT**

the Offer from Clime Capital Limited in the absence of a superior proposal

The Independent Expert has concluded that the Offer is  
**FAIR AND REASONABLE**  
and therefore in the best interests of CBG Shareholders

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately.

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# IMPORTANT NOTICES

## Nature of this document

This Target's Statement is dated 1 August 2019 and is given by CBG under Part 6.5 Division 3 of the Corporations Act in response to the Offer made pursuant to the Bidder's Statement despatched to CBG Shareholders on 1 August 2019.

## ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX on 1 August 2019. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Target's Statement.

## Defined terms

A number of defined terms are used in this Target's Statement. These terms are defined in section 11.1 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words or phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Section 11.2 details the rules of interpretation that apply to this Target's Statement.

## No account of personal information

This Target's Statement, which includes the Independent Expert's Report, does not take into account the individual investment objectives, financial or tax situation and particular needs of each CBG Shareholder and it does not contain personal financial advice.

It is important that you read this Target's Statement and Independent Expert's Report in its entirety before making any investment decision and any decision relating to the Offer. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept the Offer for your CBG Shares.

## Disclaimer as to Forward Looking Statements

This Target's Statement may contain forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. These forward looking statements are based on, among other things, CBG's assumptions, expectations, estimates, objectives, plans and intentions as at the Approval Date.

Forward looking statements are subject to inherent risks and uncertainties. Although CBG believes that the expectations reflected in any forward looking statement included in this Target's Statement are reasonable, no assurance can be given that such expectations will prove to be correct. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward looking statement.

Except as required by applicable law or the Listing Rules, CBG does not undertake to update or revise these forward looking statements or any other statements whether written or oral, that may be made from time to time by or on behalf of CBG, whether as a result of new information, future events or otherwise.

None of CBG's Officers or employees, or any other person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not

to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the Approval Date.

Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

## Risk factors

CBG Shareholders should note that there are a number of risks attached to their investment in CBG and other risks which apply in the event the Offer is accepted.

Section 8 of this Target's Statement (Risk Factors) sets out further information regarding those risks.

## Disclaimer as to information

The information regarding CAM contained in this Target's Statement has been prepared by CBG from publicly available information and information made available to CBG by CAM. None of the information in this Target's Statement concerning CAM has been commented on, or verified, by CAM, or CBG (save from obtaining the information from the Bidder's Statement prepared by CAM).

Accordingly, CBG does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither CBG nor any of its Officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

## Photographs maps and diagrams

Photographs and diagrams used in this Target's Statement are for illustration purposes only and should not be interpreted to mean that any person shown endorses the Target's Statement or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Target's Statement are illustrative only and may not be drawn to scale. As part of the preparation of this Target's Statement, the Company has commissioned and produced diagrams and tables to assist with the presentation of data. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Approval Date.

## Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

## Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

CBG Shareholders should note that the consideration under the Offer is securities of CAM, an Australian public company listed on ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Foreign Ineligible Shareholders will not be entitled to receive CAM securities on acceptance of the Offer (unless CAM determines otherwise). Foreign Ineligible Shareholders who accept the Offer will receive a cash amount calculated in accordance with section 14.7 of the Bidder's Statement.

## **Currency**

Unless otherwise stated, the currency referred to in this Target's Statement is Australian dollars.

## **Privacy**

CBG has collected your information from the CBG register of CBG Shareholders for the purpose of providing you with this Target's Statement. The type of information CBG has collected about you includes your name, contact details and information on your Shareholding in CBG. Without this information, CBG would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of CBG Shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to CBG's related bodies corporate and external service providers (such as the CBG Share registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of information about you held by CBG, please contact CBG's share registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 9.30am and 5.30pm (Sydney time) Monday to Friday.

## **Queries**

If you have any queries in relation to the Offer, please contact either James Beecher or Peter Velez, the Independent Directors, on 1300 788 568 between 9:00am and 5:00pm (Sydney time) on Monday to Friday. Enquiries on individual shareholdings should be directed to 1300 737 760 (international calls: +61 2 9290 9600).

Further information relating to the Offer can be obtained from CBG's website at [www.cbqcapital.com.au](http://www.cbqcapital.com.au). Information contained in, or otherwise accessible through, this website is not a part of this Target's Statement. All references in this Target's Statement to this website are inactive textual references and are for your information only.

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# KEY REASONS WHY YOU SHOULD ACCEPT THE OFFER

The Independent Directors of CBG unanimously recommend that you **ACCEPT** the Offer from CAM in the absence of a superior proposal by completing the Acceptance Form accompanying the Bidder's Statement which will be sent to you by CAM.

- |    |  |  |
|----|--|--|
| 1. | The Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders | Refer to Attachment 1 of this Target's Statement |
| 2. | The implied value of the Offer Consideration represents a premium to the recent trading value of CBG Shares                        | Refer to section 1.2                             |
| 3. | The implied Offer Value is approximately equal to CBG's post-tax NTA as at 31 May 2019   | Refer to section 1.3                             |
| 4. | There are benefits of being a shareholder in a larger Merged Group   | Refer to section 1.4                             |
| 5. | The Offer provides exposure to securities that have historically had a higher yield than CBG Shares                                | Refer to section 1.6                             |
| 6. | The Offer provides more flexibility to accepting CBG Shareholders  | Refer to section 1.5                             |
| 7. | You may become a minority CBG Shareholder if you do not accept the Offer   | Refer to section 1.6                             |
| 8. | No superior proposal has emerged as at the date of this Target's Statement   | Refer to section 1.8                             |

You should read this Target's Statement in its entirety (including the Independent Expert's Report) for further information on the reasons why the Independent Directors recommend that CBG Shareholders **ACCEPT** the Offer in the absence of a superior proposal.



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## KEY DATES

Event	Key Dates
Notice of intention to make a takeover bid announced	18 June 2019
Original Bidder's Statement lodged with ASIC and ASX	19 July 2019
Date of Target's Statement	1 August 2019
Offer Period commences	1 August 2019
Date for Bidder to provide notice of status of Conditions*	2 September 2019
Close of Offer Period (unless extended or withdrawn**)	9 September 2019

\* *Note: if the Offer Period is extended, this date will be taken to be postponed for the same period of the extension.*

\*\* *Note: the Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act.*

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# LETTER FROM THE INDEPENDENT DIRECTORS

1 August 2019

Dear CBG Shareholder

## **WE RECOMMEND YOU ACCEPT THE OFFER FOR YOUR CBG SHARES BY CAM IN THE ABSENCE OF A SUPERIOR PROPOSAL**

This document is CBG's Target's Statement. It sets out CBG's response to the Offer by CAM, including the recommendation of your Independent Directors as to what action you should take in relation to it and the reasons for that recommendation, as well as other important information.

### **Background**

The Board of CBG has recognised for some time that the price at which CBG Shares trade on ASX does not fully reflect the strong portfolio performance achieved by Ronni Chalmers and his colleagues.

Since CBG's Listing on the ASX on 19 December 2014 the CBG Investment Manager has delivered a solid total return combining growth in the net tangible asset backing (**NTA**) and eight fully franked dividends which totalled 12 cents. This equates to a 29% total return (or 5.8% per annum). Despite this, CBG Shares have generally traded at a discount to its post-tax NTA in the range of 5% to 15%.

The Board has considered a number of strategies to narrow this NTA discount including capital management initiatives including establishment of an on-market share buyback. The Independent Directors believe that the relatively small scale of CBG's portfolio and limited liquidity in CBG Shares on ASX present challenges to reducing this discount.

### **The Offer**

The Independent Directors received an indicative, non-binding proposal from CAM to merge CAM with CBG in late May 2019. Discussions with CAM took place in early June which ultimately resulted in receipt of a final proposal on 17 June 2019. In assessing whether to support the proposal, the Independent Directors considered not only a merger but also maintenance of the status quo and a possible wind up of CBG.

If you accept the Offer, you will receive consideration of 0.8441 CAM Shares and 0.2740 CAM Notes for each CBG Share that you own (unless you are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder, in which case you will be paid the net cash sale proceeds of the New CAM Securities which you would otherwise have received. Refer to sections 14.1 and 14.7(c) of the Bidder's Statement.

The CAM Shares to be issued under the Offer will be fully paid ordinary shares and will rank equally with existing CAM shares from the date of issue. The CAM Notes to be issued under the Offer will be on the same terms as the existing CAM Notes and at a face value of \$0.96 per CAM Note. CAM Notes bear interest at a rate of 6.25% per annum, payable quarterly (no franking), and are convertible into CAM Shares at the option of the holder at any time at a ratio of 1.025 CAM Shares for each CAM Note until maturity on 30 November 2021. The Offer is conditional on CAM applying for official quotation on the ASX of the New CAM Securities within 7 days of the date of the Bidder's Statement. Refer to sections 14.1 and 4.8 of the Bidder's Statement.

### **Recommendation to ACCEPT the Offer**

Your Independent Directors have carefully considered the Offer by CAM and believe that it is in the best interests of CBG Shareholders. Accordingly, your Independent Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a superior proposal. As at the date of this Target's Statement, no competing proposal has been received.

The reasons for the recommendation of your Independent Directors to accept the Offer are set out in detail in Section 1.

## Independent Expert's Report

While not strictly required by the Corporations Act, given CBG's Chairman Ronni Chalmers is associated with the CBG Investment Manager, the CAM Investment Manager and their parent entity, Clime Investment Management Limited, the Independent Directors determined that it was appropriate that CBG Shareholders receive the benefit of a report on the Offer from an independent expert and engaged Deloitte Corporate Finance Pty Limited.

The Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders.

A full copy of the Independent Expert's Report is set out in Attachment 1 to this Target's Statement.

All Directors intend to **ACCEPT** the Offer in respect of the CBG Shares in which they have a Relevant Interest, in the absence of a superior proposal.

## Dividends and Interest

The Board has historically announced CBG's final dividend on release of the Company's audited annual financial statements and pays that dividend in November. To ensure that CBG Shareholders have access to up to date financial information when considering the Offer, the Board decided to release its Appendix 4E and accounts on an unaudited basis. These results were released on 19 July 2019. The Offer is subject to a number of defeating conditions including a condition that permits CAM to withdraw the Offer if the Directors make, declare or announce an intention to make or declare a dividend or other distribution. Accordingly, the Board has determined not to pay a final dividend in respect of the 2019 financial year at this time. In its Bidder's Statement, CAM has stated that if it receives acceptances taking its Relevant Interest in CBG Shares to or above 50.1%, it intends to undertake a review of CBG's assets and policies and consider the appropriate dividend policy which may result in a reduction to CBG's dividend payout ratio over time.

New CAM Securities rank *pari passu* with existing CAM Shares and CAM Notes for dividends and interest from the date of issue of those New CAM Securities to CBG Shareholders who accept the Offer. The dividend and interest which accepting CBG Shareholders will receive from CAM will depend on the date of issue of those New CAM Securities. Refer to sections 4.7 and 4.8 of the Bidder's Statement.

## Risks

An investment in CAM, through acceptance of the Offer, is not without risk. You should consider the discussion of risks associated with accepting the Offer in Section 8 as well as Section 10 of the Bidder's Statement. As both CBG and CAM operate as listed investment companies with very similar management arrangements and investment mandates, many of the risk factors set in section 8 may apply to you irrespective of whether you decide to accept or reject the Offer.

Section 11 of the Bidder's Statement provides some general information regarding the tax implications of accepting the Offer for CBG Shareholders. You should bear in mind that partial scrip-for-scrip capital gains tax rollover relief is only available to CBG Shareholders if CAM acquires sufficient CBG Shares to take its shareholding to at least 80%. The Offer is subject to a minimum acceptance condition of 50.1% and so CBG Shareholders who accept the Offer may not receive the benefit of capital gains tax rollover relief. You should obtain your own tax advice regarding the impact of accepting the Offer on your personal circumstances.

You are encouraged to read the Bidder's Statement and this Target's Statement (including the Independent Expert's Report) in full and to consider the Offer having regard to your personal circumstances. You should also consider seeking your own independent legal, financial and taxation advice prior to deciding what action you should take in respect of the Offer.

If you have any questions as a CBG Shareholder in relation to the Offer, please contact either Peter Velez or James Beecher, the Independent Directors.

We will keep you informed if there are any material developments with respect to the Offer. Announcements relating to the Offer and CBG can be found on the ASX website ([www.asx.com.au](http://www.asx.com.au) ASX code: CBC).



.....  
**James Beecher**  
**Independent Director**



.....  
**Peter Velez**  
**Independent Director**

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## 1. REASONS TO ACCEPT OR NOT ACCEPT THE OFFER

### 1.1 The Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders

In order to assess whether the Offer is fair, the Independent Expert has compared the fair market value of a CBG Share with the fair market value of the Offer Consideration.

Set out in the table below is the comparison of the Independent Expert's assessment of the fair market value of a CBG Share (valued on a control basis) with the Offer Consideration (valued on a minority basis), having regard to both 50.1% ownership and 100% ownership scenarios.

\$ per CBG Share	Basis	Low	High
Fair market value of Offer Consideration	Market method	\$1.02	\$1.06
Fair market value of a CBG Share	Assets method	\$0.98	\$1.04
Implied premium / (discount)		\$0.04	\$0.02

Source: Deloitte Corporate Finance analysis

The Independent Expert has concluded that as the assessed fair market value of the Offer Consideration is above the fair market value of a CBG Share, the Offer is fair. Refer to section 5 of the Independent Expert's Report for further information on the valuation of the CBG Shares and the Offer Consideration.

In accordance with ASIC Regulatory Guide 111 *Contents of expert reports*, an offer is reasonable if it is fair. On this basis, the Independent Expert has concluded the Offer is reasonable. For further information on the advantages, disadvantages and other considerations which, on balance, the Independent Expert considers support a conclusion that the Offer is reasonable, please refer to the Independent Expert's Report which is provided in Attachment 1 of this Target's Statement. You should read the Independent Expert's Report in full.

### 1.2 The implied value of the Offer Consideration represents a premium to the recent trading value of CBG Shares

The Offer Consideration is 0.8441 CAM Shares and 0.2740 CAM Notes for each CBG Share you own. Based on the 5 day VWAP of CAM Shares and CAM Notes up to and including 14 June 2019, being the last day on which CAM securities traded prior to the Announcement Date,<sup>1</sup> the implied value of the Offer Consideration was \$1.0336 per CBG Share (**Implied Offer Value**). Refer to section 14.1 of the Bidder's Statement.

This represents a premium to historical trading prices of CBG Shares. By way of example, this represents a premium of 10.5% to the VWAP of CBG Shares traded on ASX over the same period. See the discussion regarding premia to market in sections 1 and 14.1 of the Bidder's Statement and Section 3.5 of the Independent Expert's Report.

### 1.3 The Implied Offer Value is approximately equal to CBG's post-tax NTA as at 31 May 2019

The Implied Offer Value of \$1.0336 per CBG Share is approximately equal to CBG's post-tax NTA as at 31 May 2019.

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<sup>1</sup> The 5 day VWAP being \$0.8983 per CAM Share and \$1.0003 per CAM Note ending on 14 June 2019. Source IRESS

The post-tax NTA of CBG reflects the net tangible asset value of CBG on a per CBG Share basis after payment of tax on disposal of the portfolio. It does not reflect the amount a CBG Shareholder would receive per CBG Share on a wind up of CBG. In particular, the post-tax NTA per CBG Share does not take account of any discount to market pricing resulting from disposal of investments on a winding up, brokerage on the sale of the portfolio, transaction costs such as meeting costs to approve the wind up and liquidation costs. It also does not take account of any payment required to be made to the CBG Investment Manager as a result of early termination of the Investment Management Agreement by the liquidator. On a wind up of CBG, for each CBG Share CBG Shareholders would receive less than the CBG post-tax NTA.

The CBG post-tax NTA as at 30 June 2019 was \$1.04 which is above the Implied Offer Value. However, the price at which LICs trade on ASX is generally correlated with its NTA and the Implied Offer Value does not take account of the increase in pre-tax NTA for CAM Shares from May to June 2019 (from \$0.96 to \$0.97). Accordingly, comparison of trading data for the period prior to release of the June 2019 CAM NTA to the 30 June 2019 post-tax NTA is appropriate.

#### **1.4 There are benefits of being a shareholder in a larger Merged Group**

Assuming that CAM acquires 100% of CBG, the Merged Group will result in a materially larger investment company with a gross portfolio value of approximately \$138 million,<sup>2</sup> potentially providing scale benefits to CAM Shareholders. CBG Shareholders should receive the benefits of an increase in scale with potentially greater investor interest and higher liquidity levels as well as the potential to narrow the discount to NTA in CAM's share price.

In its Bidder's Statement, CAM states that a reduced pro-forma management expense ratio from economies of scale and the removal of duplicated costs and expenses can be achieved.

Refer to sections 1.3, 1.4 and 8.2 of the Bidder's Statement for further details.

#### **1.5 The Offer provides exposure to securities that have historically had a higher yield than CBG Shares**

CAM Securities have historically provided a greater yield than CBG Shares.

The dividend yield of CAM Shares for the 12 months to 30 June 2019 and 30 June 2018 was 5.6% and 5.9% respectively.<sup>3</sup> This may be compared to the dividend yield of CBG Shares for the same periods of 3.5% and 3.6% respectively.<sup>4</sup> The dividend yield for both CAM and CBG for these periods were fully franked. See Sections 4.6 and 3.6 of the Independent Expert's report respectively for details.

CAM Notes bear interest at a rate of 6.25% per annum. Interest payments are unfranked.

CAM has also regularly paid quarterly dividends, compared with CBG's semi-annual dividends, and the CAM Notes interest coupon of 6.25% per annum is paid quarterly.

The Board has determined not to pay a final dividend in respect of the 2019 financial year at this time. The Offer is subject to a number of defeating conditions including a Condition that permits CAM to withdraw the Offer if the Directors make, declare or announce an intention to make or declare a dividend or other distribution between 19 July 2019 and the end of the Offer Period.

CBG Shareholders who accept the Offer will be entitled to participate in dividend and interest payments in respect of the New CAM Securities issued to them from their date

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<sup>2</sup> As at 30 June 2019 (unaudited).

<sup>3</sup> Past performance is no guarantee of future performance.

<sup>4</sup> Past performance is no guarantee of future performance.

of issue (unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder, in which case refer to section 14.7(c) of the Bidder's Statement).

#### **1.6 The Offer provides more flexibility to accepting CBG Shareholders**

The blended consideration of the New CAM Securities provides CBG Shareholders with more flexibility. Accepting CBG Shareholders (other than any Foreign Ineligible Shareholder or Unmarketable Parcel Holder) have the ability to trade on market either or both of the CAM Shares and CAM Notes issued to accepting CBG Shareholders. This provides an opportunity to realise part or all of their investment.

#### **1.7 You may become a minority CBG Shareholder if you do not accept the Offer**

If CAM gains majority control of CBG but CAM is not entitled to compulsorily acquire the remaining CBG Shares, those CBG Shareholders who have not accepted the Offer will become minority CBG Shareholders, with less influence over the future direction and control of CBG.

If CAM owns a majority of outstanding CBG Shares, there may be reduced liquidity in CBG Shares, and it may be more difficult to sell your CBG Shares. CAM has also disclosed in the Bidder's Statement that if there is a limited spread of CBG Shareholders, or limited volume of trading in CBG Shares following completion of the Offer, CAM will assess the appropriateness of CBG remaining listed on the ASX and may seek to arrange for CBG to be removed from the Official List.<sup>5</sup>

CAM has also disclosed that it will seek to appoint nominees to the CBG Board. CAM may gain control over the CBG Board and through its representatives on the CBG Board gain control of the decisions and the future direction of CBG, including in relation to dividend policy, subject to Corporations Act provisions.

See section and 9.4 of this Target's Statement and section 7.3 and 7.4 of the Bidder's Statement for more details.

#### **1.8 No superior proposal has emerged as at the date of this Target's Statement**

As at the date of this Target's Statement, CBG has not received any competing proposal from a third party, nor have any discussions occurred that the Independent Directors believe are likely to lead to any superior proposal being made.

Were CBG to receive a competing proposal, the Independent Directors would need to consider all aspects of the proposal in determining whether it is superior to the Offer.

#### **1.9 Why you might choose to not accept the Offer**

While the Independent Directors have recommended that you accept the Offer, some CBG Shareholders might determine not to accept the Offer. Some reasons for taking this action include the following:

- a) Despite the recommendation provided by the Independent Directors in this Target's Statement and the conclusion provided by the Independent Expert in the Independent Expert's Report, you may take a different view and may believe that the Offer is not in your best interests.
- b) You may consider that the Offer Consideration is less than the true value of your CBG Shares.
- c) Based on your individual circumstances, there may be adverse tax consequences of accepting the Offer. See section 11 of the Bidder's

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<sup>5</sup> Subject to the Listing Rules.

Statement for further information on possible tax consequences for CBG Shareholders.

- d) You may believe that there is the potential for a superior proposal to emerge.

**As at the date of this Target's Statement, no superior proposal has emerged.**

- e) You may not wish to have exposure to the CAM portfolio which presently includes unlisted securities.



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## **2. DIRECTORS' RECOMMENDATIONS AND INTERESTS**

### **2.1 Directors of CBG**

As at the date of this Target's Statement, the Directors of CBG are:

- a) Ronni Chalmers – Executive Chairman;
- b) James Beecher – Non Executive Director; and
- c) Peter Velez – Non Executive Director.

For the purposes of this Target's Statement, the Independent Directors of CBG are Peter Velez and James Beecher as Ronni Chalmers is associated with the CBG Investment Manager, the CAM Investment Manager and their parent entity, Clime Investment Management Limited.

### **2.2 Independent Directors' recommendation and intentions**

After taking into account the matters in this Target's Statement (including the Independent Expert's Report), each of the Independent Directors recommend that you **ACCEPT** the Offer in the absence of a superior proposal.

The reasons for the Independent Directors' recommendation are set out in section 1 of this Target's Statement.

Each of the Independent Directors currently intends to **ACCEPT** the Offer in respect of each CBG Share in which they have a Relevant Interest in the absence of a superior proposal.

### **2.3 No recommendation by Ronni Chalmers**

Ronni Chalmers, in his capacity as a Director of the Company, makes no recommendation to CBG Shareholders in relation to the Offer as he is associated with the CBG Investment Manager, the CAM Investment Manager and their parent entity, Clime Investment Management Limited. Specifically, Mr Chalmers is:

- a) an employee of Clime Investment Management Limited as an investment director;
- b) a director of the CBG Investment Manager; and
- c) a substantial shareholder in Clime Investment Management Limited (holding approximately 12%), which is the ultimate holding company of both the CBG Investment Manager and the CAM Investment Manager.

Ronni Chalmers is not a member of the Independent Board Committee and has not been involved in the authorisation of this Target's Statement.

Ronni Chalmers has advised the Independent Directors that he currently intends to **ACCEPT** the Offer for any CBG Shares he owns or Controls in the absence of a superior proposal.

Ronni Chalmers has consented to statements directly attributed to him personally in this Target's Statement.

### **2.4 Directors' interests and dealings in CBG Shares**

- a) As at the date of this Target's Statement, the Directors have the following Relevant Interests in CBG Shares:

Director	No. of CBG Shares
Ronni Chalmers	863,597
James Beecher	52,000
Peter Velez	41,678

- b) No Director has acquired or disposed of a Relevant Interest in any CBG Shares in the four month period ending on the day immediately prior to the Approval Date.

## 2.5 Directors' interests and dealings in CAM

- a) No Independent Director has a Relevant Interest in any CAM Shares or CAM Notes.
- b) Ronni Chalmers has a Relevant Interest in 10,250 CAM Shares and 156,250 CAM Notes.
- c) No Director has acquired or disposed of a Relevant Interest in CAM in the four month period ending on the day immediately prior to the Approval Date.

## 2.6 Benefits and agreements

### a) Benefits to Independent Directors

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board, managerial office or Related Body Corporate of CBG.

Each Director may be paid a special exertion fee, in addition to that Independent Director's ordinary remuneration, in accordance with usual practice and the Company's constitution. This special exertion fee may be paid for the efforts exerted by that Independent Director in connection with reviewing and evaluating the Offer generally and the preparation of this Target's Statement.

Other than as described in this section 2.6, no Director has agreed to receive, or is entitled to receive, any benefit from CAM or any Related Body Corporate of CAM which is related to or conditional on the Offer, other than in their capacity as a holder of CBG Shares.

CAM has disclosed that if it controls 90% or more of CBG Shares and becomes entitled to proceed to compulsory acquisition of CBG Shares under the Corporations Act, it intends to appoint all current CBG Directors to the Board of CAM, with the boards of each company comprising 2 non-executive directors and 4 independent directors for an interim period. As part of the annual Director re-election process at the CAM AGM, CAM intends to target a reduction in the number of CAM independent Directors to 3. For further information, please refer to section 7.2 of the Bidder's Statement. As at the date of this Target's Statement, neither Independent Director has agreed with CAM to join the board of CAM on conclusion of the Offer.

### b) Agreements in connection with or conditional on the Offer

Other than as described in this section 2 of this Target's Statement, no agreement has been made between any Director and any other person in

connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of CBG Shares.

c) **Interests in contracts with CAM**

Other than as described in this section 2 of this Target's Statement, no Director has any interest in any contract entered into by CAM or any Related Body Corporate of CAM.

d) **Payments and benefits**

Except as disclosed in this Target's Statement, as a result of the Offer, no benefit (other than a benefit permitted under section 200F or section 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any Director, secretary or executive Officer in connection with the loss of, or their resignation from, their office.

### 3. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It should be read together with the rest of this Target's Statement, including the Independent Expert's Report. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer or address all issues that are relevant to CBG Shareholders.

No.	Question	Answer	More info
1.	<b>Who is offering to purchase my CBG Shares?</b>	<p>The bidder is Clime Capital Limited ACN 106 282 777 (ASX:CAM) (<b>CAM</b>). CAM holds a Relevant Interest in 391,419 CBG Shares (or 1.50% of CBG's share capital) as at the Approval Date.</p> <p>CAM is a listed investment company that is managed by Clime Asset Management Pty Limited ACN 098 420 770, a wholly-owned subsidiary of Clime Investment Management Limited ACN 067 185 899 (ASX:CIW). The CBG Investment Manager is also a wholly-owned subsidiary of Clime Investment Management Limited.</p> <p>CAM and CBG have very similar management arrangements and investment mandates, and as at the Approval Date, approximately 80% of the portfolios of CAM and CBG are the same or extremely similar.</p>	<p>Section 7.</p> <p>Sections 3, 5.2 and 6.2 of the Bidder's Statement.</p>
2.	<b>What is the Offer for my CBG Shares?</b>	<p>Under the Offer, CBG Shareholders would receive:</p> <ul style="list-style-type: none"><li>• 0.8441 fully paid ordinary shares in CAM (<b>CAM Shares</b>); plus</li><li>• 0.2740 listed convertible notes issued by CAM (ASX:CAMG) (<b>CAM Notes</b>),</li></ul> <p>for every CBG Share they own unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder, in which case they will receive the amounts specified in section 14.7(c) of the Bidder's Statement.</p>	<p>Section 5.2.</p> <p>Section 14 of the Bidder's Statement.</p>
3.	<b>What are CAM Shares</b>	<p>CAM Shares are fully paid ordinary shares in the capital of Clime Capital Limited ACN 106 282 777 trading at a price of \$0.92 per CAM Share as at close of trading on the last trading date before the Approval Date.</p>	
4.	<b>What are CAM Notes?</b>	<p>CAM Notes are redeemable, unsecured convertible notes listed on the ASX with a term expiring 30 November 2021 and accrue interest at a fixed interest rate of 6.25% per annum (no franking) payable quarterly in arrears.</p>	<p>Section 4.8 and Appendix C of the Bidder's Statement.</p>
5.	<b>What if I am a foreign shareholder?</b>	<p>Foreign Ineligible Shareholders of CBG will not be entitled to receive CAM securities on accepting the Offer. Foreign Ineligible Shareholders who accept the Offer will be paid the net cash sale proceeds of the New CAM Securities which they would otherwise have received.</p> <p>Foreign Ineligible Shareholders are (unless CAM determines otherwise) holders of CBG Shares whose address as shown in the register of members of CBG is in a jurisdiction other than</p>	<p>Section 14.7(c) of the Bidder's Statement.</p>

No.	Question	Answer	More info
		Australia and its external territories or New Zealand.	
6.	<b>What if I would be entitled to receive an Unmarketable Parcel of CAM Shares or CAM Notes?</b>	CBG Shareholders that would otherwise receive an Unmarketable Parcel of CAM Shares or CAM Notes will not be entitled to receive those CAM Shares or CAM Notes (as applicable) on accepting the Offer. Unmarketable Parcel Holders will be paid the net cash sale proceeds of the Unmarketable Parcel of CAM Shares or CAM Notes (as applicable) which they would otherwise have received.	Section 14.7(c) of the Bidder's Statement.
7.	<b>What is the Target's Statement?</b>	This Target's Statement is the formal response by the Independent Directors to the Offer, as required by the Corporations Act. This document has been prepared by CBG and contains important information to help you decide whether or not to accept the Offer.	
8.	<b>What is the Bidder's Statement?</b>	The Bidder's Statement is the document prepared by CAM which sets out the terms of the Offer, as required by the Corporations Act. All CBG Shareholders should have recently received a copy of the Bidder's Statement in the mail and it is available on the ASX Market Announcements Platform.	
9.	<b>What choices do I have as a CBG Shareholder?</b>	<p>As a CBG Shareholder, you have the following choices in respect of your CBG Shares:</p> <ol style="list-style-type: none"> <li><b>ACCEPT</b> the Offer (which the Independent Directors <b>unanimously recommend</b> in the absence of a superior proposal) and cease to be a CBG Shareholder;</li> <li><b>REJECT</b> the Offer and sell your shares on-market and cease to be a CBG Shareholder; or</li> <li><b>REJECT</b> the Offer by doing nothing and remain a CBG Shareholder.</li> </ol> <p>There are implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement.</p> <p>You should seek legal, financial or taxation advice from your professional adviser regarding the action that you should take in relation to the Offer.</p>	Section 4.
10.	<b>What is the opinion of the Independent Expert?</b>	<p>While not strictly required by the Corporations Act, given CBG's Chairman Ronni Chalmers is associated with the CBG Investment Manager, the CAM Investment Manager and their parent entity, Clime Investment Management Limited, the Independent Directors determined that it was appropriate that CBG Shareholders receive the benefit of a report on the Offer from an independent expert and engaged Deloitte Corporate Finance Pty Limited.</p> <p>The Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders.</p>	Attachment 1 of this Target's Statement.

No.	Question	Answer	More info																
		<p>The Independent Expert has compared the fair market value of a CBG Share (valued on a control basis) with the Offer Consideration (valued on a minority basis), having regard to both 50.1% ownership and 100% ownership scenarios.</p> <table> <tr> <th>\$ per CBG Share</th><th>Basis</th><th>Low</th><th>High</th></tr> <tr> <td>Fair market value of Offer Consideration</td><td>Market method</td><td>\$1.02</td><td>\$1.06</td></tr> <tr> <td>Fair market value of a CBG Share</td><td>Assets method</td><td>\$0.98</td><td>\$1.04</td></tr> <tr> <td><b>Implied premium / (discount)</b></td><td></td><td><b>\$0.04</b></td><td><b>\$0.02</b></td></tr> </table> <p>Source: Deloitte Corporate Finance analysis</p> <p>The Independent Expert has concluded that as the Offer Consideration is above the fair market value of a CBG Share, the Offer is fair. Refer to section 5 of the Independent Expert's Report for further information on the valuation of the CBG Shares and the Offer Consideration.</p> <p>In accordance with ASIC Regulatory Guide 111 <i>Contents of expert reports</i>, an offer is reasonable if it is fair. On this basis, the Independent Expert has concluded the Offer is reasonable.</p> <p>A copy of the Independent Expert's Report accompanies this Target's Statement at Attachment 1.</p>	\$ per CBG Share	Basis	Low	High	Fair market value of Offer Consideration	Market method	\$1.02	\$1.06	Fair market value of a CBG Share	Assets method	\$0.98	\$1.04	<b>Implied premium / (discount)</b>		<b>\$0.04</b>	<b>\$0.02</b>	
\$ per CBG Share	Basis	Low	High																
Fair market value of Offer Consideration	Market method	\$1.02	\$1.06																
Fair market value of a CBG Share	Assets method	\$0.98	\$1.04																
<b>Implied premium / (discount)</b>		<b>\$0.04</b>	<b>\$0.02</b>																
11.	<b>What do the Independent Directors recommend?</b>	The Independent Directors unanimously recommend that you <b>ACCEPT</b> the Offer in the absence of a superior proposal.	Section 2.2.																
12.	<b>What do the Directors of CBG intend to do with the CBG Shares that they Control?</b>	All of the Directors of CBG intend to <b>ACCEPT</b> the Offer in respect of all CBG Shares in which they have a Relevant Interest in the absence of a superior proposal.	Section 2.2.																
13.	<b>Who are the Independent Directors?</b>	<p>The Board of the Company has established the Independent Board Committee which comprises the Directors not affiliated with CAM to, amongst other things, review, consider and evaluate the terms of the Offer.</p> <p>As at the Approval Date, the Independent Directors comprise non-executive Directors Peter Velez and James Beecher.</p> <p>The Independent Directors are considered independent of CAM and the Independent Directors do not have any Relevant Interests in CAM.</p> <p>The recommendations provided in this Target's Statement are provided by the Independent Directors only.</p>	N/A																

No.	Question	Answer	More info
14.	<b>What are the risks of accepting or rejecting the Offer?</b>	<p>A non-exhaustive list of key risks of accepting or rejecting the Offer is set out in section 8 of this Target's Statement and section 10 of the Bidder's Statement.</p> <p>Refer also to the intentions of CAM set out in section 7 of the Bidder's Statement.</p>	<p>Section 8.</p> <p>Sections 7 and 10 of the Bidder's Statement.</p>
15.	<b>How do I accept the offer?</b>	To <b>ACCEPT</b> the Offer, you must follow the instructions set out in section 2.7 of the Bidder's Statement. which was sent to you by CAM.	Section 2.7 of the Bidder's Statement.
16.	<b>Is the Offer conditional?</b>	<p>The Offer is subject to a number of conditions, including, among other things:</p> <ul style="list-style-type: none"> <li>• minimum acceptance condition of 50.1%;</li> <li>• the S&amp;P/ASX 200 Index not closing at a level that is 10% or more below the level on the trading day immediately prior to the date of the Bidder's Statement and remaining at or below that level for at least 3 consecutive trading days; and</li> <li>• no prescribed occurrences occurring. These encompass the statutory events in sections 652C(1) and (2) of the Corporations Act as well as other agreed events, including CBG making or declaring, or announcing an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie) or incurring any debt.</li> </ul> <p>Refer to section 5.5 of this Target's Statement and section 14.8 of the Bidder's Statement for specific details of the Conditions and the status of the Conditions as at the date of the Bidder's Statement.</p>	<p>Section 5.5.</p> <p>Sections 14.8 of the Bidder's Statement.</p>
17.	<b>What are the consequences if the Conditions are not fulfilled or waived?</b>	<p>In the event that the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and your acceptance will be void.</p> <p>You will continue to hold your CBG Shares and be free to deal with your CBG Shares as if the Offer had not been made, unless you have already sold your CBG Shares to someone else.</p>	2.20 of the Bidder's Statement.
18.	<b>Can I accept the Offer for part of my CBG Shares?</b>	No. You may only accept the Offer for all of your CBG Shares.	Section 2.8 of the Bidder's Statement.
19.	<b>Does a cooling off period apply to acceptances of the Offer?</b>	No. Cooling off rights do not apply to acceptances made under the Offer.	Section 2.10 of the Bidder's Statement.
20.	<b>Is there a minimum acceptance condition?</b>	The Offer has a minimum acceptance condition of 50.1%.	Section 14.8(a)(i) of the Bidder's Statement.

No.	Question	Answer	More info
21.	<b>What are the consequences of accepting the Offer now, while it remains conditional?</b>	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your CBG Shares or otherwise deal with your CBG Shares while the Offer remains open and CAM will be able to exercise the rights attaching to your CBG Shares upon the Offer becoming unconditional.</p> <p>This means that upon your acceptance of the Offer and the Offer becoming unconditional, CAM will be entitled to attend meetings of CBG and vote on your behalf in relation to your CBG Shares.</p> <p>While the Offer remains conditional, you will not be paid the Offer Consideration for your CBG Shares. You should take into account the possibility that Conditions may not be fulfilled or waived. You should also take into account the possibility that if a "prescribed occurrence" occurs this may be a breach of the Conditions.</p> <p>If a third party makes a superior proposal for your CBG Shares, you will not be entitled to the benefit of that superior proposal if you have already accepted the Offer or have otherwise sold your CBG Shares.</p>	Section 14.6 of the Bidder's Statement.
22.	<b>If I accept the Offer, can I withdraw my acceptance if I change my mind?</b>	Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, CAM varies the Offer in a way that postpones, for more than one month, the time when CAM has to meet its obligations under the Offer (for example, if CAM extends the Offer for more than one month while the Offer remains conditional).	Section 2.10 of the Bidder's Statement.
23.	<b>What should I do?</b>	<p>You should seek independent legal, financial and taxation advice from your professional advisers in relation to the action that you should take in relation to the Offer and your CBG shareholding.</p> <p>To follow the Independent Directors' unanimous recommendation to <b>ACCEPT</b> the Offer in the absence of a superior proposal, you must follow the instructions set out in section 2.7 of the Bidder's Statement which was sent to you by CAM.</p>	<p>Sections 1 and 4.</p> <p>Section 2.7 of the Bidder's Statement</p>
24.	<b>When do I have to make a decision?</b>	CAM has stated that its Offer is scheduled to close at 7.00 pm (Sydney time) on 9 September 2019, unless it is extended or withdrawn. CAM will give written notice of any extension of the Offer Period in accordance with the Corporations Act.	<p>Sections 5.3 and 5.4.</p> <p>Section 14.2 of the Bidder's Statement.</p>
25.	<b>Can CAM vary the Offer?</b>	<p>CAM can vary the Offer by extending the Offer Period or increasing the Offer Consideration. You will be entitled to any increase in the Offer Consideration even if you have previously accepted the Offer.</p> <p>Details of the circumstances in which the Offer Period may be extended are set out in section 5.4 of this Target's Statement.</p>	<p>Section 5.4.</p> <p>Sections 1.12 and 14.10 of the Bidder's Statement.</p>



No.	Question	Answer	More info
		<p>In accordance with section 650B of the Corporations Act, CAM may also vary the Offer by improving the Offer Consideration. If CAM increases the Offer Consideration, the Independent Directors will carefully consider the revised Offer and advise you accordingly.</p> <p>If you have already accepted the Offer you will be entitled to the increased Offer Consideration, should the Offer become or be declared unconditional. Any CBG Shareholders who have sold their CBG Shares on ASX or off-market (i.e. not under the Offer to a person other than CAM) will not receive the benefit of the improved Offer Consideration in relation to those CBG Shares.</p>	
26.	<b>When will I receive the Offer Consideration if I accept the Offer?</b>	<p>If the contract resulting from your acceptance of the Offer becomes unconditional (and you are not a Foreign Ineligible Shareholder or an Unmarketable Parcel Holder), CAM will provide the Offer Consideration to which you are entitled on acceptance of the Offer on or before the earlier of:</p> <ol style="list-style-type: none"> <li>1. the day 1 month after you accept the Offer or, if the Offer is subject to a Condition when accepted, 1 month after the contract resulting from your acceptance becomes unconditional; and</li> <li>2. the day 21 days after the end of the Offer Period.</li> </ol>	Sections 2.16 and 14.7 of the Bidder's Statement.
27.	<b>Will I need to pay brokerage or stamp duty if I accept the Offer?</b>	<p>You will not pay brokerage or stamp duty on the disposal of your CBG Shares if you accept the Offer. If your CBG Shares are in a CHESS holding or you hold your CBG Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your broker or the bank, custodian or other nominee) whether it will charge any transaction fees or services charges.</p>	Section 2.17 of the Bidder's Statement.
28.	<b>What are the tax implications of accepting the Offer?</b>	<p>The taxation implications of accepting the Offer will depend on your personal circumstances.</p> <p>CBG Shareholders who participate in the Offer will dispose of their CBG Shares by way of transfer. The disposal of CBG Shares will constitute a CGT event for CBG Shareholders. Unless partial CGT roll-over relief is available, the following Australian income tax consequences are expected to arise for CBG Shareholders:</p> <ol style="list-style-type: none"> <li>1. a capital gain will arise where the capital proceeds received by the CBG Shareholders from the disposal of their CBG Shares exceed the cost base of those shares; or</li> <li>2. a capital loss will arise where the capital proceeds received by the CBG Shareholders from the disposal of their CBG Shares are less than the reduced cost base of those shares.</li> </ol> <p>You should bear in mind that partial scrip-for-scrip capital gains tax rollover relief is only available to CBG Shareholders if CAM acquires sufficient CBG Shares to take its shareholding to at least 80%. The Offer is subject to a minimum acceptance condition of 50.1% and so CBG Shareholders (who are not</p>	Section 11 of the Bidder's Statement.

No.	Question	Answer	More info
		<p>Foreign Ineligible Shareholder or an Unmarketable Parcel Holder) who accept the Offer may not receive the benefit of capital gains tax rollover relief.</p> <p>Section 11 of the Bidder's Statement provides a general outline of the income tax implications of accepting the Offer for certain Australian tax resident CBG Shareholders. This summary is general in nature and the circumstances for each CBG Shareholder may vary.</p> <p>You should not rely on the outline referred to above as advice on your own affairs. It does not deal with the position of particular CBG Shareholders. You should seek your own personal, independent legal, financial and taxation advice before making a decision as to whether to accept or reject the Offer for your CBG Shares.</p>	
29.	<b>What happens if I do not accept the Offer?</b>	<p>By doing nothing, you will remain a CBG Shareholder. However, CBG Shareholders should note as follows:</p> <ol style="list-style-type: none"> <li>1. if CAM acquires between 50.1% and 90.0% of the CBG Shares and the Offer becomes unconditional, you will be a minority shareholder of CBG and there may be important consequences of that (see sections 8.1c) and 8.1e) of this Target's Statement for a discussion about some of the consequences of minority ownership); and</li> <li>2. if CAM acquires 90% or more of the CBG Shares and the Offer becomes unconditional, CAM may be able to compulsorily acquire your CBG Shares and the other remaining CBG Shares.</li> </ol> <p>CAM's intentions with respect to compulsory acquisition are set out in sections 7.2(a), 7.3(f) and 7.3(g) of the Bidder's Statement.</p> <p>If the Offer becomes or is declared unconditional but CAM does not become entitled to compulsorily acquire your CBG Shares, you will remain a shareholder in CBG.</p>	<p>Sections 8.1c) and 8.1e).</p> <p>Sections 7.2(a) and 7.3(g) of the Bidder's Statement.</p>
30.	<b>Can CAM withdraw the Offer?</b>	<p>The Corporations Act permits the withdrawal of unaccepted offers only in exceptional circumstances.</p> <p>CAM may not withdraw the Offer if you have already accepted it. Before you accept the Offer, CAM may only withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.</p> <p>However, the Offer is conditional. If the Conditions are not satisfied or waived by the end of the Offer Period, the Offer will lapse, in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation you will be free to deal with your CBG Shares as you see fit.</p>	<p>Section 14.9 of the Bidder's Statement.</p>

No.	Question	Answer	More info
31.	<b>What are CAM's intentions for CBG's business?</b>	<p>CAM has indicated that if it Controls 90% or more of CBG Shares, it intends to:</p> <ol style="list-style-type: none"> <li>1. proceed to compulsory acquisition of the remaining CBG Shares if it becomes entitled to do so;</li> <li>2. seek to remove CBG from the Official List;</li> <li>3. appoint all current CAM directors to the CBG board and appoint all CBG directors to the CAM Board including targeting a reduction in the number of CAM and CBG independent directors in the future;</li> <li>4. terminate the Investment Management Arrangement and have the assets of CBG managed by the CAM Investment Manager noting that the CBG Investment Manager has agreed to waive any termination fees or penalties for early termination where CAM received greater than 90% acceptances (i.e. there will be no cost to CAM Shareholders or CBG Shareholders);</li> <li>5. integrate CBG's investment portfolio with CAM's and manage the expanded portfolio in accordance with CAM's investment strategy. Mr Ronni Chalmers, the Chairman of CBG, has advised that he intends to remain as a fund manager with the broader Clime Group; and</li> <li>6. review the capital structure of the Merged Group on an ongoing basis.</li> </ol> <p>CAM has further indicated that if it Controls more than 50.1% but less than 90.0% of the CBG Shares:</p> <ol style="list-style-type: none"> <li>1. CBG will become a controlled entity of CAM;</li> <li>2. CAM intends to re-constitute the CBG Board of Directors with nominees of CAM, so that there is a majority of CAM nominees on the CBG Board with the proportion of nominees not less than the voting power of CAM;</li> <li>3. it does not currently intend to seek to have CBG terminate or vary the Investment Management Arrangement but to avoid double paying of management fees, CAM has agreed with the CAM Investment Manager that so long as the Investment Management Agreement remains on foot, it will not charge management fees in relation to any CBG Shares CAM acquires under the Offer;</li> <li>4. it intends to undertake a review of CBG's assets and policies and consider the appropriate dividend policy which may result in a reduction to CBG's dividend payout ratio over time;</li> <li>5. it may seek to cause CBG to apply to be removed from the Official List;</li> </ol>	Section 7 of the Bidder's Statement.

No.	Question	Answer	More info
		<p>6. it may consider acquiring additional CBG Shares under the “creep” provisions of Item 9 in section 611 of the Corporations Act (which allows for CAM to acquire up to 3% of CBG Shares every 6 months); and</p> <p>7. it may exercise its general compulsory acquisition rights under Part 6A.2 of the Corporates Act if it becomes entitled to do so.</p> <p>Please refer to section of the Bidder’s Statement for further details.</p>	
32.	<b>What happens if a competing proposal is made for CBG?</b>	<p>If a competing proposal for CBG emerges, CBG Shareholders will be informed through an ASX Announcement. The Independent Directors will carefully consider the competing proposal and advise you of their recommendation.</p> <p>If you have already accepted the Offer at the time that a competing proposal emerges, you will not be able to accept the competing proposal.</p> <p>Since the announcement of the Offer on 18 June 2019, no competing proposal has emerged.</p>	14.6 of the Bidder’s Statement.
33.	<b>Is there a number that I can call if I have questions in relation to the Offer?</b>	<p>If you have any queries in relation to the Offer, please contact either Peter Velez or James Beecher, the Independent Directors on 1300 788 568 between 9:00am and 5:00pm (Sydney time) on Monday to Friday.</p> <p>Enquiries on individual shareholdings should be directed to 1300 737 760 (international calls: +61 2 9290 9600).</p>	

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#### 4. YOUR CHOICES AS A CBG SHAREHOLDER

As a CBG Shareholder you have three options available to you. These options are set out below.

You should note that:

- a) the Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders;
- b) the Independent Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a superior proposal;
- c) each of the Independent Directors intends to **ACCEPT** the Offer in respect of the CBG Shares which they own or control in the absence of a superior proposal; and
- d) the Independent Directors encourage you to read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement and to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your CBG Shares.

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##### **Option 1 ACCEPT the Offer**

To **ACCEPT** the Offer, you must follow the instructions set out in section 2.7 of the Bidder's Statement which was sent to you by CAM.

Details of the Consideration that will be received by CBG Shareholders who accept the Offer are set out in section 5.2 of this Target's Statement and in the Bidder's Statement.

The Offer is open for acceptance until 7.00 pm (Sydney time) on 9 September 2019, unless it is extended or withdrawn.

See section 14.9 of the Bidder's Statement for and section 5 of this Target's Statement for further details on the Offer.

There are risks associated with an investment in CAM. Refer to the risk factors in section 8 of this Target's Statement and section 10 of the Bidder's Statement for further information.

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##### **Option 2 Sell your CBG Shares on ASX**

CBG Shareholders who have not already accepted the Offer can still sell their CBG Shares on market for cash.

On 31 July 2019, being the last trading day before the Approval Date, the trading price of CBG Shares closed at \$1.005. The latest price for CBG Shares may be obtained from the ASX website [www.asx.com.au](http://www.asx.com.au).

CBG Shareholders who sell their CBG Shares on market may be liable for CGT on the sale (see section 11 of the Bidder's Statement).

CBG Shareholders who wish to sell their CBG Shares on market should contact their broker for information on how to effect that sale.

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**Option 3  
Do not accept the  
Offer**

CBG Shareholders who do not wish to accept the Offer or sell their CBG Shares on market should do nothing.

By doing nothing, you will remain a CBG Shareholder. However, CBG Shareholders should note as follows:

- a) if CAM acquires **between 50.1% and 90.0%** of the CBG Shares and the Offer becomes unconditional, you will be a minority shareholder of CBG and there may be important consequences of that (see sections 8.1c) and 8.1e) of this Target's Statement for discussion about some of the consequences of minority ownership).
- b) if CAM **acquires 90% or more** of the CBG Shares and the Offer becomes unconditional, CAM may be able to compulsorily acquire your CBG Shares and the other remaining CBG Shares. In this scenario, you and the other CBG Shareholders will receive the same Offer Consideration, but you may not be registered as the holder of your New CAM Securities (unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder) in time to be entitled to receive some future CAM Share dividends and CAM Note interest payments depending on how long the compulsory acquisition process takes to complete. Following completion of the compulsory acquisition process and CBG Shareholders receive their CAM Securities, they would then be entitled to future CAM Share dividends and CAM Note interest payments (unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder).

## **4.2 Taxation consequences**

The taxation consequences of accepting the Offer or selling CBG Shares on-market depend on a number of factors and will vary depending on your particular circumstances.

Section 11 of the Bidder's Statement provides a general outline of the income tax implications of accepting the Offer for certain Australian tax resident CBG Shareholders. This summary is general in nature and, as the circumstances for each CBG Shareholder may vary you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

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## 5. OFFER DETAILS

### 5.1 Background to the Offer

On 18 June 2019, CBG and CAM announced a recommended merger by way of a scrip-for-scrip offer for CBG by way of an off-market takeover bid.

By the time you receive this Target's Statement, you should also have received the Bidder's Statement, containing the full terms of the Offer, together with other information material to your decision whether or not to accept or reject the Offer.

CBG Shareholders should refer to the Bidder's Statement for the full formal terms of the Offer.

### 5.2 The Offer

- a) Under the Offer, CBG Shareholders will receive:
  - (i) 0.8441 fully paid ordinary shares in CAM (**CAM Shares**); plus
  - (ii) 0.2740 listed convertible notes issued by CAM (ASX:CAMG) (**CAM Notes**),for every CBG Share. Foreign Ineligible Shareholders and Unmarketable Parcel Holders will be paid the net cash sale proceeds of the New CAM Securities which they would otherwise have received. Please refer to section 14.7(c) of the Bidder's Statement for further information.
- b) If you accept the Offer and are entitled to receive a fraction of a CAM Share or a CAM Note, that fractional entitlement will:
  - (i) if less than 0.5, be rounded down to zero; and
  - (ii) otherwise, be rounded up to one CAM Share or CAM Note (as applicable).
- c) The CAM Shares issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Shares from the date of issue.
- d) The CAM Notes issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Note from the date of issue.

### 5.3 Offer Period

The Offer is open for acceptance from 1 August 2019 and will close at 7.00pm (Sydney time) on 9 September 2019 (unless extended or withdrawn in accordance with the Corporations Act).

### 5.4 Extension of the Offer Period

CAM may extend the Offer Period at any time before giving the notice of status of Conditions on 2 September 2019 while the Offer is subject to the Conditions. However, if the Offer is still subject to a defeating condition, and CAM has provided notice of the status of Conditions under s630(3) of the Corporations Act, CAM can only extend the Offer if:

- a) another person lodges with ASIC a bidder's statement for a takeover bid for CBG Shares;
- b) another person announces a takeover bid for CBG Shares;
- c) another person makes offers under a takeover bid for CBG Shares; or

- d) the consideration for offers under another takeover bid for CBG Shares is improved.

If, within the last 7 days of the Offer Period:

- e) the offers under the bid are varied to improve the Offer Consideration offered;  
or
- f) CAM's Voting Power in the CBG increases to more than 50%,

the offer period is extended so that it ends 14 days after the event referred to in paragraph 5.4e) or 5.4f). CAM must give the target and everyone who has not accepted an offer under the bid written notice that the extension has occurred within 3 days after that event.

## 5.5 Conditions of the Offer

The Offer and the contract that results from acceptance of the Offer are each subject to the fulfilment of the following conditions:

- a) **minimum acceptance condition:** during, or at the end of the Offer Period, CAM has Relevant Interests in at least 50.1% of the CBG Shares;
- b) **no change in investment management arrangements:** between the Announcement Date and the end of the Offer Period (each inclusive), the Investment Management Agreement is not terminated, amended or assigned, and no proposal to terminate, amend or assign the Investment Management Agreement is made (in each case, other than by or to CAM or its Associates);
- c) **market fall:** the S&P/ASX 200 Index not closing on a trading day during the Offer Period at a level that is 10% or more below the level on the trading day immediately prior to the date of CAM's Bidder's Statement and remaining at or below that level for at least 3 consecutive trading days;
- d) **no regulatory intervention:** during the period from the Announcement Date to the end of the Offer Period (each inclusive):
  - (i) no preliminary or final decision, order or decree is made or issued;
  - (ii) no action, proceeding or investigation is announced, commenced or threatened; and
  - (iii) no application is made (other than by CAM or its Associates),  
  
by or to any regulatory organisation or Governmental Agency which is likely to or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the CBG Shares by CAM, the rights of CAM in respect of CBG and the CBG Shares or the continued operation of the businesses of CBG or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act);
- e) **no prescribed occurrences:** during the period from the date on which the Bidder's Statement is given to CBG and the end of the Offer Period (each inclusive), none of the following events occur:
  - (i) CBG converts all or any of its shares into a larger or smaller number of shares;
  - (ii) CBG or a subsidiary of CBG resolves to reduce its share capital in any way;



- (iii) CBG or a subsidiary of CBG:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
  - (iv) CBG or a subsidiary of CBG issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (v) CBG or a subsidiary of CBG issues, or agrees to issue, convertible notes;
  - (vi) CBG or a subsidiary of CBG disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
  - (vii) CBG or a subsidiary grants, or agrees to grant, a security interest over the whole or a substantial part of its business or property;
  - (viii) CBG or a subsidiary resolves to be wound up;
  - (ix) a liquidator or provisional liquidator of CBG or of a subsidiary is appointed;
  - (x) a court makes an order for the winding up of CBG or of a subsidiary;
  - (xi) an administrator of CBG, or of a subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (xii) CBG or a subsidiary executes a deed of company arrangement;
  - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of CBG or of a subsidiary;
  - (xiv) CBG makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
  - (xv) CBG or a subsidiary of CBG incurs any financial indebtedness or issues any debt securities, other than in the ordinary course of business; and
- f) **no prescribed occurrences between Announcement Date and date of Bidder's Statement:** during the period beginning on the Announcement Date and ending on the day before the Bidder's Statement is given to CBG (each inclusive), none of the events listed in sub-paragraphs (i) to (xv) of section 5.5e) occur.

## 5.6 Status of Conditions

CAM must give notice of the status of the Conditions as required by section 630 of the Corporations Act. The date CAM must provide notice of the status of the conditions is 2 September 2019, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

## 5.7 Limitations on Bidder's intentions

The intentions and statements of future conduct of CAM must be read as being subject to:

- a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in

relation to conflicts of interest and “related party” transactions given that, if CAM gains control of CBG but does not acquire all of the CBG Shares, it will be treated as a related party of CBG for these purposes; and

- b) the legal obligation of the CBG directors at the time, including any nominees of CAM, to act in good faith and the best interests of CBG and for proper purposes and to have regard to the interest of all CBG Shareholders (in which regard the role of independent directors of CBG will also be important).

#### **5.8 Lapse of the Offer**

The Offer will lapse if the Conditions referred to in 5.5 of this Target’s Statement and section 14.8 of the Bidder’s Statement are not fulfilled by the end of the Offer Period.

#### **5.9 Effect of any increase in the ASX quoted price for CBG Shares**

If you accept the Offer you will not be able to benefit from any increase in the ASX quoted price for CBG Shares.

#### **5.10 Further developments**

Should there be any developments during the Offer Period (for example, the emergence of a superior proposal from CAM or a third party) which would alter the Independent Directors’ recommendations in relation to the Offer, CBG Shareholders will be notified through a supplementary Target’s Statement.

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## **6. CBG PROFILE**

### **6.1 Company Overview**

CBG was incorporated on 4 April 2014 to undertake investments consistent with its investment strategy, outlined below. The Company provides investors with an opportunity to invest in a listed vehicle which aims to primarily invest in Australian listed securities.

The Company has employed an experienced investment manager with a strong track record to manage CBG. The CBG Investment Manager, has other unlisted funds managed in substantially the same way as CBG. The first fund, Clime CBG Australian Equities Fund (wholesale) has a 17 year track record and the second fund, CBG Australian Equities Fund (retail), has a 13 year track record.

### **6.2 Investment objective**

The objective of the Company is to achieve an attractive rate of return for Shareholders over the medium to long term (five to seven years), while minimising the risk of permanent capital loss. The Company aims to provide both capital growth and franked dividend income.

CBG aims to pay a growing stream of fully franked dividends twice per year.

### **6.3 Overview of investment strategy**

CBG believes that attractive long term investment returns can be achieved through a disciplined investment process, using bottom-up fundamental analysis and with a focus on high quality companies.

CBG undertakes a detailed investigative process and seeks to understand the unique drivers of value for each company, then to identify opportunities where that intrinsic value is not reflected in the current stock price.

Investments are considered based on a time horizon of at least two to three years, enabling the Company to benefit from a shorter term focus of most institutional investors.

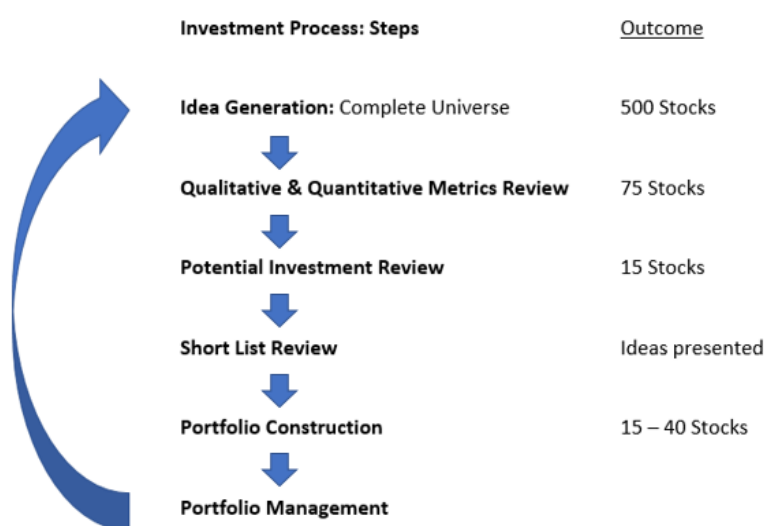
The Company looks for a number of attributes that consistently apply to securities which produce attractive returns. In particular:

- a) a strong management team that is delivering on a robust strategy and generating value for shareholders;
- b) solid free cash flow;
- c) a strong competitive position;
- d) a supportive industry structure;
- e) strong balance sheet; and
- f) attractive earnings or cash flow multiples relative to earnings risks and growth prospects.

CBG believes this approach to investing works because it believes that the market regularly displays pricing inefficiencies.

## 6.4 Overview of investment process

CBG undertakes a rigorous approach to stock selection and portfolio management. Ronni Chalmers, the Executive Chairman of the Board, in conjunction with an investment team of ten full time professionals have overall responsibility for the construction and management of the CBG portfolio with research responsibilities assigned by market cap sub portfolios and specific industry sectors. Investment decisions are driven by bottom-up stock analysis, overlaid with macro and industry level considerations.



## 6.5 Overview of CBG's investments

CBG invests primarily in shares of listed companies included in the S&P/ASX 200 Index. It also invests in listed shares outside of the S&P/ASX 200 Index and may acquire shares in IPOs on the ASX, as well as cash and listed interest rate securities (hybrids) (see table below). The Company also has the flexibility to invest up to 10% of the market value of the CBG in shares of listed international companies however has no interests in listed international companies as at the date of this Target's Statement.

NTA before tax	Total Portfolio Including Cash	Rolling 12 month dividend	Historical Dividend Yield
\$1.08	\$28.1m	3.3cps	3.3%

## Net Tangible Assets (NTA)

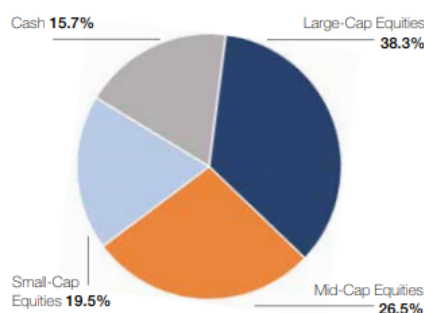
	June	May**
NTA before tax	\$1.08	\$1.07
NTA after tax*	\$1.04	\$1.03
CBC Share Price	\$1.01	\$0.93
Shares on issue (million)	26.2m	26.2m

\* Please note that the post-tax figures are theoretical, assuming all holdings in the portfolio are sold and then tax paid on the gains that would arise on this disposal.  
 \*\* NTA & share price for May are after payment of 1.7cps dividend on 23 May 2019.

## Company Overview (\$m)

Australian Securities	\$23.7
Net Cash & Equivalents	\$4.4

## Gross Asset Allocation



## Top Holdings (% of Gross Assets)

Australian Equities	
BHP Limited	6.0%
National Australia Bank Limited	5.4%
Westpac Banking Corporation Ltd	5.3%
Amcor Limited	5.2%
Webjet Limited	3.6%
Other	58.8%
<b>Cash</b>	<b>15.7%</b>

## 6.6 CBG Investment Manager: background and business

The CBG Investment Manager, CBG Asset Management Limited, is an active, boutique Australian equities investment manager. It was formed in 2001 and is currently 100% owned by Clime Investment Management Limited. The CBG Investment Manager has a strong track record of outperforming its benchmark in the two existing funds which it manages. The investment team has combined investment experience of over 150 years. The CBG Investment Manager has incentive arrangements in place to align the interests of the CBG Investment Manager and staff with the interests of CBG Shareholders. The business of the CBG Investment Manager is solely focused on investment management.

## 6.7 Key personnel of the CBG Investment Manager

Name / position	Experience
John Abernethy / Director	Chairman of Clime Capital Limited and Founder & Director of Clime Investment Management Limited
Rod Bristow / Director	Chief Executive Officer of Clime Investment Management Limited
Ronni Chalmers / Director	Investment Director
Adrian Ezquerro	Head of Investments

## 6.8 CBG Investment Manager Performance History

The estimated pre-tax net return of CBG since inception was 29.0% (5.8% per annum).<sup>6</sup>

<sup>6</sup> Past performance is no guarantee of future performance.

## **6.9 Overview of financial performance and history**

Refer to section 3.3 of the Independent Expert's Report for further details on CBG's financial performance and history.

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## **7. INFORMATION ABOUT CAM**

### **7.1 Disclaimer**

The following information on CAM is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by CBG including the Independent Directors. CBG does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on CAM in this Target's Statement should not be considered comprehensive. Further information about CAM is set out in the Bidder's Statement, and may also be obtained from the CAM website at [www.climecapital.com.au](http://www.climecapital.com.au). Information obtained in or otherwise accessible from that website does not form part of this Target's Statement. CAM may be required to lodge documents with ASIC. Copies of documents lodged with ASIC by CAM may be obtained from, or inspected at, an ASIC office.

The Independent Directors recommend that you read section 3 of the Bidder's Statement which provides further detailed information on CAM.

### **7.2 Overview of CAM and its directors**

CAM was listed on the ASX in February 2004 to provide investors with the opportunity to participate in a long-term approach to investing using the Clime Group investment style of investing in quality companies with a strong valuation discipline. The capital structure of CAM comprises ordinary shares and convertible notes. CAM's purpose is to deliver value to shareholders based on their corporate values of integrity, transparency and conviction.

The directors of CAM and their backgrounds as detailed in the Bidder's Statement are:

a) *John Abernethy BCom (Ec), LLB (Non-Executive Chairman)*

John was appointed director on 31 July 2009. John has over 35 years' funds management experience in Australia having been General Manager Investments of the NRMA. John is a non-executive director of WAM Research Limited, Australian Leaders Fund Limited, Watermark Market Neutral Fund, Watermark Global Limited, Jasco Holdings Limited and Clime Private Limited. Mr. Abernethy is also an executive director of Clime Investment Management Limited.

John is a member of the Nomination Committee and Remuneration Committee of CAM.

b) *Julian Gosse (Independent Non-Executive director)*

Julian was appointed non-executive director in September 2003. He has extensive experience in banking and broking both in Australia and overseas, having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. Julian has also been involved in the establishment, operation and ownership of several small businesses. Julian is a non-executive director of Australian Leaders Fund Limited and WAM Research Limited.

Julian is Chairman of the Nomination and Remuneration Committee and Audit Committee of CAM.

c) *Brett Spork BBus (Independent Non-Executive director)*

Brett was appointed independent Director of CAM in May 2011. Brett has extensive experience in the Funds Management, Banking and Financial Services sectors. Brett's previous roles include CEO of B.T.I.G., CEO of

E\*Trade Australia and Executive Director with Macquarie Bank. Brett is a director of Shell Cove Capital Management Limited, PM Capital Global Opportunities Fund Limited, PM Asian Opportunities Limited and EAT Displays Pty Limited.

Brett is a member of the Nomination and Remuneration Committee and Audit Committee of CAM.

### **7.3 CAM investment approach**

CAM's investment focus is on achieving strong risk-adjusted returns for shareholders in excess of the benchmark for lower levels of risk.

CAM's portfolio is managed by the CAM Investment Manager, Clime Asset Management Pty Limited, a wholly-owned subsidiary of Clime Investment Management Limited. The CBG Investment Manager is also a wholly-owned subsidiary of Clime Investment Management Limited.

The CAM Investment Manager believes that attractive long-term investment returns can be achieved through the implementation of a disciplined investment process, using bottom-up fundamental analysis and with a focus on high quality companies. While CAM's approach is therefore more focused on bottom-up analysis as a primary driver, a macro-economic overlay is applied within the investment process.

CAM's 'All Cap' strategy is employed to look 'beyond the blue chips', in order to deliver meaningful growth and income across the small-cap and mid-cap, as well as large-cap market segments. CAM has the ability to hold elevated cash levels when market risks are considered to be excessive or value is not apparent. The CAM Investment Manager has the ability to look across listed and unlisted asset classes to seek returns.

### **7.4 CAM historic historical financial information**

The Independent Directors recommend that you read section 3.4 of the Bidder's Statement which provides detailed historical financial information on CAM.

### **7.5 CAM Dividend policy**

CAM is committed to paying quarterly fully franked dividends to CAM Shareholders, subject to CAM having sufficient profit reserves and franking credits and dividend payment being within prudent capital management practice.

CAM's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. The current investment portfolio of CAM has a high level of income generation from its shares and yielding investments.

Dividends have historically been paid on a quarterly basis and CAM's dividend reinvestment plan is currently available to CAM Shareholders for all quarterly dividends. The current subscription price for CAM Shares issued pursuant to the CAM dividend reinvestment plan is a 1% discount to the weighted average market price of CAM Shares sold on the ASX on the record date and the three trading days preceding that date.

More information on CAM's dividend reinvestment plan rules can be found on CAM's website at <https://www.climecapital.com.au>. Refer to sections 3.5 and 4.5 of the Bidder's Statement for further details of CAM's dividend policy and payment history respectively.

### **7.6 Information on CAM Share and CAM Notes**

Information regarding CAM's shares is provided in section 4 of the Bidder's Statement.



The CAM Shares to be issued under the Offer will be issued fully paid and will rank equally for dividends and other rights with existing CAM Shares.

The principal rights attaching to CAM Shares set out in the CAM constitution and a summary is provided in section 4.7 of the Bidder's Statement.

A summary of the significant rights and liabilities attaching to CAM Notes is provided in section 4.8 of the Bidder's Statement and the full terms of the CAM Notes are set out in Appendix C of the Bidder's Statement.

#### **7.7 CAM's Relevant Interests in CBG**

As at the Approval Date, CAM holds a Relevant Interest in 391,419 CBG Shares.

#### **7.8 CAM's Voting Power in CBG**

As at the Approval Date, CAM's aggregate Voting Power in CBG through its Relevant Interests is 1.50%.

#### **7.9 Consideration provided for CBG securities during previous four months**

CBG and its Associates have not acquired or disposed of CBG Shares during the period of four months immediately before the date of the Offer except via an on-market share buy-back conducted by CBG. For further details of the buy-back please refer to CBG's ASX Announcement dated 11 January 2019 "Announcement of buy-back - Appendix 3C".

#### **7.10 CBG's related party arrangements**

##### **a) *Investment Management Agreement***

The Company has entered into the Investment Management Agreement with CBG Asset Management such that it will manage investments of the Company and will be responsible for the provision of the financial services for a fee of 1.0% p.a. (exclusive of GST) of the net tangible asset of the portfolio before all taxes. In addition, CBG Asset Management is entitled to be paid by the Company, a performance fee of 20% (exclusive of GST) of the portfolio performance in excess of the benchmark, subject to the portfolio performance being positive and subject to a high water mark. As at 30 June 2019, Clime Investment Management Limited, parent company of CBG Asset Management Limited, owns 268,607 ordinary shares in the Company.

##### **b) *Management services***

The Company's Chairman, Mr Ronni Chalmers, and the CBG company secretary are employed by Clime Investment Management Limited (the parent company of the CBG Investment Manager) and do not receive any form of direct remuneration from the Company. Instead, Clime Investment Management Limited receives fees from CBG designed to cover the cost of provision of these services and Clime Investment Management Limited settles these amounts directly with Mr Ronni Chalmers and the CBG company secretary.

FY2019 included \$15,822 paid / payable to Clime Investment Management Limited for the services rendered by the Chairman, Mr Ronni Chalmers, and one of CBG's former directors. Refer to CBG's Appendix 4E and preliminary final report for the financial year ended 30 June 2019 for further information.

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## 8. RISK FACTORS

In considering this Target's Statement and the Offer, CBG Shareholders should be aware that there are a number of risks which apply to accepting the Offer. There are also risks associated with the alternative of a continuing investment in CBG. A non-exhaustive list of relevant risk factors is provided in this section 8.

CBG Shareholders should consider seeking professional advice (about the risks associated with accepting the Offer and those associated with a continuing investment in CBG), which takes into account their individual investment objectives, risk appetite and financial circumstances.

As both CBG and CAM operate as listed investment companies with very similar management arrangements and investment mandates, many of the risk factors summarised in this section 8 that are applicable to CBG will also apply to CAM (and the Merged Group, should CAM acquire all of the remaining CBG Shares that it does not already own) and vice versa. Accordingly, a number of the risks outlined in the Section apply to you whether you decide to accept or reject the Offer. You should read all of this Section 8, as well as the discussion of risks set out in Section 10 of the Bidder's Statement, before deciding what approach to take to the Offer.

### 8.1 Risks associated with the Offer

#### a) **Future financial and operational performance of CAM and the Merged Group**

If you accept the Offer and the Offer becomes unconditional, you will receive New CAM Securities as consideration for your CBG Shares (unless you are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder). The value of your New CAM Securities will depend on the future financial and operational performance of CAM and, if CAM acquires all of the CBG Shares that it does not already own, the Merged Group. There are a number of risks, both general and specific, which could materially adversely affect the future operating and financial performance of CAM and, if CAM acquires all of the CBG Shares that it does already own, the Merged Group.

Certain general and specific risk factors that apply to an investment in CAM and the Merged Group (should CAM acquire all of the remaining CBG Shares that it does not already own) are also set out in section 10 of the Bidder's Statement. The risk factors set out in sections 8.1, 8.2 and 8.3 of this Target's Statement will also apply to CAM and the Merged Group.

Accordingly, CBG Shareholders should carefully consider the risk factors set out in sections 10 of the Bidder's Statement, and sections 8.1, 8.2 and 8.3 of this Target's Statement, before deciding whether to accept the Offer.

#### b) **Value of Bidder securities**

CBG Shareholders who accept the Offer will receive New CAM Securities in exchange for their CBG Shares (unless they are a Foreign Ineligible Shareholder or an Unmarketable Parcel Holder). The value of New CAM Securities will depend on the future performance of CAM.

#### c) **Minority ownership consequences, effective Control and limited acceptance risk**

Refer to section 7 of the Bidder's Statement where CAM describes its intentions depending on the level of Control that it acquires in CBG.

In the event that CAM achieves a Relevant Interest in greater than 50.1% of CBG Shares, it will have the ability to substantially control CBG. This means

that CBG Shareholders who do not accept the Offer will become minority Shareholders in CBG.

Achieving a Relevant Interest in greater than 50.1% of CBG Shares means that CAM has the ability to make material decisions concerning the business of CBG including, amongst other things:

- (i) CAM will be able to cast the majority of votes at any general meeting of CBG (except in circumstances where it is excluded from voting);
- (ii) subject to the requirements of CBG's constitution, CAM may be in a position to significantly influence the composition of the Board and management and the strategic direction of the business of CBG and its subsidiaries;
- (iii) the liquidity of CBG Shares would likely become lower as CAM increases their holding in CBG; and
- (iv) if CAM ends up with a shareholding of greater than 75% of CBG Shares, it will be able to pass special resolutions at a general meeting of CBG Shareholders,

subject to the constitution of CBG, the Corporations Act and Listing Rules.

While CAM does not presently intend to do so, it is open to CAM to declare the Offer free from the 50.1% minimum acceptance condition. If CAM were to waive this condition and does not achieve acceptances in respect of 50.1% of the issued CBG Shares, CBG will not become a subsidiary of CAM and CAM's ability to determine the financial and operating policies of CBG may be constrained.

The ability of CAM to influence the affairs of CBG will depend on, among other things, the extent of acceptances it receives under the Offer and subsequently, its ability to secure the appointment of its nominees to the board of CBG and the composition of the remaining share register of CBG. CAM's ability to realise synergies from the Offer will be further constrained in these circumstances.

d) **Issue of New CAM Securities**

Pursuant to the Offer, CAM will issue a significant number of New CAM Securities. Some CBG Shareholders may not wish to continue to hold New CAM Securities which they receive and may sell them on ASX. Further, a nominee appointed by CAM (and approved by ASIC) will be issued any New CAM Securities attributable to Foreign Ineligible Shareholders or Unmarketable Parcel Holders and will sell them. Refer to section 14.7(c) of the Bidder's Statement for further information.

If a significant number of New CAM Securities are sold, or there is a significant number of CBG Shares held by Foreign Ineligible Shareholders or Unmarketable Parcel Holders (resulting in a significant number of New CAM Securities sold by the nominee) the price at which CAM Shares or CAM Notes are traded on ASX may be adversely affected.

e) **Illiquidity**

If CAM fails to acquire sufficient CBG Shares to be entitled to compulsorily acquire all outstanding CBG Shares but nonetheless declares the Offer unconditional, non-accepting CBG Shareholders may find themselves as minority shareholders in a company with limited liquidity. In those circumstances there is a risk that CBG Shareholders may find it more difficult to sell their CBG Shares in the future.

f) **Compulsory acquisition**

If, after the end of the Offer Period, CAM becomes the holder of at least 90% of all CBG Shares, then CAM may be entitled to compulsorily acquire the CBG Shares that it does not own (see sections 7.2(a) and 7.3(g) of the Bidder's Statement for more information).

If you choose not to accept the Offer, and CAM exercises compulsory acquisition rights, you are likely to receive your Offer Consideration later than CBG Shareholders who accept the Offer.

g) **Taxation consequences of a change in control in CBG**

The taxation consequences of disposing of your CBG Shares pursuant to the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian income tax considerations of such a disposal is set out in section 11 of the Bidder's Statement.

You should carefully consider the taxation consequences of disposing of your CBG Shares pursuant to the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

If you intend to accept the Offer, you should read the Bidder's Statement and this Target's Statement carefully and if you are in doubt as to how to act, you should consult your financial, legal or other professional adviser immediately.

h) **Risk that the potential synergies or other benefits that are anticipated may not be achieved**

There is a risk that the cost savings, benefits and other efficiencies, including potential synergies, arising from the combination and integration of CBG and CAM may be lower than anticipated, whether in the scenario where CAM acquires less than 100% of CBG or in the scenario where it does. Any failure to achieve the anticipated cost savings, benefits and other efficiencies (including potential synergies) in these scenarios could impact the financial performance and position of CBG or (in circumstances where it does acquire 100% of CBG) the Merged Group.

i) **Possibility of a superior proposal emerging**

Whilst no superior proposal exists as at the date of this Target's Statement, a third party may emerge with a superior proposal. If you accept the Offer, other than in limited circumstances provided in the Corporations Act, you will not be able to accept any superior proposal and you will not be able to obtain any potential benefit associated with that superior proposal. Accepting the Offer will also preclude you from selling your Shares off-market to someone other than CAM.

j) **Other risks associated with the Offer**

Certain other risks associated with the Offer are summarised in section 10 of the Bidder's Statement. They include:

- (i) the risks associated with CAM acquiring more than 50.1%, but less than 90%, of the CBG Shares on issue;
- (ii) the risks associated with investing in CAM Notes; and

- (iii) the risks relating to the CAM business.

CBG Shareholders should also carefully consider these risks before deciding whether to accept the Offer.

## 8.2 Risks associated with rejecting the Offer and remaining as a CBG Shareholder

In considering this Target's Statement and the Offer, CBG Shareholders should be aware that there are a number of risks which may affect the future operating and financial performance of CBG and the price or value of CBG Shares.

As both CBG and CAM operate as listed investment companies with very similar management arrangements and investment mandates, the specific risk factors summarised in section 10 of the Bidder's Statement that apply to an investment in CAM (and the Merged Group, should CAM acquire all of the remaining CBG Shares that it does not already own) will similarly apply to an investment in CBG.

The risk factors summarised below may also affect the future operating and financial performance of CBG and are therefore also relevant when deciding whether or not to accept the Offer. These risk factors are either:

- a) not summarised in section 10 of the Bidder's Statement, because they are specific to CBG's current circumstances or the Offer; or
- b) where they are summarised in section 10 of the Bidder's Statement, there are further disclosures CBG considers it prudent to make in respect of the relevant risk factor.

If you do not accept the Offer and continue to hold CBG Shares, your investment in CBG will be subject to the risks summarised in section 10 of the Bidder's Statement and below, as well as other risks.

- a) **If you reject the Offer and CAM subsequently compulsorily acquires your CBG Shares, you may not receive future CAM dividend or CAM Notes interest**

In circumstances where you do not accept the Offer and your CBG Shares are subsequently compulsorily acquired, you and the other CBG Shareholders will receive the same Offer Consideration, but you may not be registered as the holder of your New CAM Securities in time to be entitled to receive some future CAM Share dividends and CAM Note interest payments (unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder). Following completion of the compulsory acquisition process and CBG Shareholders receive their CAM Securities, they would then be entitled to future CAM Share dividends and CAM Note interest payments (unless they are a Foreign Ineligible Shareholder or Unmarketable Parcel Holder).

- b) **CBG Share price absent the Offer**

While there are many factors that influence the market price of CBG Shares, it is possible that (assuming no competing proposal or superior proposal emerges) the market price of CBG Shares may fall if the Offer does not proceed. Refer to section 1.7 of the Bidder's Statement for more details on the risks associated with the Offer.

- c) **Reliance on the CBG Investment Manager**

The success and profitability of CBG in part depends upon the ability of the CBG Investment Manager to invest in Securities which have the ability to generate a return for CBG.

CBG is exposed to the risk that the CBG Investment Manager may cease to manage CBG. The ability of the CBG Investment Manager to continue to manage CBG in accordance with its mandate and the Corporations Act is dependent on the maintenance of the CBG Investment Manager's AFSL and its continued solvency. Maintenance of the AFSL depends, among other things, on the CBG Investment Manager continuing to comply with ASIC imposed licence conditions and the Corporations Act.

The CBG Investment Manager has the ability to transfer the Investment Management Agreement to another manager with the consent of the Company, which must not be unreasonably withheld or delayed. This may change the personnel responsible for managing CBG. Certain risks associated with the reliance on the CBG Investment Manager will be mitigated by being part of a Merged Group and having access to a greater number of investment professionals.

d) **Key man risk**

There is the risk that the Executive Chairman, Ronni Chalmers, may leave or be unable to continue in this role. Mr Chalmers is assisted in his role by other members of the investment team. Whilst Mr Chalmers has advised that he intends to remain as a fund manager with the broader Clime Group, there is no certainty that this will always remain the case or that Mr Chalmers will provide fund manager services to CBG in this capacity.

### 8.3 **General investment risks**

a) **Economic risk**

Investment returns are influenced by market factors, including changes in economic conditions (e.g. changes in interest rates and economic activity), changes to the legislative and political environment, as well as changes in investor sentiment. In addition, exogenous shocks, natural disasters, acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of CBG or the earnings and capital appreciation of CBG's investments or appreciation of CBC share price.

b) **Market risk**

There is a risk that equity securities generally may fall in value over short or extended periods of time. Financial markets tend to move in cycles, and individual security prices may fluctuate and underperform other asset classes over extended periods of time. Investors in CBG are exposed to this risk both through their holding in CBG Shares as well as through the Company's investments.

A fall in global equity markets, global bond markets or change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which shares trade.

c) **Interest rates**

Any variation in short and long-term interest rates has the potential to impact the operating results of CBG.

d) **Performance of other asset classes**

Good performance (or anticipated performance) of other assets classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the price at which shares trade on ASX.

e) **Derivatives risk**

Risks associated with using derivatives include the value of the derivative failing to move in line with the underlying asset and potential illiquidity of the derivative. There is also a risk that CBG or the CBG Investment Manager may not be able to meet payment obligations as they arise and regulatory risk and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract). To the extent the CBG Investment Manager's AFSL does not include the authorisations required for the CBG Investment Manager to provide advice or deal in derivatives, the CBG Investment Manager will engage external advisers with the appropriate AFSL authorisations.

f) **Operational costs**

Operational costs for CBG as a proportion of total assets will be affected by the level of total assets of CBG. Operational costs will represent a greater proportion of total assets and will reduce the operating results of the Company and accordingly the ability to make dividend payments of the Company.

g) **Regulatory risk**

CBG is exposed to the risk of changes to applicable laws or their interpretation which have a negative effect on CBG, its investments or returns to CBG Shareholders and the risk of non-compliance with reporting or other legal obligations.

h) **Credit or counterparty risk**

The strategies of CBG rely on the successful performance of contracts with external counterparties, including securities brokers and issuers of securities to which CBG may have investment exposure. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty.

i) **Strategy risk**

There is no guarantee that any aspect of the investment strategy will be successful.

j) **Legal risk**

There is a possibility that the actions of CBG may lead to litigation or other enforcement action. For example, CBG, the investments or management may be targeted by other stakeholders such as regulators and ASX. This can be costly and very time consuming. CBG may incur non-recurrent expenses. The CBG Investment Manager will seek to ensure any such costs are appropriately managed but if they are material, then actual costs could be substantially higher than estimates of ongoing costs.

k) **Limited diversification**

CBG may invest in securities whose returns are correlated due to common risk factors or the market prices of Australian equities as an asset class may be correlated. While the CBG Investment Manager seeks to diversify CBG's investments, there may be a concentration of exposure in individual securities or industries.

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## 9. ADDITIONAL INFORMATION

### 9.1 Issued capital

As at the date of this Target's Statement, CBG has 26,189,170 ordinary shares on issue.

### 9.2 Substantial CBG Shareholders

As at the Approval Date, the substantial shareholders of CBG and their Relevant Interests (including of their Associates) are as follows:

Holder and their Associates	CBG Shares held	Voting Power in CBG
Jacqueline Kay Pty Limited & Associated entities	2,698,800	10.31%
Dynasty Peak Pty Limited	1,781,365	6.80%

### 9.3 Effect on the Investment Management Agreement

CBG's primary material contract is the Investment Management Agreement. Under this, CBG must not prejudice or support any action that the CBG Investment Manager reasonably considers might have a material adverse effect on the exclusivity granted to the CBG Investment Manager.

CBG is also be required to pay a 'break fee' in the event of a change of control of CBG and CBG seeking to terminate the agreement. The break fee is equivalent to the last 12 months of the management fees plus any performance fees that would be payable.

CAM has indicated that if it Controls 90% or more of CBG Shares, it intends to terminate the Investment Management Arrangement and have the assets of CBG managed by the CAM Investment Manager. The CBG Investment Manager has also agreed to waive any termination fees or penalties for early termination where CAM received greater than 90% acceptances. As a result, there will be no cost to CAM Shareholders or CBG Shareholders.

CAM has further indicated that if it Controls more than 50.1% but less than 90.0% of the CBG Shares it does not currently intend to seek to have CBG terminate or vary the Investment Management Arrangement but to avoid double paying of management fees, CAM has agreed with the CAM Investment Manager that so long as the Investment Management Agreement remains on foot, it will not charge management fees in relation to any CBG Shares CAM acquires under the Offer.

### 9.4 Removal of CBG from the Official List

CAM has stated that in certain circumstances it may seek to have CBG removed from the Official List.

An entity may ask ASX to remove it from the Official List at any time, but ASX is not required to act on an entity's request for removal and may require conditions to be satisfied if it does so. A formal request to ASX for de-listing would need to be made by CBG to ASX setting out:

- the reasons for seeking to be removed from the Official List;
- whether shareholder approval is being sought for the removal; and
- what, if any, arrangements will be in place to enable shareholders to sell their shares in the lead up to, and / or after, removal.



In practice, ASX's decision to not act upon an entity's request for de-listing exists to ensure that the removal is being sought for acceptable circumstances. Published guidance notes that generally acceptable reasons for de-listing include, amongst other things, post takeover, scheme of arrangement or other control transactions and where directors have reason to believe listing is no longer in securityholders interest.

ASX has stated in published guidance that it is generally acceptable for any entity to be removed from the Official List if, as a result of a takeover, the entity only has a small number of remaining securityholders so its continued listing can no longer be justified.

Whilst ASX does not prescribe a minimum shareholding that the bidder must have, or a maximum number of remaining shareholders, before it will allow de-listing to occur.

Following a 'successful takeover bid', ASX will not usually require shareholder approval for the de-listing where:

- a) the bidder and its related bodies corporate Control at least 75% of the target's shares, but has not met the compulsory acquisition thresholds;
- b) excluding the bidder and its Related Bodies Corporate, there are less than 150 holders with a holding of \$500 or more (**Minimum Holding Requirement**);
- c) the Bidder foreshadowed in the Bidder's statement that it intended to seek to remove CBG from the ASX;
- d) the Offer remained open for at least 2 weeks following the Bidder and related body corporates obtaining 75% control of CBG; and
- e) the Company applies for removal from the list no later than 1 month after the close of the takeover bid.

## **9.5 CBG's dividend re-investment plan**

CBG has established a dividend reinvestment plan under which holders of ordinary CBG Shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a price determined by the Directors from time to time in accordance with the Corporations Act and Listing Rules.

CAM has indicated that if it Controls more than 50.1% but less than 90.0% of the CBG Shares, it intends to undertake a review of CBG's assets and policies and consider the appropriate dividend policy which may result in a reduction to CBG's dividend payout ratio over time.

## **9.6 Employee incentive schemes**

CBG does not have any employee incentive schemes in place.

## **9.7 Material Litigation**

The Company is not and has not been, in the 12 months preceding the date of this Target's Statement, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company. As far as the Independent Directors are aware, no such proceedings are threatened against the Company.

## **9.8 Transaction Expenses**

The Offer has resulted in CBG incurring fees and expenses that would not otherwise have arisen in FYE 2019 and FYE 2020. Based on the Offer proceeding and the current Offer Consideration, the aggregate amount of fees and expenses to be incurred

(or expected to be incurred) is currently estimated to be in the region of \$200,000 (exclusive of GST). These include:

- a) fees payable to legal advisers;
- b) fees payable to the Independent Expert in connection with the Independent Expert's Report; and
- c) costs relating to printing and despatch of this Target's Statement, Shareholder communications and other matters incidental to the Offer.

## **9.9 Consents**

- a) Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:
  - (i) Deloitte - to being named in this Target's Statement as the Independent Expert, and to the inclusion of the Independent Expert's Report and statements said to be based on statements made in the Independent Expert's Report;
  - (ii) each Director - to being named in this Target's Statement as a Director and to the inclusion of statements made by them;
  - (iii) Boardroom Pty Limited - to being named in this Target's Statement as the Company's share registry;
  - (iv) CBG Investment Manager – to being named in this Target's Statement as the investment manager for CBG; and
  - (v) Maddocks – to being named in this Target's Statement as legal advisers to CBG.
- b) Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:
  - (i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and
  - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.
- c) As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.
- d) Any CBG Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain statements which have

been included pursuant to ASIC Class Order 13/521 may request a copy by contacting CBG's company secretary during the Offer Period and such documents will be provided free of charge within 2 Business Days of such request.

- e) As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:
- (i) fairly representing a statement by an official person;
  - (ii) that are a correct and fair copy of, or extract from, what purports to be a public official document; or
  - (iii) that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication,

provided the statement was not made, or published, in connection with the Offer or CBG or any business, property or person the subject of this Target's Statement.

#### **9.10 ASIC declarations and Listing Rule waivers**

CBG has not been granted any modifications or exemptions by ASIC under the Corporations Act in connection with the Offer.

CBG has not been granted any waivers from ASX in relation to the Offer.

ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including CBG, in relation to the operation of Chapters 6 and 6A of the Corporations Act. Amongst other things, CBG has relied on ASIC Class Order 13/521 to include references to certain statements in this Target's Statement without obtaining the consent of those persons, and ASIC Corporations (Consents to Statements) Instrument 2016/72 to include information sourced from publications and journals as well as trading data. Refer to section 9.9 of this Target's Statement for further information.

#### **9.11 Continuous disclosure**

CBG is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules.

Copies of the documents filed with ASX may be obtained from ASX's website at [www.asx.com.au](http://www.asx.com.au) and CBG's website at [www.cbcapital.com.au](http://www.cbcapital.com.au). Copies of the documents lodged with ASIC in relation to CBG may be obtained from, or inspected at, an ASIC office. CBG Shareholders may obtain a copy of:

- a) CBG's Appendix 4E and preliminary final report for the financial year ended 30 June 2019;
- b) CBG's half year report for the half year ended 31 December 2018;
- c) CBG's annual report for the financial year ended 30 June 2018;
- d) CBG's constitution; and
- e) any document lodged by CBG with ASX between the release of CBG's half year report and the date of this Target's Statement,

free of charge upon request by contacting CBG's company secretary on 1300 788 568 (within Australia) or from ASX's website at [www.asx.com.au](http://www.asx.com.au). CBG's annual report,

constitution and this Target's Statement are also available on CBG's website at [www.cbgcapital.com.au](http://www.cbgcapital.com.au).

#### **9.12 No other material information**

- a) Under the Corporations Act, this Target's Statement is required to include all the information that CBG Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:
  - (i) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
  - (ii) only if the information is known to any Independent Director.
- b) In this context, the Independent Directors are of the opinion that the information that CBG Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept or reject the Offer is:
  - (i) the information contained in this Target's Statement, including in the Independent Expert's Report at Attachment 1;
  - (ii) the information contained in Bidder's Statement;
  - (iii) the information which has been previously disclosed by CBG as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC; and
  - (iv) the information contained in CBG ASX Announcements prior to the close of trading on ASX on 31 July 2019, being the last Business Day immediately before the Approval Date; and
- c) In deciding what information should be included in this Target's Statement, the Independent Directors have had regard to:
  - (i) the nature of the CBG Shares (being fully paid ordinary shares);
  - (ii) the matters which CBG Shareholders may reasonably be expected to know;
  - (iii) the fact that certain matters may reasonably be expected to be known to the professional advisers of CBG Shareholders; and
  - (iv) the time available to CBG to prepare this Target's Statement.
- d) The Independent Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

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**10. TARGET'S STATEMENT AUTHORISATION**

**10.1 Approval of Target's Statement**

This Target's Statement has been approved by a resolution of the Independent Directors on 1 August 2019.

Signed for and on behalf of CBG



.....  
**Peter Velez on behalf of the Independent Directors**

Director and Chairman of the Independent Directors  
CBG Capital Limited

Dated: 1 August 2019

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## 11. GLOSSARY

### 11.1 Defined terms

**A\$, \$, or AUD** means the lawful currency of Australia.

**AFSL** means Australian Financial Services Licence.

**Announcement Date** means 18 June 2019 being the date that the, "Recommended merger by way of scrip for scrip offer for CBG Capital Limited" ASX announcement was made by each of CAM and CBG Capital.

**Approval Date** means the date that the Independent Directors approved this Target's Statement in accordance with section 639(1)(a) of the Corporations Act, being 1 August 2019.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to that term in section 12(2) and section 50AA of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange.

**ASX Settlement Operating Rules** means the operating rules of ASX Settlement which govern the administration of CHES.

**Bidder's Statement** means the bidder's statement dated 1 August 2019 being the statement of CAM under Part 6.5 Division 2 of the Corporations Act (as amended by ASIC Class Order [CO 13/528]) relating to the Offer.

**Board** means the board of Directors of CBG.

**Business Day** means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.

**CAM** means Clime Capital Limited ACN 106 282 777 (ASX: CAM).

**CAM Investment Manager** means Clime Asset Management Pty Limited ACN 098 420 770.

**CAM Note** means a listed convertible note issued by CAM (ASX:CAMG) and **CAM Notes** has a corresponding meaning.

**CAM Share** means a fully paid ordinary share in the capital of CAM and **CAM Shares** has a corresponding meaning.

**CAM Shareholder** means a shareholder in CAM.

**CBG or Company** means CBG Capital Limited ACN 168 936 249 (ASX: CBC).

**CBG Investment Manager** means CBG Asset Management Limited ACN 098 327 809.

**CBG Share or Share** means a fully paid ordinary share in the capital of CBG and **CBG Shares or Shares** has a corresponding meaning.

**CBG Shareholder or Shareholder** means a person registered in the register of members of CBG as a holder of one or more CBG Shares as at the date of this Target's Statement.

**CGT** means capital gains tax.

**CHESS** means the Clearing House Electronic Subregister System of ASX.

**Clime Group** means Clime Investment Management Limited and its controlled entities.

**Clime Investment Management Limited** means Clime Investment Management Limited ACN 067 185 899.

**Conditions** means the conditions of the Offer set out in section 14.8 of the Bidder's Statement.

**Control** has the meaning given in section 50AA of the Corporations Act.

**Controlling Participant** in relation to your CBG Shares, has the same meaning as in the ASX Settlement Operating Rules.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Foreign Ineligible Shareholder** means a person whose address as shown in the register of members of CBG is in a jurisdiction other than Australia and its external territories or New Zealand, unless CAM determines otherwise, being satisfied by the law of that jurisdiction that it is lawful and not onerous to make the Offer to that person and to issue them with New CAM Securities and that it is lawful for that person to accept the Offer.

**Governmental Agency** means any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.

**Independent Board Committee** means the independent board committee established by the Board which comprises Directors not affiliated with CAM to, amongst other things, review, consider and evaluate the terms of the Offer.

**Independent Directors** means the directors of the Company that do not have interests in CAM and have provided the recommendations in this Target's Statement comprising Peter Velez and James Beecher.

**Independent Expert** means Deloitte Corporate Finance Pty Limited ACN 003 833 127.

**Independent Expert's Report** means the report prepared by the Independent Expert dated 31 July 2019, as set out in Attachment 1 to this Target's Statement.

**Investment Management Agreement** means the Investment Management Agreement between CBG and the CBG Investment Manager dated 17 September 2014.

**Listing Rules** means the official listing rules of ASX as amended, varied, modified or waived from time to time.

**Merged Group** means the group comprising of CBG and CAM that would be formed if CAM ultimately acquired 100% of the share capital of CBG Capital.

**New CAM Securities** means the CAM Shares and CAM Notes to be issued as Offer Consideration.

**NTA** means net tangible assets of CBG from time to time.

**Offer** means the conditional, off-market takeover offer by CAM under Chapter 6 of the Corporations Act to acquire all of the CBG Shares that it does not already own or Control.

**Offer Consideration** means:

a) 0.8441 CAM Shares; plus

b) 0.2740 CAM Notes,

for every CBG Share, rounded in accordance with the terms and conditions of the Offer (unless you are a Foreign Ineligible Shareholder or an Unmarketable Parcel Holder). Foreign Ineligible Shareholders and Unmarketable Parcel Holders will be paid the net cash sale proceeds of the New CAM Securities which they would otherwise have received. Refer to section 14.7(c) of the Bidder's statement for further details.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with Bidder's Statement.

**Officer** has the same meaning given to it in section 9 of the Corporations Act.

**Official List** means the official list of entities that ASX has admitted and not removed.

**Related Body Corporate** has the meaning given to that term in section 50 of the Corporations Act.

**Relevant Interest** has the same meaning as given to it in sections 608 and 609 of the Corporations Act.

**Securities** or **securities** has the same meaning as in Section 92 of the Corporations Act.

**Takeovers Panel** means the Australian Government Takeovers Panel.

**Target's Statement** means this document being the statement of CBG under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

**Unmarketable Parcel** means that number of CAM Shares or CAM Notes (as applicable) which is less than a Marketable Parcel (currently a parcel of less than \$500) calculated based on the highest closing price of CAM Shares or CAM Notes (as applicable) on the ASX during the period from the date of this Bidder's Statement until the earlier of the end of the Offer Period and 5 ASX trading days before the first day on which Bidder must provide Offer Consideration under the Offer.

**Unmarketable Parcel Holder** means an Unmarketable Parcel Shareholder or an Unmarketable Parcel Noteholder.

**Unmarketable Parcel Noteholder** means a CBG Shareholder which, if it accepted the Offer and the Offer Consideration were issued to it, such Offer Consideration would include an Unmarketable Parcel of CAM Notes.

**Unmarketable Parcel Shareholder** means a CBG Shareholder which, if it accepted the Offer and the Offer Consideration were issued to it, such Offer Consideration would include an Unmarketable Parcel of CAM Shares.

**Voting Power** has the meaning given in the Corporations Act.

## 11.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- a) the singular includes the plural and vice versa;
- b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;



- c) a reference to any gender includes all genders;
- d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;
- f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;
- g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;
- i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and
- j) headings are for convenience of reference only and do not affect interpretation.

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## 12. CORPORATE DIRECTORY

### Directors

Ronni Chalmers (Executive Chairman)  
James Beecher (Non-executive Director)  
Peter Velez (Non-executive Director)

### Legal Adviser

Maddocks  
Angel Place  
Level 27, 123 Pitt Street  
Sydney NSW 2000  
Australia

### Independent Expert

Deloitte Corporate Finance Pty Limited  
225 George St  
Sydney NSW 2000  
Australia

### Share Registry

Boardroom Pty Limited  
225 George St  
The Rocks, NSW 2000  
Australia  
Telephone: 1300 737 760

### Office

Level 13  
20 Hunter Street,  
Sydney, NSW 2000  
Australia

Telephone: 1300 788 568

Email: [enquiries@cbgam.com.au](mailto:enquiries@cbgam.com.au)  
Website: [www.cbcapital.com.au](http://www.cbcapital.com.au)





## **CBG Capital Limited**

Independent expert's report and Financial Services Guide

31 July 2019

# Financial Services Guide

## What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

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31 July 2019

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Sydney NSW 1220  
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Fax: +61 2 9255 8434

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The Independent Directors  
CBG Capital Limited  
PO Box H90  
Australia Square  
NSW, 1215 Australia

31 July 2019

Dear Independent Directors

## Re: Independent expert's report

## Introduction

On 18 June 2019 (**Announcement Date**), CBG Capital Limited (**CBG**) and Clime Capital Limited (**CAM**) announced an offer under which CAM acquires all CBG shares that it does not already own via a scrip-for-scrip off-market takeover offer (the **Offer**). Shareholders of CBG (**CBG Shareholders**) who accept the Offer will receive the following consideration for each CBG share held (the **Consideration**):

- 0.8441 fully paid listed ordinary shares in CAM (**CAM Shares**); and
- 0.2740 listed convertible notes issued by CAM (**CAM Notes**).

Both CBG and CAM are listed on the Australian Securities Exchange (**ASX**) and both primarily invest in Australian equities. CBG's investment portfolio is managed by CBG Asset Management Limited (**CBGAM**), a related party of Clime Asset Management Pty Limited, the investment manager of CAM.

The board of CBG has prepared a Target Statement containing the detailed terms of the Offer. An overview of the Offer is provided in Section 1 of our detailed report.

## Purpose of the report

The independent directors of CBG (the **Independent Directors**) have requested that Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) provide an independent expert's report advising whether, in our opinion, the Offer is fair and reasonable to CBG Shareholders. This report is to be included in the target statement to be sent to CBG Shareholders (**Target Statement**) and has been prepared for the exclusive purpose of assisting CBG Shareholders and no other party in their consideration of the Offer. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the CBG Shareholders and CBG, in respect of this report, including any errors or omissions however caused.

## Basis of evaluation

This independent expert's report has been prepared in a manner consistent with Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 *Contents of expert reports* (**RG 111**) and ASIC Regulatory Guide 112 *Independence of experts* (**RG 112**).

We have adopted the test of whether the Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC RG 111.

## Definition of value

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

## Summary and conclusion

In our opinion, the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders. In arriving at this opinion, we had regard to the following factors.

### The Offer is fair

According to ASIC RG 111, in order to assess whether the Offer is fair, the independent expert is required to compare the fair market value of a CBG share with the fair market value of the Consideration. The Offer is fair if the value of the Consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a CBG share (control basis) with the Consideration, having regard to both 50.1% ownership and 100% ownership scenarios. More detail is contained in section 5.

**Table 1: Comparison of fair market value of Consideration and CBG on a per CBG share basis**

\$ per CBG share	Basis	Section	Low	High
Fair market value of Consideration	Market method	5.3	1.02	1.06
Fair market value of a CBG share	Assets method	5.1.2	0.98	1.04
<b>Implied premium/(discount)</b>			<b>0.04</b>	<b>0.02</b>

Source: Deloitte Corporate Finance analysis

More specifically, we note the following:

- We valued a CBG share on a control basis in accordance with RG 111. The value per CBG share has been determined using the assets method, with the range of \$0.98 to \$1.04 based on the range of values derived having regard to both 50.1% and 100% ownership scenarios, and the impact of capitalised overheads. Our concluded value range is higher than trading prices in the one-month period preceding the Announcement Date, which supports the notion that our value range incorporates a control premium.
- Since accepting CBG shareholders will hold a minority interest in CAM, we valued the Consideration on a minority basis. The value of the Consideration attributable to each CBG share acquired was determined using the market method, with the range of \$1.02 to \$1.06 based on observed discounts to reported post-tax NTA (in the case of CAM Shares) and observed premia to face value (in the case of CAM Notes). The market method was cross-checked using the asset method.

The Consideration offered is above the fair market value of a CBG share. Accordingly, it is our opinion that the Offer is fair.

### The Offer is reasonable

In accordance with ASIC RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Offer is reasonable. We also present below the advantages, disadvantages and other considerations, which on balance, support a reasonable conclusion.

## **Advantages**

- CBG Shareholders who accept the Offer would receive a higher yield than they are currently receiving. For FY19, CAM's yield was 5.6% on CAM Shares and 6.0% on CAM Notes (refer to Section 4.6), as compared to CBG's dividend yield of 3.5% for the same period (refer to Section 3.6). These yields have remained relatively steady over the last three years, and as per CAM's bidder statement and offer (**CAM Bidder Statement**), the CAM Board does not intend to change its dividend policy.

Despite this, it should be noted:

- Yield on CAM Notes is not franked
  - CAM's higher yield is a consequence of maintaining a higher payout ratio (69% versus 40% for CBG) rather than it being driven by a higher return on net assets.
- The benefits of being a shareholder in a larger group include increased scale:
  - with potentially greater investor interest and therefore higher liquidity levels
  - with economies of scale and cost savings, which CAM management have estimated to be at least \$0.2m per annum (excluding director fee savings).

## **Disadvantages**

- The Independent Directors have decided to not declare a final dividend for the 6-month period ending 30 June 2019 for as long as the Offer remains live. Given the timing of the Offer Period, accepting CBG Shareholders will not receive a distribution on their CAM securities (both dividend and interest coupon) for this corresponding period as the new CAM securities will already be ex-dividend. Whilst our assessed value of the Consideration gives regard to recent trading (and therefore is ex-dividend), CBG Shareholders may be reliant on a steady yield which is not forthcoming. Further, depending on the timing of acceptance, accepting CBG Shareholders may not receive a distribution from CAM for the first quarter of FY20.
- By accepting the Offer, CBG Shareholders may not be able to receive the benefits from a superior proposal which may emerge.
- Scrip-for-scrip capital gains tax (**CGT**) roll-over relief is only available in relation to the CAM Shares portion of the Offer and only if CAM acquires at least 80% of CBG.
- Foreign ineligible CBG shareholders<sup>1</sup> and unmarketable parcel CBG shareholders (less than \$500 value) will not be entitled to receive CAM securities on acceptance of the Offer, but instead will receive the net cash proceeds from the sale of such CAM securities.

## **Other considerations**

- At the date of this report, we understand from the Independent Directors of CBG that no superior proposal has been received from any third party.
- The Independent Directors of CBG considered other alternatives to reduce the discount to NTA, such as maintaining the status quo and an orderly wind-up of the business. More specifically:
  - Maintaining the status quo is unlikely to solve the issue given the business is subscale, which is a challenge that has impacted the business for some time. Whilst current share buybacks, or increasing the dividend yield, would improve returns, it would reduce the available investment capital of the business which is already subscale
  - Any wind-up of the business would result in a value lower than our high value of \$1.04 (which reflects the fair value of net assets) but higher than our low value of \$0.98 (which reflects capitalised overheads), given the costs of winding up the business, terminating the management agreement with its investment manager early, and the low likelihood that any acquirer would pay any goodwill.
- Just as the value of a CBG share (relative to NTA) has improved post Announcement Date, it would likely decline to pre-announcement levels in the absence of the Offer.
- If CAM reaches at least a 50.1% interest in CBG, CBG Shareholders who do not accept the Offer risk becoming minority shareholders in a business which is likely to have lower liquidity and lower spread of shareholders as a consequence of CAM increasing its interest. The ability of minority CBG shareholders to influence the strategic direction of the business, including dividend policy, is likely to be reduced.

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<sup>1</sup> CBG shareholders whose address as shown in the register of members of CBG is in a jurisdiction other than Australia and its external territories or New Zealand



- The Offer provides CBG shareholders more flexibility in that they will have the ability to trade both a share and convertible note instrument.
- By accepting the Offer, CBG shareholders will hold an exposure to unlisted investments (currently 14% of total net assets of CAM) which are not as liquid as holding interests in listed investments.


## Opinion

**In our opinion, the Offer is fair and reasonable to CBG Shareholders. It is therefore in the best interests of CBG Shareholders.**

An individual securityholder's decision in relation to the Offer may be influenced by his or her particular circumstances. If in doubt, the securityholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



**Stephen Reid**  
Authorised Representative  
AR Number: 461011



**Tapan Parekh**  
Authorised Representative  
AR Number: 461009

# Glossary

Reference	Definition
\$	Australian dollars
Adjusted NTA	Reported NTA adjusted for any fair value movements considered appropriate
Adjusted NTA – Going concern	Adjusting reported net assets for both fair value movements and the capitalised value of corporate overheads
Announcement Date	18 June 2019
ASA	Auditing Standard
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
CAM	Clime Capital Limited
CAM Bidder Statement	CAM bidder statement and offer dated 19 July 2019
CAM Board	The CAM board of directors
CAM Directors	The current directors of CAM
CAM Notes	Listed convertible notes issued by CAM
CAM Shares	Listed ordinary shares in CAM
CBG	CBG Capital Limited
CBG Directors	Directors of CBG
CBG Shareholders	Shareholders of CBG
CBGAM	CBG Asset Management Limited
CGT	Capital gains tax
CIW	Clime Investment Management Limited (ASX:CIW)
Consideration	For each CBG share, 0.8441 fully paid listed ordinary shares in CAM and 0.2740 listed convertible notes issued by CAM
Deloitte	Deloitte Touche Tohmatsu
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
FYXX	Financial year ending 30 June 20XX
Independent Directors	Independent directors of CBG
Management Agreement	Management agreement between CBGAM and CBG
Merged Group	The enlarged CAM business post at least 50.1% ownership of CBG
NPAT	Net profit after income tax
NPBT	Net profit before income tax
NTA	Net tangible assets

Reference	Definition
Offer	CAM announced an offer under which CAM would acquire all CBG shares that it does not already own via a scrip-for-scrip off-market takeover offer
Offer Period	The period which the Offer remains open for acceptance by CBG Shareholders
Reported NTA	Net tangible assets recorded for financial reporting purposes
RG 111	ASIC Regulatory Guide 111 <i>Contents of expert reports</i>
RG 112	ASIC Regulatory Guide 112 <i>Independence of experts</i>
Target Statement	Target statement CBG sent to CBG Shareholders
VWAP	Volume weighted average price

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# 1 Overview of the Offer

## 1.1 Summary

On the Announcement Date, CBG and CAM announced an offer under which CAM acquires all CBG shares that it does not already own via a scrip-for-scrip off-market takeover offer. CBG Shareholders who accept the Offer will receive the following consideration for each CBG share held:

- 0.8441 fully paid listed ordinary shares in CAM; and
- 0.2740 listed convertible notes issued by CAM.

The CAM Shares will be issued on the same terms as existing CAM Shares and rank equally from the date of the issue. The CAM Notes will be issued on the same terms as the existing CAM Notes and at face value of \$0.96 per CAM Note. The CAM Notes have an interest coupon of 6.25% per annum, paid quarterly (no franking), and are convertible into CAM Shares at the option of the holder at any time before maturity on 30 November 2021 at a ratio of 1.025 CAM Shares for each CAM Note.<sup>2</sup>

Foreign ineligible CBG shareholders<sup>3</sup> and unmarketable parcel CBG shareholders will not be entitled to receive CAM securities on acceptance of the Offer. If these shareholders accept the Offer, they will receive cash amount calculated in accordance with Section 14.7 of the CAM Bidder Statement.<sup>4</sup>

Full details of the Offer are provided in Section 5 of the Target Statement.

## 1.2 Key conditions of the Offer

The Offer is subject to various conditions, the most significant being:

- **Minimum acceptance condition:** during, or at the end of the period which the Offer remains open for acceptance by CBG Shareholders (**Offer Period**), CAM has a relevant interest in at least 50.1% of CBG shares;
- **No change in investment management arrangements:** between the Announcement Date and the end of the Offer Period, the management agreement between CBG and CBGAM is not (or is not proposed to be) terminated, amended or assigned;
- **Market fall:** the S&P/ASX 200 Index not closing at a level that is 10% or more below the level on the trading day immediately prior to the release date of the CAM Bidder's Statement and remaining at that level for at least three consecutive trading days;
- **No regulatory intervention:** no regulatory intervention by any regulatory organisation or governmental agency that is likely to materially adversely affect the Offer, rights of CAM in respect of CBG and CBG shares, or continued operation of CBG's business; and
- **No prescribed occurrences occurring during the period from the date on which the CAM Bidder Statement is given to CBG and the end of the Offer Period:** These relate to CBG:
  - payment of a dividend
  - making any change to its capital structure such as by way of new share/note/option issuance, capital reduction, buyback or distribution
  - disposal of, or granting security over, a substantial part of the business or property
  - incurring financial indebtedness other than in the ordinary course of business
  - entering administration or being wound up.

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<sup>2</sup> This ratio has been adjusted from an initial 1:1 basis in accordance with clause 4.7 of the terms of the CAM Notes as a result of a bonus issue of CAM Shares undertaken in September 2018

<sup>3</sup> CBG shareholders whose address as shown in the register of members of CBG is in a jurisdiction other than Australia and its external territories or New Zealand

<sup>4</sup> Based on the CBG holdings report as of 30 June 2019, foreign ineligible CBG shareholders and unmarketable parcel CBG shareholders hold 0.08% of total CBG Shares

## 1.3 Intentions of CAM

According to the CAM Bidder Statement, the intentions of CAM in relation to CBG depend on whether it reaches the minimum threshold (i.e. 50.1%) and then at least 90%.

If CAM receives 50.1% ownership (but less than 90%), it intends to:

- control CBG;
- reconstitute the CBG board of directors (**CBG Board**) with nominees of CAM, subject to the Corporations Act, ASX listing rules and the constitution of CBG;
- maintain CBG's current management agreement, though not charge management fees for the portion of CBG Shares acquired under the Offer in order to avoid double counting of management fees;
- propose, through its nominees on the CBG Board, that CBG undertake a review of its assets and policies, which may result in a reduction in CBG's dividend payout ratio over time;
- consider an arrangement whereby CBG is removed from ASX listing if there is limited spread of CBG shareholders or limited liquidity;
- consider acquiring additional CBG Shares under the "creep" provisions of the Corporations Act. CAM may become entitled to compulsory acquisition rights at a later time and it may exercise those rights.

If CAM reaches 90% control, or more of CBG Shares and becomes entitled to proceed to compulsory acquisition of the remaining CBG Shares under the Corporations Act, CAM intends to:

- proceed to compulsorily acquire the remaining CBG Shares;
- seek to remove CBG from listing on the ASX;
- appoint all current directors of CAM (**CAM Directors**) to the CBG Board and to appoint all current CBG Directors to the CAM board of directors (**CAM Board**). CAM intends to reduce the number of CAM Independent Directors of CAM to three and reconstitute the CBG Board to have the same directors as the CAM Board;
- terminate the current investment management agreement between CBG and its investment manager CBGAM (a related party of Clime Investment Management Limited (ASX:CIW) (**CIW**)). CBGAM has agreed to waive any early termination fee or penalty for early termination of its investment management agreement if CAM achieves greater than 90% ownership;
- integrate CBG's investment portfolio with CAM and manage the expanded portfolio in accordance with CAM's investment strategy. The current Chairman of CBG and director of CBGAM, Ronni Chalmers, has advised that he intends to remain as a fund manager with the broader Clime Group; and
- review as appropriate, the capital structure of the Merged Group on an ongoing basis which may include the issuance of additional CAM Notes.

## 2 Basis of evaluation

### 2.1 Guidance

In undertaking the work associated with this report, we had regard to ASIC RG 111 in relation to the content of expert's report and ASIC RG 112 in respect of the independence of experts.

#### **ASIC RG 111**

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC RG 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J. The Offer is effected by a scrip-for-scrip, off-market conditional takeover bid.

In respect of control transactions, under ASIC RG 111, an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer, in the absence of any higher bids before the close of the offer.

To assess whether Offer is fair and reasonable to CBG Shareholders, we adopted the tests of whether the Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC RG 111.

### 2.2 Fairness

ASIC RG 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Offer is fair by comparing the value of each CBG share with the value of the Consideration.

The CBG Shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a CBG Shares has not been premised on the existence of a special purchaser.

The Consideration, which comprises the value of CAM Shares and CAM Notes, has been valued at fair market value and is not premised on the existence of a special purchaser, as defined above.

We have assessed the value of each CBG share, each CAM share and each CAM note by dividing the fair market value of the security by the number of securities on issue.

### 2.3 Reasonableness

ASIC RG 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Offer, we considered the following significant factors in addition to determining whether the Offer is fair:

- the existing CBG shares held by CAM
- the likely market price and liquidity of CBG shares in the absence of the Offer
- carry forward tax losses, cash flows or other benefits (both general and specific in nature) available to CAM upon achieving 100% ownership of CBG
- the value to an alternative bidder and the likelihood of an alternative offer being made
- the value of CBG shares under alternative scenarios
- implications associated with CBG Shareholders rejecting the Offer.

## 2.4 Limitations

This report should be read in conjunction with the declarations outlined in Appendix 1.

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (**AUASB**) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

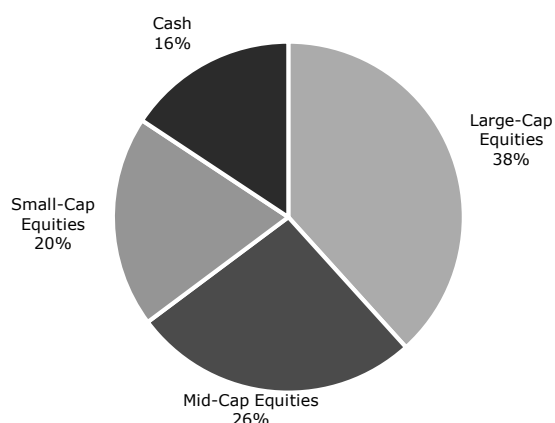


## 3 Profile of CBG

### 3.1 Overview

CBG is an ASX listed company founded in 2014 which primarily invests in ASX listed securities for the medium to long term with a focus on fundamental analysis and growth stocks. CBG manages a portfolio of between 40 and 60 stocks primarily in Australian large-cap and medium-cap equities and diversified across a range of industries with a focus on resources, banks and IT.<sup>5</sup>

**Figure 1: Gross asset allocation at 30 June 2019**



Source: CBG's NTA report at 30 June 2019

**Table 2: Top holdings at 30 June 2019**

BHP Limited	6.0%
National Australia Bank Limited	5.4%
Westpac Banking Corporation Ltd	5.3%
Amcor Limited	5.2%
Webjet Limited	3.6%
Other	58.8%
Cash	15.7%
<b>Total</b>	<b>100.0%</b>

Source: CBG's NTA report at 30 June 2019

In 2014, CBGAM was established as the investment manager of CBG's investment portfolio under a management agreement between the two parties (the **Management Agreement**) which has an initial term of ten years, with automatic five year extensions (unless terminated earlier in accordance with the agreement).<sup>6</sup> CBG may terminate the Management Agreement following the initial term on three months' notice if its shareholders pass an ordinary resolution; CBGAM is also entitled to terminate the Management Agreement on six months' notice. Under the Management Agreement, CBGAM is entitled to an annual management fee of 1% of the value of CBG's portfolio (calculated and paid monthly) and a performance fee of 20% of outperformance relative to the S&P/ASX 200 Accumulation Index and subject to a high water mark.<sup>7</sup> In July 2017, CBGAM was acquired by CIW, the parent entity of the investment manager of CAM.<sup>8</sup>

The directors of CBG are Ronni Chalmers (also the Chairman), Peter Velez and James Beecher.

### 3.2 Capital structure

The following table summarises the substantial shareholders and their interest in CBG as at 30 June 2019.

<sup>5</sup> CBG's website (<https://www.cbqcapital.com.au/>), Appendix 4E Preliminary Final Report for FY19, CBG's NTA report at 30 June 2019

<sup>6</sup> Management agreement between CBG Capital Limited and CBG Asset Management Limited dated 17 September 2014, FY18 CBG annual report, note H

<sup>7</sup> Management Agreement, clause 10

<sup>8</sup> CBG's website, FY18 CBG annual report: Remuneration report

**Table 3: CBG's substantial shareholders as at 30 June 2019**

Name	Number of shares (m)	% shares on issue
Dynasty Peak Pty Ltd	1.8	6.8%
Jacqueline Kay Pty Ltd	1.6	6.0%
<b>Total substantial shareholders</b>	<b>3.3</b>	<b>12.8%</b>
Other shareholders	22.8	87.2%
<b>Total shares on issue</b>	<b>26.2</b>	<b>100.0%</b>

Source: CBG shareholdings report as at 30 June 2019

Ronni Chalmers, James Beecher and Peter Velez effectively own 3.3%<sup>9</sup>, 0.2% and 0.2% of total shares on issue, respectively. As of 19 July 2019, CAM holds a relevant interest in 391,419 CBG Shares, representing 1.5% of total shares on issue. CIW directly holds 268,607 CBG Shares, representing 1% of total shares on issue.

In addition, 0.08% of CBG shares on issue are held by foreign shareholders and unmarketable parcel CBG shareholders.

### 3.3 Financial performance

CBG's income statements for the years ended 30 June 2017 (**FY17**), 30 June 2018 (**FY18**) and 30 June 2019 (**FY19**) are summarised in the table below.

**Table 4: Financial performance of CBG**

(\$'000 unless otherwise stated)	FY17 Audited	FY18 Audited	FY19 Unaudited
Investment revenue	848	970	997
Realised gain/(loss) on investments	335	135	1,631
Unrealised gain/(loss) on investments	439	2,568	684
<b>Total revenue</b>	<b>1,622</b>	<b>3,673</b>	<b>3,312</b>
<i>Revenue growth</i>	<i>58%</i>	<i>126%</i>	<i>-10%</i>
Management and performance fees	(243)	(329)	(415)
Transaction costs	(47)	(95)	(42)
Other expenses	(286)	(282)	(326)
<b>Total expenses</b>	<b>(576)</b>	<b>(706)</b>	<b>(783)</b>
<i>Cost growth</i>	<i>-47%</i>	<i>23%</i>	<i>11%</i>
<b>Net profit before income tax (NPBT)</b>	<b>1,046</b>	<b>2,967</b>	<b>2,529</b>
<i>NPBT margin</i>	<i>64%</i>	<i>81%</i>	<i>76%</i>
Income tax (expense)/benefit	(114)	(583)	(379)
<b>Net profit after income tax (NPAT)</b>	<b>932</b>	<b>2,384</b>	<b>2,150</b>

Source: CBG's FY18 annual report and Appendix 4E Preliminary Financial Report for FY19

CBG's revenue comprises yield (dividends, distributions and interest) and capital returns/losses on its underlying investments. Consequently, revenue performance is dependent on the drivers and risks of its underlying investments, as well as general investment sentiment, the cash rate, inflation and other macroeconomic factors in Australia.

The increase in fee expenditure for FY18 and FY19 is a consequence of the outperformance of the portfolio during these periods.

Other costs related to the operation of the fund and comprise director fees, administrative expenses, accounting fees and exchange related fees.

<sup>9</sup> The interest of Ronni Chalmers' spouse's brother has been included in calculating his total interest in CBG.

## 3.4 Financial position

The balance sheet of CBG as at 30 June 2017, 30 June 2018 and 30 June 2019 is summarised in the table below.

**Table 5: Financial position of CBG**

(\$'000 unless otherwise stated)	FY17 Audited	FY18 Audited	FY19 Unaudited
Cash and cash equivalents	2,196	297	4,382
Financial assets	21,891	25,863	23,686
Other assets	1,004	842	665
Liabilities	(811)	(987)	(1,376)
<b>Net assets</b>	<b>24,280</b>	<b>26,015</b>	<b>27,357</b>
<b>Net tangible assets (NTA)</b>	<b>24,280</b>	<b>26,015</b>	<b>27,357</b>
Number of CBG shares ('000)	25,014	25,131	26,189
<b>NTA per CBG share (\$)¹</b>	<b>0.97</b>	<b>1.04</b>	<b>1.04</b>
Implied return on net assets²	3.9%	9.5%	8.1%

1. The NTA per CBG share has been calculated as at each financial year end and is not comparable between financial years given the impact of bonus shares issued

2. The implied return on net assets is the NPAT for the financial year divided by the average of the opening and closing net assets outstanding for that financial year

Source: CBG's FY18 annual report and Appendix 4E Preliminary Final Report for FY19

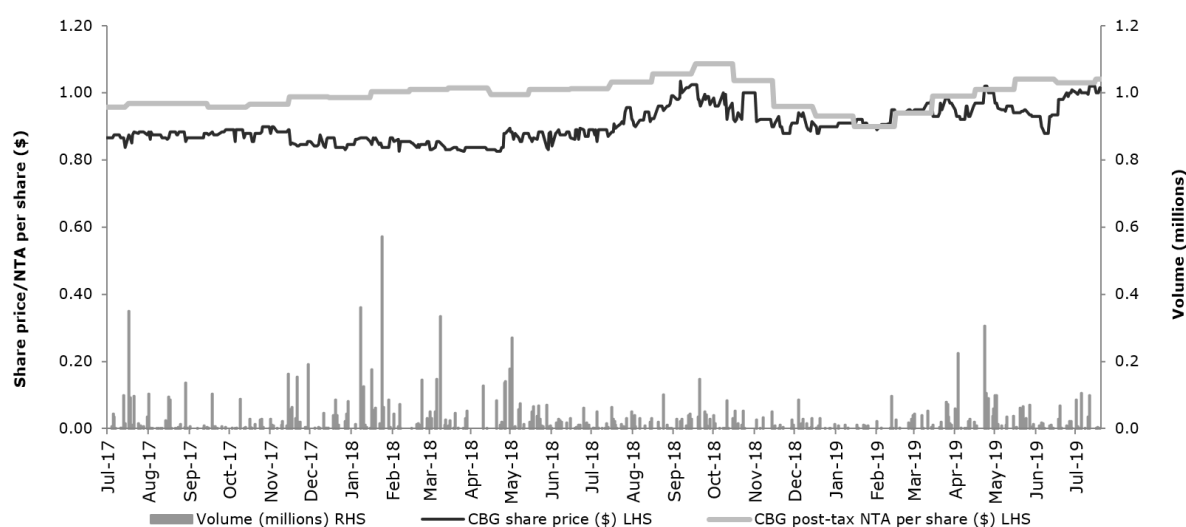
CBG's asset base largely comprises investments and surplus cash. Other assets and liabilities are working capital in nature, in particular deferred tax liabilities on realised and unrealised gains. The increase in NTA during FY18 was due to an increase in the value of its investments in that year. The increase in NTA during FY19 was due to an increase in the value of investments held and an increase in cash due to the divestment of some investments.

The change in number of CBG Shares in FY19 is due to the completion of a 1 for 25 bonus issue in September 2018, the buyback of 25,000 shares in April 2019 and on account of the dividend reinvestment plan.

## 3.5 Share price performance

CBG's share price movements, trading volumes and post-tax NTA per share from 1 July 2017 to 26 July 2019 are presented graphically in the figure below.

**Figure 2: Historical share price, volumes and post-tax NTA per share since 1 July 2017**



Note:

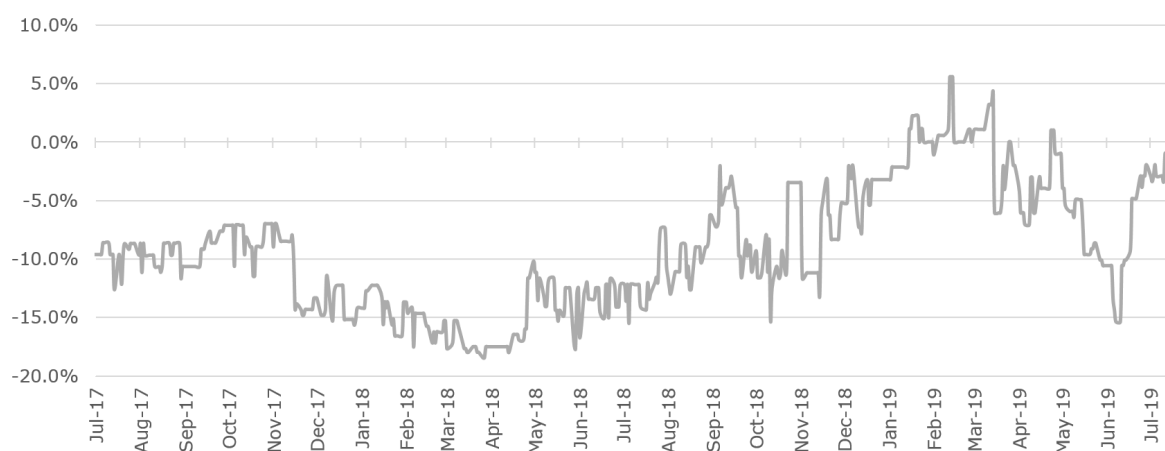
1. NTA per share is based on post-tax NTA metrics as publicly disclosed on a monthly basis
2. Share price is based on market capitalisation divided by number of shares on issue

Source: Deloitte Corporate Finance analysis, Capital IQ, Monthly NTA reports

From 1 July 2017 to 26 July 2019, CBG shares traded between \$0.83 and \$1.04 while the company's post-tax NTA per share ranged from \$0.90 to \$1.09. Approximately 18% of CBG shares have traded over the last 12 months.

The following figure outlines the discount/(premium) to which shares have traded relative to NTA.

**Figure 3: Discount of CBG share price to post-tax NTA per share since 1 July 2017**

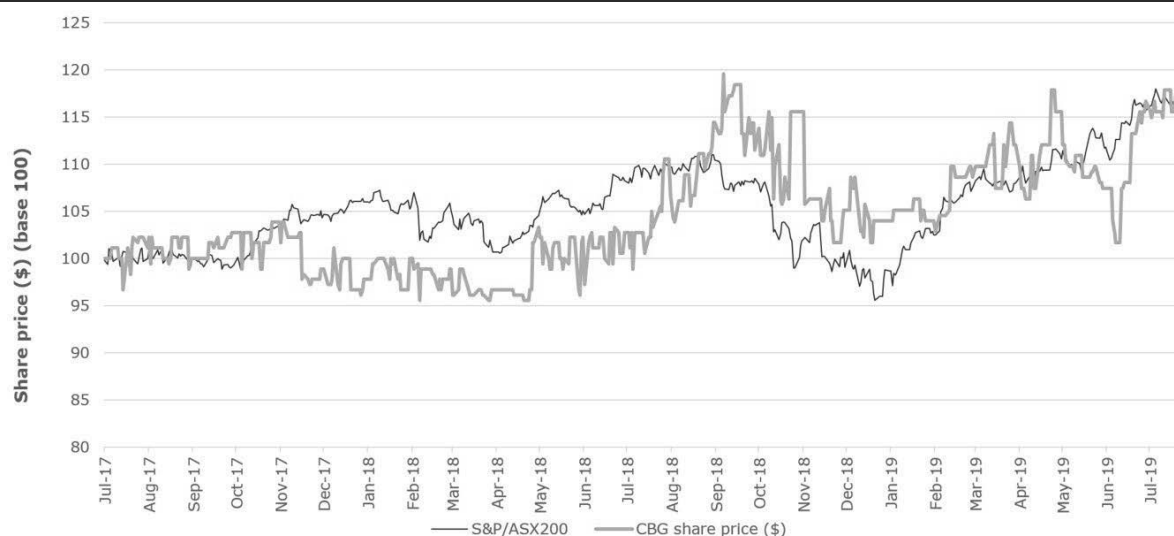


Source: CBG monthly NTA reports, Capital IQ

Up to the Announcement Date, CBG Shares traded in a range from a discount of 18.5% to a premium of 5.6% to the disclosed post-tax NTA with an average discount of 9.3%<sup>10</sup>. After the Announcement Date, CBG Shares traded between 1.0% to 4.9% discount with an average discount of 3.1%.

Outlined in the figure below is the relative performance of CBG compared to the S&P/ASX200 Index.

<sup>10</sup> Based on closing prices.

**Figure 4: Relative share price performance of CBG since 1 July 2017**

Notes:

1. Share price movements of CBG and the S&P/ASX200 Index is calculated with reference to a base of 100 as at 1 July 2017

Source: Deloitte Corporate Finance analysis, Capital IQ

Over the last two years, CBG's share price has moved broadly in line with the S&P/ASX200 Index.

## 3.6 Yield performance

As set out in the table below, in the past three years to FY18, CBG has paid dividends semi-annually in May and November which equate to a dividend yield between 2.9% to 3.6%.

**Table 6: Dividends paid from FY17 to FY19**

Year	Total dividends paid per share (\$)	Total dividends (\$'000)	Franked (%)	VWAP (\$)	Dividend yield (%) <sup>1</sup>	Implied payout ratio (%) <sup>2</sup>
FY19	3.30	863	100%	0.95	3.5%	40.1%
FY18	3.05	764	100%	0.86	3.6%	32.0%
FY17	2.50	620	100%	0.85	2.9%	66.5%

Note:

1. Dividend yield is calculated by dividing the total dividends per share received during a financial year by CBG's volume weighted average price (**VWAP**) over a one-year period to the date of the second dividend payment
2. The implied payout ratio is the total dividends declared in the financial year divided by the NPAT for that financial year

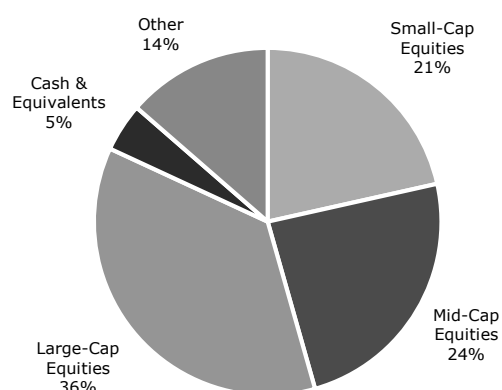
Source: Deloitte Corporate Finance analysis, Capital IQ, CBG's FY18 annual reports and Appendix 4E Preliminary Final Report for FY19

## 4 Profile of CAM

### 4.1 Overview

CAM is an ASX listed company founded in 2003 which primarily invests in ASX listed securities diversified across various sectors and from small to large-caps. CAM's other investments are in property and agriculture assets.

**Figure 5: Gross asset allocation at 30 June 2019**



Source: CAM's NTA report at 30 June 2019

**Table 7: Top holdings at 30 June 2019**

National Australia Bank Limited	5.4%
Westpac Banking Corporation Limited	5.3%
Amcor Limited	5.3%
BHP Billiton Limited	4.3%
Treasury Wines Estate Limited	3.3%
Other	71.9%
Cash and equivalent	4.5%
<b>Total</b>	<b>100.0%</b>

Source: CAM's NTA report at 30 June 2019

CAM's portfolio is managed by Clime Asset Management Pty Ltd, a wholly-owned subsidiary of CIW. The CAM Management Agreement has a term of 25 years. CIW may terminate the agreement at any time by giving CAM at least three months notice; whereas CAM may terminate the agreement earlier in certain circumstances such as where CIW goes into liquidation or is in material breach of its obligations.

The current directors of CAM are John Abernethy (also the Chairman), Julian Gosse and Brett Spork.

### 4.2 Capital structure

CAM's equity structure comprises ordinary shares and convertible notes, both of which are traded on the ASX.

#### 4.2.1 CAM Shares

The following table summarises the substantial shareholders and their interest in CAM Shares as at 30 June 2019.

**Table 8: CAM's substantial shareholders as at 30 June 2019**

Name	Number of shares (m)	% shares on issue
Clime Investment Management Limited & Clime Asset Management Pty Limited	10.5	11.5%
<b>Total substantial shareholders</b>	<b>10.5</b>	<b>11.5%</b>
Other shareholders	81.2	88.5%
<b>Total shares on issue</b>	<b>91.7</b>	<b>100.0%</b>

Source: CAM Bidder Statement dated 19 July 2019

John Abernethy and Brett Spork effectively hold 1.1% and 0.1% of CAM Shares, respectively.

#### 4.2.2 CAM Notes

The CAM Notes were issued in December 2017 at a face value of \$0.96 per note, pay a fixed coupon of 6.25% per annum payable quarterly in arrears, and mature on 30 November 2021. The CAM Notes are not secured by any assets of CAM but rank ahead of CAM's ordinary equity. Noteholders have the right to convert some or all of their notes to shares at any time before the maturity date at a ratio of 1.025 CAM Shares for each CAM Note.

The following table summarises the substantial noteholders and their interest in CAM Notes as at 30 June 2019.

**Table 9: CAM's substantial noteholders as at 30 June 2019**

Name	Number of notes (m)	% notes on issue
J P Morgan Nominees Australia	3.8	17.2%
Nora Goodridge Investments Pty Ltd	2.1	9.4%
<b>Total substantial noteholders</b>	<b>5.9</b>	<b>26.5%</b>
<b>Other noteholders</b>	16.4	73.5%
<b>Total notes on issue</b>	<b>22.3</b>	<b>100.0%</b>

Source: CAM Notes holdings report as at 30 June 2019

John Abernethy and Brett Spork effectively hold 0.2% and 0.1% of CAM Notes, respectively.

## 4.3 Financial performance

CAM's income statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 are summarised in the table below.

**Table 10: Financial performance of CAM**

(\$'000 unless otherwise stated)	FY17 Audited	FY18 Audited	FY19 Unaudited
Investment revenue	3,066	3,259	3,956
Realised gain/(loss) on investments and other	(3,809)	3,413	6,171
Unrealised gain/(loss) on investments	8,567	6,279	1,849
<b>Total revenue</b>	<b>7,823</b>	<b>12,952</b>	<b>11,977</b>
<i>Revenue growth</i>	<i>n/m</i>	66%	-8%
Management fees	(828)	(978)	(1,087)
Brokerage costs	(181)	(178)	(343)
Financing costs (CAM Notes)	-	(799)	(1,526)
Other costs	(414)	(487)	(541)
<b>Total expenses</b>	<b>(1,423)</b>	<b>(2,443)</b>	<b>(3,496)</b>
<i>Cost growth</i>	<i>(1%)</i>	72%	34%
<b>NPBT</b>	<b>6,401</b>	<b>10,510</b>	<b>8,481</b>
<i>NPBT margin</i>	82%	81%	71%
Income tax (expense)/benefit	(1,250)	(2,557)	(1,879)
<b>NPAT</b>	<b>5,151</b>	<b>7,952</b>	<b>6,601</b>

Source: CAM's FY18 annual report and Appendix 4E Preliminary Final Report for FY19

CAM's revenue comprises yield (dividends and interest) and capital returns/losses on its underlying investments. Similar to CBG, revenue performance is dependent on the drivers and risks of its underlying investments, as well as general investment sentiment, the cash rate, inflation and other macroeconomic factors in Australia.

Other costs relate to the operations of the company and comprise director fees, administrative expenses, accounting fees, exchange related fees and financing costs associated with the CAM Notes.

## 4.4 Financial position

The balance sheet of CAM as at 30 June 2017, 30 June 2018 and 30 June 2019 is summarised in the table below.

**Table 11: Financial position of CAM**

(\$'000 unless otherwise stated)	FY17 Audited	FY18 Audited	FY19 Unaudited
Cash and cash equivalents	14,106	12,024	4,585
Financial assets	66,274	94,308	105,120
Other assets	1,431	673	869
Convertible notes	-	(20,774)	(20,963)
Other liabilities <sup>1</sup>	(1,938)	(2,825)	(4,058)
<b>Net assets</b>	<b>79,873</b>	<b>83,407</b>	<b>85,553</b>
<b>Net tangible assets (NTA)</b>	<b>79,873</b>	<b>83,407</b>	<b>85,553</b>
Number of CAM shares ('000)	89,500	89,336	91,720
<b>NTA per CAM share (\$)²</b>	<b>0.89</b>	<b>0.93</b>	<b>0.93</b>
Implied return on net assets³	6.5%	9.7%	7.7%

Note:

1. For comparative purposes, other liabilities as at 30 June 2018 and 30 June 2019 include deferred tax asset of \$1.5m. As at 30 June 2017, other liabilities include deferred tax asset of \$0.47m
2. The NTA per CAM share has been calculated as at each financial year end and is not comparable between financial years given the impact of bonus shares issued
3. The implied return on net assets is the NPAT for the financial year divided by the average of the opening and closing net assets outstanding for that financial year

Source: CAM's FY18 annual report, Appendix 4E Preliminary Final Report for FY19

CAM's asset base largely comprises its investment portfolio and surplus cash. Other assets and liabilities are mainly working capital, particularly deferred tax liabilities reflecting capital gains tax on unrealised investment gains.

The increase in the value of the investment portfolio (i.e. financial assets) since FY17 is attributable to an increase in the value of the investments and proceeds from the issuance of CAM Notes in FY18 which have been used to expand the portfolio.

The change in number of CAM Shares in FY19 is due to the completion of a 1 for 40 bonus issue of 2.2m ordinary shares in September 2018 and on account of CAM's dividend reinvestment plan. In January 2019, CAM announced an on-market buyback up to 10% of CAM Shares over a 12 month period. CAM has not bought back any shares since May 2019 and has suspended this buy-back pending close of the Offer Period.

CAM has commenced a class action proceeding against UGL Pty Limited that is funded by litigation funder IMF Bentham Limited. No provision has been made for any potential award of damages.

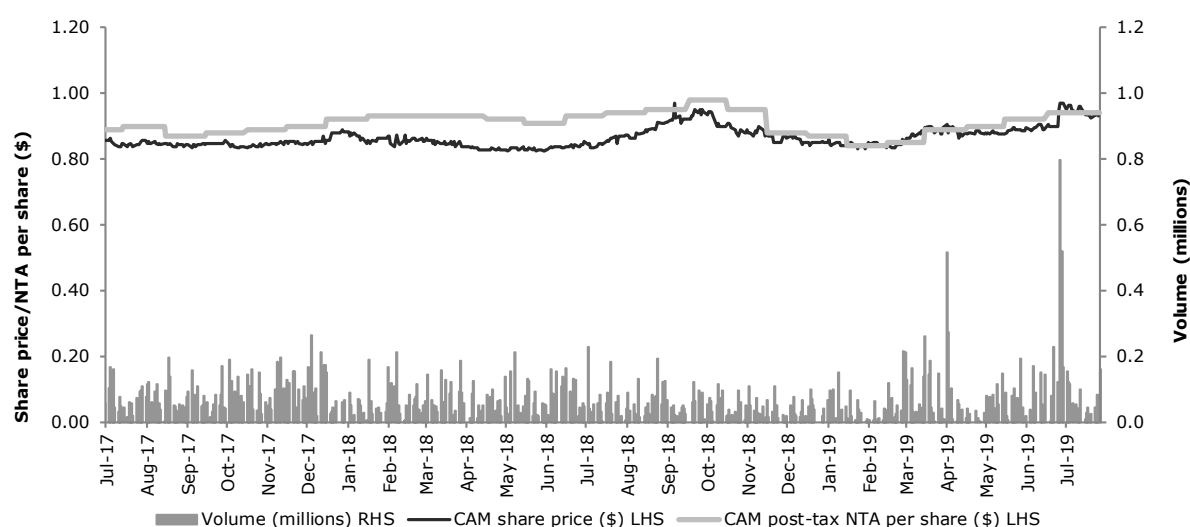
## 4.5 Security price performance

### 4.5.1 CAM Shares

CAM's share price movements, trading volumes and post-tax NTA per share from 1 July 2017 to 26 July 2019 are presented graphically in the figure below.



**Figure 6: Historical share price, volumes and NTA per share since 1 July 2017**



Note:

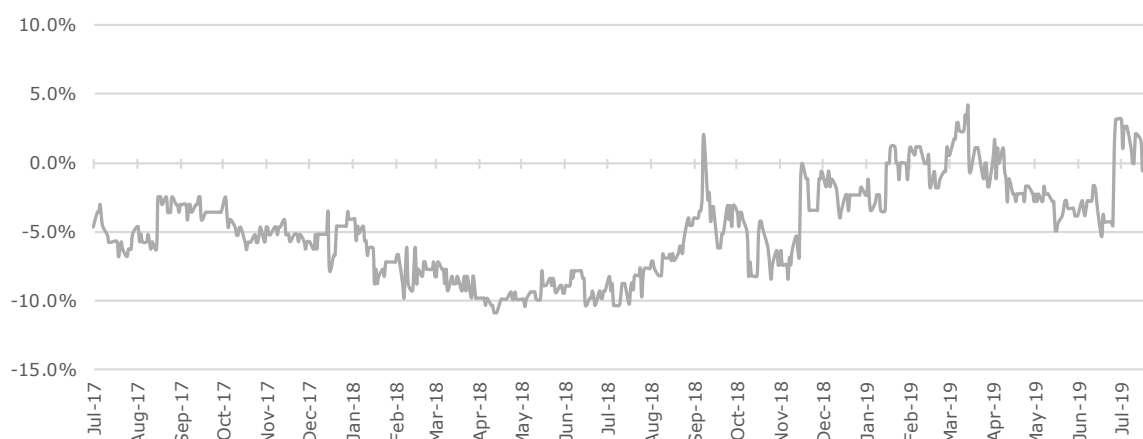
1. NTA per share is based on post-tax NTA metrics as publicly disclosed on a monthly basis
2. Share price is based on market capitalisation divided by number of shares on issue

Source: Deloitte Corporate Finance analysis, Capital IQ, Monthly NTA reports

From 1 July 2017 to 26 July 2019, CAM Shares traded between \$0.82 and \$0.97 while the company's post-tax NTA per share ranged from \$0.84 to \$0.98. Approximately 17% of CAM Shares have traded over the last 12 months.

The following figure outlines the discount/(premium) to which shares have traded relative to NTA.

**Figure 7: Discount of CAM share price to post-tax NTA per share since 1 July 2017**



Source: Deloitte Corporate Finance analysis, CAM monthly NTA reports, Capital IQ

Since 1 July 2017 up to the Announcement Date, CAM Shares traded in a range from a discount of 10.8% to a premium of 4.1% to the disclosed post-tax NTA with an average discount of 5.0%. After the Announcement Date, CAM Shares traded between a 4.5% discount to a 3.2% premium with an average discount of 0.2%.

Outlined in the figure below is the relative performance of CAM compared to the S&P/ASX200 Index.

**Figure 8: Relative share price performance of CAM since 1 July 2017**



Notes:

1. Share price movements of CAM and the S&P/ASX200 Index is calculated with reference to a base of 100 as at 1 July 2017

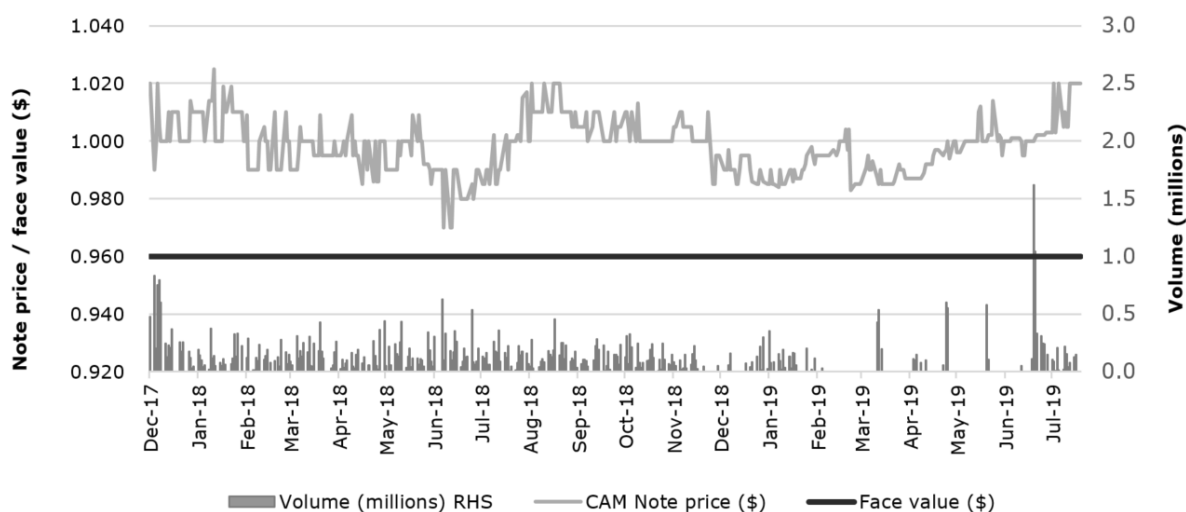
Source: Deloitte Corporate Finance analysis, Capital IQ

Over the last two years, CAM's share price has underperformed the S&P/ASX200 Index.

#### 4.5.2 CAM Notes

CAM's note price movements, trading volumes and face value from 8 December 2017 to 26 July 2019 are presented graphically in the figure below.

**Figure 9: Trading price and face value of CAM Notes to 26 July 2019**



Source: Deloitte Corporate Finance analysis, Appendix 4E Preliminary Final Report for FY19, Capital IQ

For two years up to the Announcement Date, CAM Notes traded at a premium to face value in a range from 1.0% to 6.8% with an average premium of 4.0%. After the Announcement Date, CAM Notes traded at a premium to face value in a range from 3.6% to 6.3% with an average premium of 4.9%.

## 4.6 Yield performance

As set out in the table below, in the past three years to FY18, CAM has paid quarterly dividends in October, January, April and July which equate to a dividend yield of 5.6% to 5.9%.

**Table 12: Dividends paid from FY17 to FY19**

Year	Total dividends paid per share (\$)	Total dividends (\$'000)	Franked (%)	VWAP (\$)	Dividend yield (%) <sup>1</sup>	Implied payout ratio (%) <sup>2</sup>
FY19	5.00	4,576	100	0.89	5.6%	68.9%
FY18	5.00	4,485	100	0.85	5.9%	56.4%
FY17	4.85	3,970	100	0.83	5.8%	77.1%

Note:

1. Dividend yield is calculated by dividing the total dividends per share received during a financial year by CAM's VWAP over a one-year period to the date of the second dividend payment
  2. The implied payout ratio is the total dividends declared in the financial year divided by the NPAT for that financial year
- Source: Deloitte Corporate Finance analysis, Capital IQ, CAM's FY18 annual report, Appendix 4E Preliminary Final Report for FY19

For the CAM Notes, the 6.25% coupon has equated to a yield of 6.0% based on the average trading price during FY19, as outlined in the table below.

**Table 13: Current yield of CAM Notes**

Face value per note	Interest rate	Annual interest per note	Average FY19 trading price	FY19 Current yield
\$0.96	6.25% p.a.	\$0.06	\$1.00	6.0%

Source: Deloitte Corporate Finance analysis, Capital IQ, Appendix 4E Preliminary Final Report for FY19

## 4.7 Impact of Offer

### 4.7.1 Merged Group financial position

The Offer is subject to a minimum acceptance condition of 50.1%. If:

- CAM achieves this minimum but less than 90%, CBG will become a subsidiary of CAM but will not be wholly owned
- Should CAM reach 90%, it intends to proceed to compulsory acquisition to acquire the balance of outstanding CBG Shares. CBG will then be delisted and become a wholly owned subsidiary of CAM.

The table below summarises the balance sheet of the Merged Group as at 30 June 2019 assuming 50.1% ownership and 100% ownership of CBG.

**Table 14: Financial position of the Merged Group at 30 June 2019**

(\$'000 unless otherwise stated)	CAM	Adjust	Merged Group (50.1% of CBG)	Adjust	Merged Group (100% of CBG)
	A	B	C=A+B	D	E=C+D
Cash and cash equivalents	4,585	(445)	4,140	(104)	4,036
Financial assets	105,120	13,285	118,405	13,625	132,030
Other assets	869	146	1,015	153	1,168
Convertible notes	(20,963)	(3,348)	(24,311)	(3,438)	(27,749)
Other liabilities	(4,058)	-	(4,058)	-	(4,058)
<b>NTA</b>	<b>85,553</b>	<b>9,638</b>	<b>95,191</b>	10,236	<b>105,427</b>
CAM shares issued ('000)	91,720	10,745	102,465	11,031	113,496
CBG shares held by CAM ('000)	391	12,729	13,121	13,068	26,189
<b>NTA per share (\$)</b>	<b>0.93</b>		<b>0.93</b>		<b>0.93</b>

Source: CAM Bidder Statement

In relation to the above, we note the following adjustments:

- Management expect to incur tax affected transaction costs amounting to \$445,000 assuming 50.1% ownership, increasing to \$549,000 in the event it reaches 100% ownership (post compulsory acquisition)
- Adjustments to financial assets relate to two components, comprising:

- elimination of the fair value of the CBG Shares owned by CAM on 30 June 2019, then
  - recognition of the CBG Shares owned by CAM post Offer valued at post-tax NTA
- Adjustments to other assets refers to the tax effect of the difference between the post-tax NTA of CBG acquired and the value of the Consideration (with CAM Shares priced at market and CAM Notes priced at \$0.96 face value)
- The increase in the convertible note liability is a consequence of the new CAM Notes issued at a face value of \$0.96 each. Assuming 50.1% acceptance, 3.49m CAM Notes will be issued. This will increase by 3.58m to 7.07m in the event CAM reaches 100%
- Assuming 50.1% acceptance, 10.75m new CAM Shares to be issued. This will increase by 11.03m to 21.78m in the event CAM reaches 100%.

#### 4.7.2 Control of Merged Group

The following table summarises the substantial interests in the Merged Group as at 30 June 2019 assuming 50.1% and 100% ownership of CBG.

**Table 15: CAM's substantial shareholders as at 30 June 2019**

	Number of CAM Shares held ('000)	% shares on issue	Number of CAM Notes held ('000)	% notes on issue
<b>Clime Investment Management Limited &amp; Clime Asset Management Pty Limited</b>				
50.1% ownership of CBG	10,771	10.5%	n.a.	n.a.
100% ownership of CBG	10,771	9.5%	n.a.	n.a.
<b>CBG Shareholders (subject to Offer)</b>				
50.1% ownership of CBG	10,745	10.5%	3,488	13.5%
100% ownership of CBG	21,776	19.2%	7,069	24.1%

Source: CAM Bidder Statement

#### 4.7.3 Other factors

In addition, we note the following:

- Management of CAM expect a lower management expense ratio arising from economies of scale and the removal of duplicate costs and expenses. This annual saving is estimated to be in the order of \$0.2m before any reduction in director's fees and available under the 100% ownership scenario;
- To avoid double counting of management fees, CAM Investment Manager has agreed not to charge management fees in relation to CBG Shares CAM acquires under the Offer to the extent that the CBG Management Agreement remains in place; and
- Scrip-for-scrip capital CGT roll-over relief is only available in relation to the CAM Shares portion of the Offer and only if CAM acquires at least 80% of CBG.

## 5 Valuation

In forming our opinion, we compared the value of a CBG share on a pre-deal basis to the value of the Consideration on a post-deal basis.

The Offer represents a control transaction in accordance with ASIC RG 111. Under ASIC RG 111, an offer is fair when the value of the consideration is equal to or greater than the value of the securities subject to the offer. Consequently, the comparison must be made assuming 100% ownership of the target company (i.e. including a control premium). In this regard, we valued CBG on a control basis.

With respect to the Consideration, since CBG shareholders will hold a minority interest in the Merged Group, we have valued the Merged Group on a minority interest basis.

More detail is outlined in the remainder of this section.

### 5.1 Valuation of a CBG share

#### 5.1.1 Valuation approach

The methodologies available to value entities such as CBG are set out in Appendix 2.

As CBG is an investment holding company, we are of the opinion that the most appropriate methodology to value CBG on a control basis is an asset based method since a significant portion of CBG's asset base comprises investments which are separable and liquid.

Asset based methods estimate the market value of an entity's shares based on the realisable value of its identifiable net assets. Whilst there are three asset based methods which are commonly applied, given CBG operates as a going concern, we valued CBG based on:

- Net assets assuming orderly realisation, but without regard for wind up costs as the business is a going concern. This involved adjusting the net assets recorded for financial reporting purposes for any additional fair value movements considered appropriate (**Adjusted NTA**).
- Net assets on a going concern basis. This involved adjusting reported net assets for both additional fair value movements where appropriate and the capitalised value of corporate overheads (**Adjusted NTA – Going concern**).

Whilst these values ignore any value attributable to intangible assets such as goodwill, we do not consider such value, if any, to be material given the nature of the activities of investment holding entities and that they are externally managed.

A valuation derived under the asset method reflects a control value. We then determined the value of a CBG share on a control basis by dividing the adjusted net asset value by the number of CBG shares on issue.

#### 5.1.2 Valuation of a CBG share

The adjusted NTA values determined under the assets method are set out in the following table.

**Table 16: Valuation of a CBG share under the asset method**

\$'000 (unless otherwise stated)	Section		
<b>Reported NTA</b>	3.4		<b>27,357</b>
Fair value adjustments			-
<b>Adjusted NTA</b>		<b>A</b>	<b>27,357</b>
Capitalised overheads			(1,699)
<b>Adjusted NTA (Going concern)</b>		<b>B</b>	<b>25,658</b>
Number of CBG shares ('000)	3.2	C	26,189
<b>Adjusted NTA per share - \$</b>		<b>D = A/C</b>	<b>1.04</b>
<b>Adjusted NTA per share (Going concern) - \$</b>		<b>E = B/C</b>	<b>0.98</b>

Source: Deloitte Corporate Finance analysis

### NTA

Refer to section 3.4 above for the unaudited reported NTA of CBG as at 30 June 2019. We have assumed this to represent fair market value on the basis that:

- Financial assets represent 87% of total net assets. We have confirmed their market values based on their closing prices on 30 June 2019
- Cash assets represent their face value at the reporting date
- Other net liabilities are working capital in nature and are not material of total net assets (circa 3%).

### Capitalised overheads

CBG incurs costs to manage its investment portfolio, which relate to funds management, compliance and reporting. We determined an ongoing standalone cost base of \$0.34m based on the following assumptions:

- Management fees of \$0.24m, representing 1.0% of the financial assets of CBG, in accordance with the Management Agreement. No allowance was provided for performance fees on the assumption that long term performance would gravitate towards the broader market
- Other expenses of \$0.37m relating to transaction costs and fees for directors, advisors, listing, compliance and administration, as incurred in FY19
- Synergies of \$0.27m (based on management's estimate of \$0.2m and CBG director's fees of \$0.07m incurred in FY19) based on the assumption that a third party would, upon full control of CBG, seek to eliminate costs arising from economies of scale and duplication.

This annual cost estimate was capitalised at a multiple of 5.0 times having regard to the observed multiples of comparable listed companies and transactions involving funds management businesses, and the relative size of CBG.

### Conclusion on value of a CBG share

In concluding on value, we compared the adjusted NTA values to pre-announcement trading prices, as outlined in the table below.

**Table 17: Comparison of value under asset method to recent trading**

\$ per share	Section	Low	High
Asset method	Table 16	0.98	1.04
<b>Pre-announcement trading prices</b>			
1-month period		0.88	0.95

Source: Deloitte Corporate Finance analysis, Capital IQ

The adjusted NTAs are higher than recent trading prices pre-announcement which suggest that our assessment of adjusted NTA under the asset method incorporates a control premium. In this regard, **we concluded on a value of \$0.98 to \$1.04 per CBG share on a control basis.**

## 5.2 Valuation of the Merged Group

Since the Consideration comprises securities in the Merged Group, we determined the value of the Consideration by first determining the value of shares and notes in the Merged Group.

### 5.2.1 Valuation approach

In valuing the shares and notes in the Merged Group on a minority basis, we applied the market method as our primary approach given CBG Shareholders who accept the Offer will hold Merged Group securities which are listed on an informed and liquid market. CAM Shares and CAM Notes have a trading history from which a reliable estimate of value can be determined.

As a cross-check, we applied the asset method as similar to CBG, CAM is also an investment holding company. We valued the net assets of the Merged Group with reference to an orderly realisation (excluding wind-up) and going concern basis.

### 5.2.2 Valuation of Merged Group securities under the market method

Listed investment holding companies tend to trade at a premium or discount to net assets and we have observed this for CAM historically. In this regard, we determined a hypothetical trading price for Merged Group securities having regard to the discounts/premiums that CAM Shares and CAM Notes have historically traded relative to net assets and face value respectively.

Outlined in the table below are the observed discounts and premiums to which CAM Shares and CAM Notes have historically traded relative to reported net assets and face value respectively, on a pre-announcement and post-announcement basis.

**Table 18: Discount / premium analysis**

	Min	Average	Median	Max
<b>Pre-announcement (1 July 2017 to 17 June 2019)</b>				
(Discount)/premium of CAM Share price to post-tax NTA per share	(10.8%)	(5.0%)	(5.1%)	4.1%
(Discount)/premium of CAM Note price to \$0.96 face value	1.0%	3.9%	4.2%	6.8%
<b>Post-announcement (18 June to 26 July 2019)</b>				
(Discount)/premium of CAM Share price to post-tax NTA per share	(4.5%)	(0.2%)	0.0%	3.2%
(Discount)/premium of CAM Note price to \$0.96 face value	3.6%	4.9%	4.5%	6.3%

Source: Deloitte Corporate Finance analysis, CAM monthly NTA reports, Capital IQ

For the purposes of determining a hypothetical trading price post Offer Period, we adopted the median discounts/premiums on a pre and post-announcement basis. This results in the following trading prices for Merged Group securities, as outlined in the table below.

**Table 19: Hypothetical trading price of Merged Group securities under the market method**

\$ per security	Reported NTA / Face value	(Discount)/premium		Trading price	
		Low	High	Low	High
	A	B	C	=A x (1+B)	=A x (1+C)
CAM Share	0.93	(5.1%)	0.0%	<b>0.88</b>	<b>0.93</b>
CAM Note	0.96	4.2%	4.5%	<b>1.00</b>	<b>1.00</b>

Source: Deloitte Corporate Finance analysis

These hypothetical trading prices are not inconsistent with post-announcement price ranges of between:

- CAM Shares: \$0.90 to \$0.97
- CAM Notes: \$0.995 to \$1.02.

### 5.2.3 Cross-check - Assets method

Outlined in the table below is the value of securities in the Merged Group determined under the asset method.

**Table 20: Valuation of Merged Group securities under the asset method**

(A\$'000)	Section		50.1% of CBG	100% of CBG
<b>Reported NTA</b>	4.7	<b>A</b>	<b>95,191</b>	<b>105,427</b>
Book value of CAM Notes at 30 June 2019	4.7		24,311	27,749
Fair value of CAM Notes at 30 June 2019			(25,820)	(29,407)
Fair value adjustment from CAM Notes		B	(1,509)	(1,658)
<b>Adjusted NTA</b>		<b>C = A + B</b>	<b>93,682</b>	<b>103,769</b>
CAM (pre-deal) capitalised overheads			(9,677)	(9,677)
CBG capitalised overheads (post synergies)			(851)	(1,699)
Capitalised corporate overheads		D	(10,528)	(11,376)
<b>Adjusted NTA (Going concern)</b>		<b>E = C + D</b>	<b>83,154</b>	<b>92,392</b>
No. CAM Shares ('000s)	4.7	<b>F</b>	102,465	113,496
<b>Adjusted NTA per share - \$</b>		<b>G = C ÷ F</b>	<b>0.91</b>	<b>0.91</b>
<b>Adjusted NTA (Going concern) per share - \$</b>		<b>H = E ÷ F</b>	<b>0.81</b>	<b>0.81</b>

Source: Deloitte Corporate Finance analysis, Capital IQ

#### *Fair value adjustments*

We adjusted the value of the CAM Notes based on the closing price on 30 June 2019 (\$1.002) to reflect their fair value. The total number of CAM Notes to be issued will be 3.49m and 7.07m under the 50.1% and 100% ownership scenarios, respectively.

We did not adjust the other net assets on the basis that:

- Financial assets largely comprise listed investments. We confirmed their market values based on closing prices on 30 June 2019
- Whilst a portion of financial assets (14% of total net assets) comprise investments in unlisted property trusts, the underlying property assets are independently valued on an annual basis generally, as well as subject to more regular adjustments by CIW to account for up-to-date performance and financial information
- Cash assets represent their face value at the reporting date
- Other net liabilities are working capital in nature and are not material of total net assets (circa 3%).

#### *Capitalised overheads*

Similar to CBG, CAM incurs costs to manage its investment portfolio, which relate to funds management, compliance and reporting. More specifically:

- we determined the capitalised overheads for CAM (pre-deal basis) by applying a 5.0 times multiple to an ongoing standalone cost base of \$1.94m for CAM. This cost base was derived assuming:
  - Management fees of \$1.05m, representing 1.0% of the pre-deal financial assets of CAM, in accordance with its management agreement with Clime Asset Management Pty Ltd. No allowance was provided for performance fees on the assumption that long term performance would gravitate towards the broader market
  - Other expenses of \$0.88m relating to transaction costs and fees for directors, advisors, listing, compliance and administration, as incurred in FY19. No allowance was made for finance costs as this is already captured via the convertible note liability
- the capitalised overheads for CBG was based on the relevant interest acquired by CAM (i.e. 50.1% or 100% of capitalised costs for CBG).



### Conclusion on cross-check

Outlined in the table below is a comparison of the value of CAM Shares under the market and asset methods, including post-announcement trading prices.

**Table 21: Comparison of value under market and asset methods**

\$ per share	Section	Low	High
<b>CAM Shares</b>			
Market method	Table 19	0.88	0.93
Asset method	Table 20	0.81	0.91

Source: Deloitte Corporate Finance analysis, Capital IQ

The asset method is lower given the impact of capitalised overheads. Despite this, there is an overlap in the value ranges and therefore the asset method supports our valuation derived under our primary approach.

## 5.3 Valuation of the Consideration

To determine the value of the Consideration offered per CBG share, we:

- calculated the number of CAM Shares and CAM Notes issued under each of the 50.1% ownership and 100% ownership scenarios, multiplied by our valuations of a CAM Share and a CAM Note, to reflect the range of total values attributable to the Consideration
- divided the Consideration paid by the number of CBG shares acquired under each scenario to arrive at the Consideration per CBG share offered under each scenario.

Outlined in the table below is the value of the Consideration per CBG share acquired.

**Table 22: Valuation of the Consideration**

\$'000 (unless otherwise stated)	Section	50.1% scenario			100% scenario		
		CAM Shares	CAM Notes	Total	CAM Shares	CAM Notes	Total
Number of CAM instruments issued to CBG Shareholders ('000)	A	10,745	3,488		21,776	7,069	
Value per instrument – Low (\$)	Table 19 B	0.88	1.00		0.88	1.00	
Value per instrument – High (\$)	Table 19 C	0.93	1.00		0.93	1.00	
<b>Value of Consideration – Low</b>	<b>D = A × B</b>	<b>9,468</b>	<b>3,488</b>	<b>12,956</b>	<b>19,186</b>	<b>7,069</b>	<b>26,255</b>
<b>Value of Consideration – High</b>	<b>E = A × C</b>	<b>9,982</b>	<b>3,498</b>	<b>13,480</b>	<b>20,228</b>	<b>7,090</b>	<b>27,318</b>
Number of CBG shares acquired ('000)	F			12,729			25,798
<b>Consideration per CBG share – Low (\$)</b>	<b>D ÷ F</b>			<b>1.02</b>			<b>1.02</b>
<b>Consideration per CBG share – High (\$)</b>	<b>E ÷ F</b>			<b>1.06</b>			<b>1.06</b>

Source: Deloitte Corporate Finance analysis

In this regard, **we concluded on a value of the Consideration per CBG share to be in the order of \$1.02 to \$1.06.**

# Appendix 1: Context to the report

## Individual circumstances

We have evaluated the Offer for CBG Shareholders as a whole and have not considered the effect of the Offer on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Offer from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Offer is fair and reasonable to, and therefore in the best interests of CBG Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

## Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of CBG and is to be included in the Target Statement to be given to CBG Shareholders to assist them in assessing the Offer. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Target Statement in their assessment of the Offer outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the CBG Shareholders and CBG, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Offer.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Offer is fair and reasonable to, and therefore is in the best interests of CBG Shareholders. Deloitte Corporate Finance consents to this report being included in the Target Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by CBG and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to CBG management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by CBG and its officers, employees, agents or advisors, CBG has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which CBG may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by CBG and its officers, employees, agents or advisors or the failure by CBG and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Offer.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, Partner, M.App.Fin, B.Ec, CA (BV Specialist) and Tapan Parekh, Partner, M.Com, B.Bus, F.Fin, CA (BV Specialist). Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Deloitte will receive a fee for preparing this report. This fee is not contingent on the conclusion, content or future use of our report.

## Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- CBG proposes to issue a disclosure document in respect of the Offer (the Target Statement)
- the Target Statement will be issued in hard copy and be available in electronic format

- it has previously received draft copies of the draft Target Statement for review
- it is named in the Target Statement as the 'independent expert' and the Target Statement includes its independent expert's report in Attachment 1 of the Target Statement.

On the basis that the Target Statement is consistent in all material respects with the draft Target Statement received, Deloitte Corporate Finance Pty Limited consents to it being named in the Target Statement in the form and context in which it is so named, to the inclusion of its independent expert's report in Attachment 1 of the Target Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Target Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Target Statement and takes no responsibility for any part of the Target Statement, other than any references to its name and the independent expert's report as included in Attachment 1.

### **Sources of information**

In preparing this report we have had access to the following principal sources of information:

- draft copies of the Target Statement
- CAM Bidder Statement dated 19 July 2019
- annual reports with audited financial statements for CBG and CAM for the years ending 30 June 2018, 30 June 2017, 30 June 2016
- Appendix 4E Preliminary Final Report of CBG and CAM with unaudited financial statements for the year ended 30 June 2019
- CBG and CAM's monthly NTA reports
- CBG and CAM's holding reports as at 30 June 2019
- Convertible Notes entitlement offer prospectus dated 17 November 2017
- Management Agreement
- CBG and CAM's website
- publicly available information published by ASIC, the ASX and S&P Capital IQ.

In addition, we had discussions and correspondence with certain directors and executives of CBG, including Peter Velez (Non-Executive Director) and Biju Vikraman (Company Secretary) in relation to the above information and to current operations and prospects.

## Appendix 2: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses are discussed below.

### Market based methods

Market based methods estimate an entity's fair market value by considering the market price of transactions in its shares or the fair market value of comparable companies. Market based methods include:

- earnings multiple method
- analysis of an entity's recent share trading history
- industry specific methods.

The earnings multiple method estimates fair market value as a multiple of an entity's earnings. An appropriate earnings multiple is derived from market transactions involving comparable companies. The earnings multiple method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

### Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting an entity's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

### Asset based methods

Asset based methods estimate the market value of an entity's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of an entity but does not take account of realisation costs.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of an entity's assets are liquid, or for asset holding companies.



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