

Wednesday, 23 September 2020

A PERSONAL MESSAGE FROM MR BRIAN SHERMAN

Dear fellow Shareholder,

I am writing to you in my capacity as Chairman of your Company, Concentrated Leaders Fund Limited, as well as the largest shareholder in the Company.

As you probably know, WAM Capital Limited has made an unsolicited and opportunistic takeover offer for your Company and is offering 2 WAM Capital shares in exchange for every 3.7 CLF shares you hold.

It is my firmly held personal view that WAM Capital's takeover offer is not in the best interests of CLF shareholders and, as such, I intend to **REJECT** WAM Capital's offer in respect of all of the CLF shares that I own or control.

I recommend that all shareholders REJECT WAM Capital's offer.

As many of you may be aware, I was involved in the incorporation and listing of Concentrated Leaders Fund in 1987 and I have remained a Director and shareholder of this listed investment company for over 30 years now. As a founder and substantial shareholder of the Company, my interests are aligned with all other shareholders, and, together with my fellow directors, have ensured that what is in the best interests of all our shareholders remains paramount.

Like many loyal shareholders, I have retained my shareholding in Concentrated Leaders Fund as a reliable means of providing a managed exposure to the largest, well-known and stable companies listed on ASX: being those shares primarily within the S&P/ASX 200 Index that pay attractive franked dividends. Importantly to a number of our shareholders, our commitment to paying regular quarterly fully franked dividends, provides a regular income stream for shareholders over the long term. CLF's proven performance and track record over the long term demonstrates that our strategy is successful in delivering value to our Shareholders.

I believe that WAM Capital's offer is opportunistic and fails to provide CLF shareholders sufficient value for their CLF shares. My main reasons for this are:

- While WAM Capital is also a listed investment company, it invests in small and medium sized companies listed on the ASX, and not companies within the S&P/ASX 200 Index. These companies do not have the same risk profile or dividend paying capacity as S&P/ASX 200 Index companies and, because of the higher risk and lower stability, is not a sector of the market in which I wish to be invested.
- CLF has a substantial franking credit balance of around \$5.4 million, which can be used to continue to pay fully franked dividends to CLF's 2,170 loyal shareholders. WAM Capital is not compensating CLF shareholders for CLF's franking credits that would be acquired by WAM Capital and shared with WAM Capital's 36,000 shareholders if the takeover offer is successful.
- WAM Capital's takeover offer significantly undervalues our CLF shares and acceptance of this offer would result in a loss of net tangible asset value, as CLF shareholders would lose over 16 cents of net tangible asset value per CLF share.
- WAM Capital currently pays dividends to its shareholders twice per year, and CLF shareholders would therefore lose their regular quarterly distributions from CLF if they accept WAM Capital's offer.

I encourage CLF shareholders to read the enclosed Target's Statement that provides more information on the reasons why CLF's Independent Board Committee has unanimously recommended that WAM Capital's offer be rejected by CLF shareholders; and **to REJECT WAM Capital's offer** by **TAKING NO ACTION** in relation to that offer.

I would like to thank you for your continuing support of the current Board and investment management team of Concentrated Leaders Fund, and I look forward to continuing our investment journey with you.

Yours sincerely



Mr Brian Sherman AM
Chairman
Concentrated Leaders Fund



CONCENTRATED
LEADERS FUND

ACN 003 236 173

TARGET'S STATEMENT

This Target's Statement has been issued in response to the off-market takeover offer made by WAM Capital Limited (ACN 086 587 395) (**WAM Capital**) to acquire all of the ordinary shares in Concentrated Leaders Fund Limited (ACN 003 236 173) (**CLF** or the **Company**) it does not own (**Offer**).

CLF's Independent Board Committee Unanimously Recommends you

REJECT

WAM Capital's Unsolicited and Opportunistic Offer

Legal Adviser to CLF



IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you are in any doubt how to deal with this document, you should contact your broker, financial, taxation or legal adviser immediately.

IMPORTANT NOTICES

Nature of this document

This is a Target's Statement issued by CLF under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover offer made by WAM Capital for all of the fully paid ordinary shares in CLF it does not own.

ASIC lodgement

This Target's Statement is dated 23 September 2020 and was lodged with ASIC and given to ASX on that date. 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 explained in Section 8 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. You are encouraged to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward-looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include, without limitation, factors and risks specific to the industry in which CLF operates as well as general economic conditions. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of CLF, CLF's officers, employees and advisers, any persons 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 of 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 date of this Target's Statement. CLF does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

Disclaimer as to information

The information on WAM Capital contained in this Target's Statement has been prepared by CLF using publicly available information. The information in this Target's Statement concerning WAM Capital has not been independently verified by CLF. Accordingly, CLF does not, subject to the Corporations Act, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

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 of Australia. [Diagrams](#)

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

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

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KEY DATES & CORPORATE DIRECTORY

KEY DATES

Announcement of Offer	3 September 2020
Date of Bidder's Statement	3 September 2020
Date of the Offer	18 September 2020
Offer Period commences	18 September 2020
Date of this Target's Statement	23 September 2020
Expiry of the Offer Period (unless withdrawn or extended)	19 October 2020

CORPORATE DIRECTORY

<p>Directors</p> <p>Brian Sherman AM Barry Sechos John Martin David Sokulsky</p>	<p>Independent Board Committee</p> <p>Brian Sherman AM Barry Sechos John Martin</p>
<p>Legal Adviser</p> <p>Watson Mangioni Lawyers Pty Limited Level 23, 85 Castlereagh Street Sydney NSW 2000</p> <p>Share Registry</p> <p>Boardroom Pty Limited Level 12/225 George St Sydney NSW 2000</p>	<p>Company Secretary</p> <p>Barry Sechos</p> <p>Registered Office</p> <p>2 Paddington St, Paddington NSW 2021</p>

INDEPENDENT BOARD COMMITTEE LETTER

Dear Shareholder

By now you should have received a Bidder's Statement dated 3 September 2020 containing a takeover offer from WAM Capital Limited (WAM Capital). Under the offer (Offer), WAM Capital is offering you 2 WAM Capital shares in exchange for every 3.7 of your CLF Shares.

After a comprehensive evaluation of WAM Capital's Offer, CLF's Independent Board Committee (IBC) has concluded that WAM Capital's Offer is not in the best interests of CLF Shareholders. Your IBC therefore unanimously recommends that you **REJECT** WAM Capital's Offer.

As CLF's largest Shareholder controlling 20.75% of Shares, Mr Brian Sherman has advised that he intends to **REJECT** WAM Capital's Offer in respect of all of the CLF Shares that he owns or controls. Further, any member of the IBC that owns or controls CLF Shares also intends to **REJECT** WAM Capital's Offer in respect of all the CLF Shares they own or control.

The IBC considers that WAM Capital's Offer is opportunistic and fails to provide CLF Shareholders sufficient value for their CLF Shares. The IBC recommends that Shareholders **REJECT** WAM Capital's Offer due to the following negative impacts on CLF Shareholders if they accept:

- The Offer significantly undervalues your CLF Shares and would result in a loss of net tangible asset value (NTA)
- You would suffer a serious dilution of valuable franking credits that you currently have an interest in
- You would be exposed to the vastly different investment strategy employed by WAM Capital
- You would lose your regular quarterly distributions from CLF
- The Offer has a detrimental and unattractive capital gains impact that may impose a tax burden on you
- The sustainability of WAM Capital's share price premium to pre-tax NTA per share that is being used to support the Offer is questionable
- The Offer is highly conditional

In order to **REJECT** WAM Capital's Offer, **TAKE NO ACTION** in relation to the Offer and **DO NOT RETURN** any documents that WAM Capital has sent, or may send, to you.

Please read Section 1 of this Target's Statement that provides more information about the reasons the IBC recommends that CLF Shareholders **REJECT** WAM Capital's Offer.

WAM Capital has also made a number of incorrect assertions regarding CLF in its Bidder's Statement, and the IBC believes it is important to give Shareholders the facts about CLF.

These are:

CLF's investment portfolio is delivering strong performance in excess of its benchmark S&P/ASX 200 Total Return Index - Since the inception of CLF more than 30 years ago, CLF's Board has consistently demonstrated its ability to create Shareholder value. Further, the CLF Board is strongly aligned with Shareholders as a result of the substantial Shareholding the Chairman, Brian Sherman, has in the Company. The Chairman controls 20.75% of CLF, and his interests, as a Shareholder of CLF, are aligned with the interests of you, the Shareholders.

INDEPENDENT BOARD COMMITTEE LETTER

continued

- **The IBC has complete confidence in the Manager, Carrara Investment Management** - The Board was delighted to contract the Manager and its investment team with whom it has enjoyed a productive working relationship for more than 2½ years. Importantly, the Board has been able to secure continuity in CLF's operations, investment strategy and dividend policy for the ongoing benefit of Shareholders. Since taking over the management of the CLF portfolio in January 2018, the investment team has outperformed its benchmark S&P ASX 200 Total Return Index by 5.71% and outperformed the benchmark by 7.4% in the 12 months to 31 August 2020. This is an exceptionally strong performance at a time of unprecedented market volatility.
- **CLF's capital management initiatives are prudent and appropriate** - The Board's recent decision to pay a fully franked special dividend and put money in the hands of our Shareholders, supported by the Manager, irrefutably demonstrates that the Board and Manager are both focused on taking care of Shareholders above any other consideration. Further, payment of the fully franked special dividend was assessed against a number of other alternatives and the Board concluded that the most prudent and appropriate course of action at this present time was to distribute cash directly to Shareholders.
- **CLF's corporate governance is robust** - The Board's recent decision to appoint the Manager did not require Shareholder approval as insinuated by WAM Capital in its Bidder's Statement. The appointment of the Manager was carried out in accordance with all ASX and Corporations Act requirements. The decisions made by CLF's Board over many years clearly demonstrates the strength of its corporate governance and that it is acting in the best interests of all Shareholders.

We value the trust CLF Shareholders have placed in us for more than three decades and to whom we have reliably paid fully franked distributions over that time. In addition to normal trading on the ASX, CLF's share buy-back program provides shareholders with an opportunity to exit their investment in CLF, refuting WAM Capital's claims about liquidity.

The purpose of CLF as an investment vehicle is to provide Shareholders with exposure to the largest, well-known and stable companies listed on ASX. These companies are primarily within the S&P/ASX 200 Index and pay attractive fully franked dividends, which support your Company's consistent payment of fully franked dividends on a quarterly basis.

WAM Capital invests in a very different segment of the market, with a focus on small-to-medium sized ASX-listed companies, with significantly different risk profiles and dividend policies. We see no reason why the Board should increase the riskiness of our portfolio by changing the risk profile or types of underlying companies that CLF Shareholders are currently exposed to.

We do not believe the Offer presented by WAM Capital is in the best interest of CLF Shareholders and we recommend that you **REJECT** WAM Capital's Offer and **TAKE NO ACTION** in relation to the Offer.

Independent Board Committee
Concentrated Leaders Fund
23 September 2020

KEY POINTS TO REMEMBER

If you accept the Offer:

1. The Offer significantly undervalues your CLF Shares and would result in a loss of Net Tangible Asset value per CLF Share

2. You would suffer a serious dilution of valuable franking credits that you currently have an interest in

3. You would be exposed to the vastly different investment strategy employed by WAM Capital

4. You would lose your regular quarterly distributions from CLF

5. The Offer has a detrimental and unattractive capital gains impact that may impose a tax burden on you

6. The sustainability of WAM Capital's share price premium to pre-tax NTA that is being used to support the Offer is questionable

7. WAM Capital's Offer is highly conditional

1. INDEPENDENT BOARD COMMITTEE RECOMMENDATION AND REASONS

After careful consideration, the IBC unanimously recommends that CLF Shareholders **REJECT WAM Capital's Offer**. To **REJECT** the Offer: **TAKE NO ACTION**.

Paragraphs 1.1 to 1.7 below set out the reasons for the IBC's recommendation.

CLF is pursuing strategies to deliver value to Shareholders, and to reduce any discount of the Share price to pre-tax net tangible assets (**NTA**) per Share. The IBC does not consider the Offer, which is unsolicited and opportunistic, is a means of unlocking value for Shareholders.

In considering the Offer, the IBC encourages you to:

- (a) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (b) obtain independent financial, legal, taxation or other professional advice before making a decision regarding the Offer.

1.1. WAM Capital's Offer Significantly Undervalues CLF and Would Result in a 16.22 Cents Per Share Loss of Pre-tax NTA Value for Accepting CLF Shareholders

The Offer price substantially undervalues CLF, as it represents a material discount to CLF's pre-tax NTA per Share. Comparing the pre-tax NTA per share of WAM Capital and CLF as at 31 August 2020, CLF Shareholders accepting the Offer would be giving away 14.74% of value, made up of:

- (a) 60 cents of value on their 3.7 CLF Shares; or
- (b) 16.22 cents of value per CLF Share.

CLF's pre-tax NTA as at 31 August 2020 was \$1.10 per Share. As such, 3.7 CLF Shares equates to \$4.07 of pre-tax NTA. WAM Capital's pre-tax NTA as at 31 August 2020 was \$1.7350 per share. As such, 2 WAM Capital shares equates to \$3.47 of pre-tax NTA. As a result, for the \$1.10 of pre-tax NTA per CLF Share that CLF Shareholders currently have, they would only get \$0.9378 of pre-tax NTA per WAM Capital share. This represents a loss of 16.22 cents per CLF Share.

While the Offer price may represent a small premium based on the VWAPs of CLF and WAM Capital shares up to the date on which the Offer was announced, the IBC does not consider the market prices to be representative of the underlying value of either CLF or WAM Capital. See further details in paragraph 1.6 below.

The IBC notes that as at the close of trade on 21 September 2020, based on ASX-quoted prices, 3.7 CLF Shares was worth \$3.959 and 2 WAM Capital shares was worth \$4.28, which means the Offer Consideration represents an 8.11% premium to your Shares as at that date. Prices of CLF Shares and WAM Capital shares on ASX since the Offer was announced may not be reflective of the price those shares will trade at, or would have traded at, in the absence of the Offer.

1.2. Accepting CLF Shareholders Would Suffer a Serious Dilution of Franking Credit Benefits That They Currently Have an Interest in

CLF has a current franking account balance of approximately \$5.4 million. This balance would enable CLF to pay fully franked dividends totalling \$12.5 million or 21 cents per Share to its 2,170 Shareholders. CLF Shareholders have an interest in these \$5.4 million of franking credits.

If CLF's \$5.4 million of franking credits were spread among WAM Capital's 36,000 shareholders in addition, the vast bulk of the benefit of these franking credits would go to WAM Capital's 36,000 shareholders.

According to the last published WAM Capital accounts, as at 30 June 2020, WAM Capital has a franking account balance of only \$1.39 million and it has declared a 7.75 cent fully franked dividend payable in November 2020. As such, WAM Capital will require an additional \$24.1 million of franking credits to support a 7.75 cents fully franked dividend. The IBC is not aware of any evidence that WAM Capital currently has these franking credits.

1.3. Accepting CLF Shareholders Would be Exposed to the Vastly Different Investment Strategy Employed by WAM Capital

CLF's investment strategy is focused on the largest 200 companies in Australia investing primarily in the S&P/ASX 200 Index. These companies are some of the largest, well-known, and stable companies in Australia. They also typically pay attractive fully franked dividends which support CLF's consistent payment of fully franked dividends to its Shareholders. CLF's proven performance and track record over the long term demonstrates that its strategy is successful in delivering Shareholder value.

Conversely, WAM Capital is focused on an entirely different segment of the Australian share market and invests primarily in small-to-medium sized ASX listed companies that do not typically pay fully franked dividends. As such, WAM Capital's investment strategy, portfolio holdings and risk profile is significantly different to that of CLF and the underlying companies to which CLF investors are exposed.

As such, WAM Capital's investment strategy, portfolio holdings and risk profile is significantly different to that of CLF and the underlying companies to which CLF investors are exposed.

If CLF Shareholders want this significantly different risk profile, they can choose to separately invest in WAM Capital or other fund managers offering this type of exposure to a very different segment of the Australian share market.

1.4. Accepting CLF Shareholders Would Lose Their Regular CLF Quarterly Distributions

CLF pays a regular quarterly dividend, as well as paying a special dividend when appropriate. These dividends have been fully franked and paid regularly to CLF Shareholders. Conversely, WAM Capital only pays dividends semi-annually. The Board of CLF intends to continue with its policy of paying a regular quarterly fully franked dividend, subject to market conditions. It is possible that semi-annual distributions on WAM Capital shares could negatively impact accepting CLF Shareholders who rely on, and prefer, CLF's quarterly income stream.

1.5. The Offer Has a Detrimental and Unattractive After-Tax Impact that May Impose a High Tax Burden on Accepting CLF Shareholders

WAM Capital must acquire ownership of at least 80% of all CLF Shares for CLF Shareholders to be eligible for capital gains rollover tax relief. If rollover tax relief is not available, then accepting CLF Shareholders may be required to pay capital gains tax on any capital gain realised on the effective disposal of their CLF Shares in exchange for WAM Capital shares as consideration. Any capital gains tax liability would be crystallised at the time of exchange of your CLF Shares for WAM Capital shares.

Brian Sherman, who through his investment companies, is CLF's largest Shareholder and controls at the date of this Target's Statement 12,316,623 CLF Shares (representing 20.75% of all CLF Shares), has advised that, consistent with his intention to recommend that Shareholders REJECT the Offer, he intends to cause his investment companies to REJECT WAM Capital's Offer¹ and, as such, WAM Capital will not be able to achieve at least 80% ownership of CLF under the Offer.

This may be a material issue for a large number of CLF Shareholders given that 60% of Shareholders have been invested in CLF for more than 10 years. In considering the WAM Capital Offer, CLF Shareholders should seek professional tax advice to fully understand the tax consequences in light of their personal circumstances.

1.6. The Sustainability of WAM Capital's share price premium to Pre-tax NTA per share used to Support its Offer is Questionable

The WAM Capital share price as at close of trading on ASX on 22 September 2020 was \$2.14, which is significantly higher than its 31 August 2020 \$1.735 pre-tax NTA per share, and represents a share price premium to that pre-tax NTA per share of 23.3%. The vast majority of listed investment companies (LICs) on ASX, including other LICs managed by the Wilson Asset Management group, do not typically trade at such a premium. There is no guarantee that WAM Capital's existing share price premium to pre-tax NTA per share will continue.

As an example, on 10 June 2020 WAM Capital's share price closed at \$2.02 and on 29 June 2020 WAM Capital's share price closed at \$1.785 – representing a share price drop of 23.5 cents or 11.6% over that period, being a period during which there was no reported change in WAM Capital's NTA per share.

WAM Capital's Bidder's Statement notes that in the four months before the date of the Bidder's Statement, WAM Capital's share price has fluctuated between a low of \$1.77 and a high of \$2.20, an increase of some 43 cents or 24%. In that same period, WAM Capital's announced pre-tax NTA per share only increased 9.23%.

There is no guarantee that the current premium that WAM Capital shares are trading at to pre-tax NTA per share will continue until such time as accepting Shareholders may wish to sell their WAM Capital shares.

¹ Brian Sherman's investment companies, Escotwo Pty Ltd and Kirman 2 Pty Ltd, have consented to the inclusion of this intention statement in this document.

Factors that may influence and reduce the current WAM Capital share price premium to pre-tax NTA per share include (among others):

- (a) WAM Capital shares commencing to trade ex-entitlement to the announced 7.75 cents per share WAM Capital dividend on 19 November 2020;
- (b) market fluctuations and perception within the market;
- (c) investment portfolio performance; and
- (d) CLF Shareholders who receive WAM Capital shares under the Offer wanting to sell their WAM Capital shares.

These issues and the potential volatility of the share price premium or discount to pre-tax NTA per share of LICs is one of the key reasons the IBC believes it is better to focus on pre-tax NTA as the appropriate measure of value.

However, if you were to take WAM Capital's suggestion of focusing on LIC share price premium/discount to pre-tax NTA per share, an acceptance of the Offer would mean that CLF Shareholders would be exchanging an undervalued asset relative to pre-tax NTA (CLF Shares) for a significantly overvalued asset relative to pre-tax NTA (WAM Capital shares).

In addition, WAM Capital's focus on liquidity as a key benefit of its Offer assumes that CLF Shareholders are actively seeking to dispose of their CLF Shares. However, the evidence does not support WAM Capital's proposition with 60% of Shareholders maintaining their Shareholding in CLF for over 10 years. CLF acknowledges that some Shareholders may benefit from greater liquidity and this was a key reason for CLF re-instating its Share buy-back program. We note however that CLF Shareholders have not previously raised liquidity as an issue with the Board or management team. The CLF Board intends to continue its buy-back program when appropriate.

The IBC believes that the consistent payment of above market, fully franked dividends on a quarterly basis in addition to above benchmark investment performance by the investment manager of CLF reinforces the attractiveness to CLF Shareholders of maintaining their investment in CLF.

1.7. The Offer is highly conditional

The Offer is subject to a number of defeating conditions, which if not satisfied or waived by WAM Capital will mean you will not receive the Offer Consideration. If you accept the Offer while it remains conditional, you will not be able to withdraw your acceptance (except in limited circumstances permitted by law) or sell your Shares on ASX. You will only receive the Offer Consideration if all conditions are satisfied or waived by the end of the Offer Period, and will only regain your ability to sell your Shares if one of more of the defeating conditions is not satisfied or waived by the end of the Offer Period (which will render your acceptance void).

The key defeating conditions that are at risk of not being satisfied are the NTA Condition and the Market Fall Condition, which are capable of being triggered by market fluctuations that the Board considers to be not unlikely during current volatile market conditions. See Section 2.3 for a description of these and other key defeating conditions of the Offer.

1.8. Composition of IBC

The Board formed the IBC and adopted protocols governing its operation as a matter of good corporate governance and to appropriately deal with any conflicts of interest of the Directors that may arise pursuant to the Offer.

Brian Sherman and Barry Sechos have the following interests to note:

- (a) Mr Sherman has a relevant interest in approximately 20.75% of the Shares on issue in the Company, through his investment companies Escotwo Pty Ltd and Kirman 2 Pty Ltd;
- (b) Mr Sechos is also a director of Escotwo Pty Ltd;
- (c) Sherman Group Pty Limited is a company controlled by another entity associated with Mr Sherman, and of which both Mr Sherman and Mr Sechos are directors; and
- (d) Mr Sechos is also engaged by Sherman Group and his services as both company secretary and compliance officer of the Company are currently provided by Sherman Group to the Company for an annual fee payable to Sherman Group of \$75,000,

(collectively the **Sherman Interests**). For the purposes of the ASX Corporate Governance Principles, the Sherman Interests mean that neither Mr Sherman nor Mr Sechos is considered an independent director.

David Sokulsky has the following interests to note:

- (a) Mr Sokulsky holds a relevant interest in 99,697 Shares in the Company;
- (b) Mr Sokulsky is majority shareholder, director and Chief Executive of Carrara Investment Management (Australia) Pty Limited (**Manager**), which was appointed as the investment manager of the Company pursuant to an Investment Management Agreement (**IMA**) between the Company and the Manager entered into on 1 July 2020 for an initial term of 5 years;
- (c) Mr Sokulsky was formerly employed as CEO and Chief Investment Officer of the Company – he resigned those employment positions when the IMA was entered into; and
- (d) under the IMA, the Manager receives both a management fee and performance fee - the amount of the management fee is referable to the quantum of assets under management in the Company's investment portfolio, while the amount of the performance fee is referable to the performance of the portfolio against the S&P/ASX 200 Total Return Index,

(collectively the **Sokulsky Interests**). For the purposes of the ASX Corporate Governance Principles, the Sokulsky Interests mean that Mr Sokulsky is not considered an independent director.

John Martin has no interests to note relevant to his position as Director or in relation to the Offer. He is considered an independent director for the purposes of the ASX Corporate Governance Principles.

The Board (excluding Mr Sokulsky) determined that Mr Sokulsky had a conflict of interest by reason of the Sokulsky Interests. This is because the Sokulsky Interests give Mr Sokulsky an interest in the Offer different to that of Shareholders, in that he potentially has a material financial incentive to seek that the Company remains a standalone entity regardless of the merits of the Offer to Shareholders.

The Board (excluding Mr Sherman and Mr Sechos) did not consider Mr Sherman or Mr Sechos to have a conflict of interest in relation to the Offer. This is because the Sherman Interests generally are aligned in all material respects with the interests of Shareholders of CLF, as the overwhelming aspect of the Sherman Interests is its position as 20.75% Shareholder of CLF. While the Sherman Interests also include an interest as provider of company secretarial and compliance officer services to CLF, the value of that interest to Mr Sherman and Mr Sechos was considered by the Board to be immaterial.

Accordingly, the IBC was constituted to consider CLF's response to the Offer and its membership was resolved to be Mr Sherman, Mr Sechos and Mr Martin. Mr Sokulsky has not participated in formulating CLF's response to the Offer, and due to his conflict of interest he has declined to make a recommendation. However, he has confirmed his intention to REJECT the Offer in respect of the 99,697 Shares he has a Relevant Interest in.

1.9. Why a Shareholder Might Choose to Accept the Offer

While the IBC has unanimously recommended that Shareholders REJECT the Offer, a Shareholder may nevertheless believe that accepting the Offer is in their interests. Some reasons a Shareholder may have for taking this action could include:

- (a) they no longer wish to be exposed to CLF's ASX/S&P 200-focused investment portfolio to the same degree;
- (b) they consider the Offer to be a way to realise their investment in CLF Shares, by exchanging them for WAM Capital shares and then seeking to sell those shares on ASX;
- (c) they may not be exposed to a heavy tax burden in the absence of capital gains rollover tax relief;
- (d) they may consider market prices to be more representative of value than underlying NTA per share;
- (e) they may consider the WAM Capital share price premium to its pre-tax NTA per share to be sustainable; or
- (f) they may place little value on the significant franking credits held by the Company.

2. SUMMARY TERMS OF THE OFFER

Schedule 1 of the Bidder's Statement contains the full terms of the Offer. The below is a summary only.

2.1. Offer Consideration

Under the Offer, WAM Capital is offering Shareholders 2 new WAM Capital shares for every 3.7 Shares they hold (**Offer Consideration**).

2.2. Offer for all your Shares only

It is a term of the Offer that you may only accept the Offer in respect of all your Shares, and not some of your Shares only.

2.3. Defeating conditions

The Offer is subject to a number of defeating conditions and is therefore uncertain, in particular due to the Minimum Acceptance Condition, the NTA Condition and the Market Fall Condition. If you accept the Offer, you will not receive the Offer Consideration unless all defeating conditions are satisfied or waived by WAM Capital.

The below is a summary of the defeating conditions of the Offer:

- (a) WAM Capital has a Relevant Interest in Shares by the end of the Offer Period of at least 50.1% of the Shares (by number) then on issue (**Minimum Acceptance Condition**). As at the 22 September 2020, WAM Capital had a Relevant Interest in 13.25% of the Shares on issue;
- (b) no proposal to is made to amend or assign, and no amendment is made to the terms of, the Investment Management Agreement between CLF and the Manager (**IMA Condition**);
- (c) there are no Prescribed Occurrences;
- (d) the 31 July 2020 pre-tax NTA per Share of CLF not declining by 5% or more below the pre-tax net NTA per Share of CLF of \$1.06 per Share, being the announced \$1.23 per Share pre-tax NTA per Share of CLF adjusted for the 15.5 cents per Share fully franked special dividend and the 1.5 cents per Share fully franked quarterly dividend, announced to the ASX in the July Monthly Report on 11 August 2020 (**NTA Condition**). The relevant threshold for this condition is a pre-tax NTA per share of CLF of \$1.007 – as at 31 August 2020, the pre-tax NTA per CLF Share was \$1.10;
- (e) the S&P/ASX 200 Index not closing at a level that is 5% or more below the level of that index at 5.00pm (Sydney time) on 2 September 2020 (that is, 6063.20) and remaining at or below that level for at least two consecutive trading days (**Market Fall Condition**). At close of trade on 22 September 2020, the S&P/ASX 200 Index closed at 5784.10, meaning it needed only to close a further 24.06 points lower subsequently during the Offer Period (and remain at or below that level for 2 consecutive trading days) for this condition to be triggered;
- (f) no material adverse change to the assets, liabilities, financial position, performance, profitability or prospects of CLF;
- (g) CLF not making certain changes such as making or proposing to make any variations to its constitution, giving or agreeing to give any encumbrance over any of its assets, or appointing any additional Director to the Board;
- (h) no reinstatement of the CLF dividend reinvestment plan; and
- (i) no regulatory action which materially affects the Offer.

If these defeating conditions are not satisfied or waived in accordance with the Corporations Act and the terms of the Offer, then the Offer, and any contract formed upon your acceptance of the Offer, will be void.

In the Bidder's Statement, WAM Capital has reserved the right to declare the Offer free from a defeating condition, but states that it has not decided whether it will do so.

2.4. Offer Period

Unless WAM Capital's Offer is extended or withdrawn in accordance with the Corporations Act, it is open for acceptance until 7.00pm on 19 October 2020. If you decide to accept the Offer, your acceptance must be received by WAM Capital before the end of the Offer Period.

2.5. Variation of the Offer

The Offer may be varied in accordance with the Corporations Act. This could include an increase in the Offer Consideration. WAM Capital has, at the date of this Target's Statement, not made a statement regarding whether or not they may increase the Offer Consideration.

2.6. Withdrawal of Offer

WAM Capital may not withdraw the Offer to the extent you have already accepted it. However, pursuant to the Corporations Act, WAM Capital may withdraw the Offer in respect of any unaccepted Offers in certain limited circumstances as prescribed by the Corporations Act.

2.7. Your ability to withdraw your acceptance

Once you have accepted the Offer you cannot later withdraw your acceptance except in limited circumstances permitted by law.

2.8. When you will receive the Offer Consideration if you accept the Offer

If you accept the Offer, you will be paid the Offer Consideration on the later of:

- (a) 1 month after the date you validly accept the Offer; or
- (b) 1 month after the date the Offer becomes or is declared unconditional,

and in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, in the Bidder's Statement, WAM Capital has stated that it is its intention to issue the Offer Consideration within seven days of the end of the Offer Period (provided that the Offer is then unconditional).

2.9. Effect of an increase in the Offer Consideration

If WAM Capital increases the Offer Consideration, all Shareholders, whether or not they have accepted the Offer before that increase will be entitled to the benefit of that increase (unless a Shareholder has sold their Shares on-market).

2.10. Compulsory acquisition

If WAM Capital obtains a Relevant Interest in at least 90% of the Shares (by number) on issue at any time during the Offer Period and the defeating conditions are satisfied or waived, WAM Capital has stated that it intends to proceed to compulsorily acquire any Shares not accepted into the Offer. At the conclusion of the compulsory acquisition process, you will receive 2 WAM shares for every 3.7 fully paid CLF Shares held.

If WAM Capital obtains a Relevant Interest in less than 90% of CLF Shares, WAM will not be able to proceed to compulsorily acquire your CLF Shares. As Brian Sherman intends to cause his investment companies not to accept the Offer in respect of their Shares (which constitute 20.75% of the Shares on issue), WAM Capital will not be able proceed with compulsory acquisition.

3. KEY QUESTIONS

This section answers some key questions about the Offer. It is not intended to address all relevant issues for Shareholders. This section should be read together with all other parts of this Target's Statement.

QUESTION	ANSWER
What is the Target's Statement?	The Target's Statement has been prepared by CLF and provides CLF's response to the Offer.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer, a copy of which was lodged with ASIC and released to the ASX on 18 September 2020.
What is WAM Capital's Offer for my Shares?	WAM Capital is offering 2 new WAM Capital shares for every 3.7 CLF Shares that you hold. It is a term of the Offer that you may only accept the Offer in respect of all of your Shares (and not some of your Shares only).
What are the conditions to the Offer?	<p>The Offer is subject to a number of defeating conditions, including:</p> <ol style="list-style-type: none"> 1. the Minimum Acceptance Condition; 2. the IMA Condition; 3. the NTA Condition; 4. the Market Fall Condition; and 5. there being no Prescribed Occurrences. <p>For a full list of the defeating conditions, see Section 2.3.</p> <p>WAM Capital is under an obligation to give notice of fulfilment of any conditions, and its waiver of any conditions. It must also give notice of the status of each defeating condition on 12 October 2020 (subject to extension in accordance with the Corporations Act if the Offer Period is extended). All such notices will be released on ASX.</p>

QUESTION	ANSWER
What choices do I have as a CLF Shareholder?	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ol style="list-style-type: none"> 1. REJECT the Offer and TAKE NO ACTION. 2. TRY TO SELL your CLF Shares on ASX. 3. ACCEPT the Offer in respect of all of your CLF Shares. <p>There are several implications in relation to each of the above choices. You should read this Target's Statement and the Bidder's Statement in full to obtain a summary of these implications.</p> <p>If you are in any doubt as to what to do, you should consult with your investment, legal, financial, taxation or other professional adviser.</p>
How do I REJECT the Offer?	To REJECT the Offer, simply do nothing.
How do I accept the Offer?	To accept the Offer, you should follow the instructions set out in the Bidder's Statement.
Can I sell my Shares on ASX during the Offer Period?	Yes. During the period of the Offer, you may sell your Shares on ASX <u>provided that</u> you have not accepted the Offer. No assurance is given as to whether you will be able to sell your Shares on ASX at a price acceptable to you.
Why was the Independent Board Committee (IBC) formed?	The Board determined that David Sokulsky has a conflict of interest in respect of the Offer due to his position with and ownership interest in the Manager, and formed the IBC, consisting of all other Directors to formulate CLF's response to the Offer. See Section 1.8 for further details.
What is Independent Board Committee recommending?	The Independent Board Committee unanimously recommends that you REJECT the Offer and TAKE NO ACTION .
Why was NO independent expert appointed?	Under the Corporations Act, CLF was not required to engage an independent expert to prepare a report. That is a requirement if the bidder has voting power of 30% in the target under a takeover bid, which is not the case here.
What is WAM Capital?	WAM Capital is an ASX listed investment company. WAM Capital is focused on an entirely different segment of the Australian share market and invests primarily in small-to-medium sized ASX listed companies that do not typically pay fully franked dividends. As such, WAM Capital's investment strategy, portfolio holdings and risk profile is significantly different to that of CLF and the underlying companies to which CLF investors are exposed.

QUESTION	ANSWER
<p>How many Shares does WAM Capital already have an interest in?</p>	<p>As at 22 September 2020, WAM Capital had disclosed that it has a Relevant Interest in 7,872,735 Shares, representing 13.25% of the Shares on issue in CLF.</p>
<p>If I accept the Offer, can I withdraw my acceptance?</p>	<p>If you accept the Offer you cannot later withdraw your acceptance except in limited circumstances permitted by law.</p>
<p>When does the Offer Period end?</p>	<p>The Offer is currently scheduled to close at 7.00pm on 19 October 2020 (unless extended in accordance with the Corporations Act). If you wish to accept the Offer you need to do so before the Offer Period expires.</p>
<p>When will I receive payment if I accept the Offer?</p>	<p>If you accept the offer, WAM Capital will pay to you the Offer Consideration to which you are entitled on or before the earlier of:</p> <ul style="list-style-type: none"> (a) 1 month after the date you validly accept the Offer; or (b) 1 month after the date the Offer becomes or is declared unconditional, <p>and in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.</p> <p>However, in the Bidder's Statement, WAM Capital has stated that it is its intention to issue the Offer Consideration within seven days of the end of the Offer Period (provided that the Offer is then unconditional).</p> <p>Refer to the Bidder's Statement for further details regarding timing for payment on acceptance.</p>
<p>Can WAM Capital vary the Offer?</p>	<p>WAM Capital can only vary the Offer in certain circumstances in accordance with the Corporations Act. Such a variation could include an increase in the Offer Consideration. WAM Capital has not stated whether or not it may increase the Offer Consideration. If WAM Capital does increase the Offer Consideration, Shareholders who had already accepted would receive that increase.</p>
<p>What if there is a competing offer?</p>	<p>If a competing offer for CLF emerges, Shareholders will be informed through an announcement to ASX.</p> <p>If you have already accepted the Offer, you will be unable to accept the competing offer unless the WAM Capital Offer first lapses.</p>

QUESTION	ANSWER
<p>Can I be forced to sell my Shares?</p>	<p>You cannot be forced to sell your Shares unless WAM Capital and its Associates acquire a Relevant Interest in at least 90% of all Shares, in which case it is entitled to compulsorily acquire the remaining Shares under the Corporations Act (see Section 2.10 of this Target's Statement).</p> <p>If WAM Capital proceeds to compulsory acquisition of Shares held by Shareholders who did not accept the Offer, those Shareholders will receive the Offer Consideration for their Shares.</p> <p>WAM Capital's intentions with respect to compulsory acquisition are set out in sections 7 of the Bidder's Statement. In summary, WAM Capital has indicated that if it becomes entitled to do so, it intends to compulsorily acquire any outstanding Shares in accordance with the Corporations Act.</p>
<p>What do the Directors intend to do with their Shares?</p>	<p>Brian Sherman intends to REJECT the Offer in respect of the 12,316,623 Shares he controls. This represents 20.75% of the Shares on issue. Because of this, WAM Capital will be precluded from compulsorily acquiring your Shares, since it will not be able to obtain a Relevant Interest in at least 90% of Shares.</p> <p>David Sokulsky intends to REJECT the Offer in respect of the 99,697 Shares he holds or controls.</p>
<p>What are WAM Capital's intentions with respect to CLF?</p>	<p>WAM Capital's intentions with respect to CLF are set out in section 7 of the Bidder's Statement.</p>

4. OTHER IMPORTANT MATTERS FOR SHAREHOLDERS TO CONSIDER

4.1. Minority ownership consequences

If control of CLF passes to WAM Capital as a result of the Offer, in circumstances where WAM Capital does not proceed with compulsory acquisition of your Shares, there may be additional factors that need to be considered, including:

- (a) the number of Shares traded on ASX could be significantly reduced. Shares not accepted into the Offer could become more illiquid and infrequently traded;
- (b) WAM Capital may be in a position to control the composition of management and the strategic direction of CLF. This would be effected through control of the Board. WAM Capital has stated, in section 4 of the Bidder's Statement, that it intends to seek the appointment of a majority of WAM Capital nominees to the Board to reflect the proportionate ownership interest of WAM Capital and other CLF Shareholders; and
- (c) WAM Capital may be in a position to pass special resolutions at meetings of Shareholders. This will enable WAM Capital to, among other things, change CLF's Constitution and arrange for CLF to be removed from the official list of ASX. If this occurs, any remaining Shareholders will not be able to sell their Shares on-market.

You should also read section 7 of the Bidder's Statement which describes WAM Capital's intentions in the event that it acquires control (including varying levels of control) of CLF and Section 1 of this Target's Statement which describes IBC's recommendation and reasons for Shareholders to REJECT the Offer.

4.2. Taxation consequences

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. You may wish to refer to section 10 of the Bidder's Statement which includes a summary of the principal Australian tax consequences generally applicable to CLF Shareholders who dispose of their CLF Shares under the Offer.

Shareholders are also referred to Section 1.5 of this Target's Statement which sets out potential adverse capital gains tax consequences that may arise if you accept the Offer.

You should seek your own specific independent taxation advice as to the taxation implications applicable to your circumstances before making a decision as to whether or not to accept the Offer for your Shares.

4.3. Risk factors associated with CLF

In considering whether to accept the Offer, Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of CLF and the value of Shares. Many of these risks are relevant to Shareholders today and will be relevant to Shareholders who remain as Shareholders following the completion of the Offer. Some of these risks are also relevant if you accept the Offer and become a shareholder of WAM Capital.

For risks specific to accepting the Offer and becoming a WAM Capital shareholder, see Section 1 which details the IBC's recommendation that you REJECT the Offer and the reasons for that recommendation.

The following is a summary of some risks that you may be exposed to if you continue to hold CLF Shares following the conclusion of the Offer and which are not also risks associated with a holding of WAM Capital shares:

- (a) the Share price, which has risen since announcement of the Offer, may decline following conclusion of the Offer, whether it is successful or not;
- (b) see Section 4.1 regarding the risk of holding Shares in CLF where WAM Capital controls more than 50% of the Shares;
- (c) the performance of CLF's portfolio will be a function of the performance of the Manager – while the investment team at the Manager has been managing the CLF portfolio holdings for some time, the Manager is a new stand-alone entity and accordingly its performance and operations do not have the long-term standing and security that may be present with other external investment managers in the market;
- (d) given the smaller size of CLF relative to many of its peers, the Shares are less liquid than shares in other larger LICs.

Additional risks and uncertainties not currently known to CLF may have a material adverse effect on CLF's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect CLF or the Shareholders.

5. INFORMATION REGARDING CLF

5.1. Background information on CLF

CLF is a geared ASX-listed investment company, which invests primarily in companies within the S&P/ASX 200 Total Return index.

5.2. Publicly available information about CLF

CLF is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, CLF is subject to the ASX Listing Rules which require continuous disclosure of any information CLF has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by CLF are available on the ASX's website at www.asx.com.au (ASX Code: CLF) or on the company's website at www.cfund.com.au.

5.3. Financial information and related matters

CLF's last published audited financial statements are for the financial year ended 30 June 2020 and were dated 27 August 2020 and lodged with ASX on that date. These statements (and the audit report) also appear in CLF's Annual Report dated 16 September 2020 and lodged with ASX on that date.

Copies of CLF's Annual Report may be obtained from ASX's website at www.asx.com.au (ASX Code: CLF) or from the Company's website at www.cfund.com.au.

6. INFORMATION RELATING TO THE DIRECTORS

6.1. Interests and dealings in CLF securities

(a) Interests in CLF securities

As at the date of this Target's Statement, the Directors had disclosed the following interests in Shares:

DIRECTOR	SHARES	VOTING POWER IN CLF
Brian Sherman	12,316,623 ⁽¹⁾	20.75%
Barry Sechos	NIL	NIL
John Martin	NIL	NIL
David Sokulsky	99,697 ⁽²⁾	0.17%

(1) This interest arises due to Shares held by Escotwo Pty Ltd and Kirman 2 Pty Ltd, companies which Brian Sherman controls.

(2) This interest arises due to Shares held by Sokulsky Super Pty Ltd (ACN 624 788 692), which David Sokulsky controls.

(b) Dealings in CLF Securities

There have been no acquisitions or disposals of Shares by the Directors in the period of four months immediately preceding the date on which the Bidder's Statement was served on the Company.

6.2. Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit which cannot be given without member approval under the Corporations Act in connection with the retirement of that person, or someone else, from a board or managerial office of CLF or related body corporate of CLF.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer.

(c) Benefits from WAM Capital

None of the Directors has agreed to receive, or is entitled to receive, any benefit from WAM Capital which is conditional on, or is related to, the Offer.

(d) Interests of directors in contracts with WAM Capital

None of the Directors has any interest in any contract entered into by WAM Capital.

7. ADDITIONAL INFORMATION

7.1. Effect of the takeover on CLF's material agreements

To the best of each Director's knowledge, there are no material agreements to which CLF is a party which contain any change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

7.2. Material litigation

As far as the Directors are aware, CLF is not involved in any ongoing litigation which is material in the context of CLF and its related bodies corporate taken as a whole.

7.3. CLF's issued securities

As at the date of this Target's Statement, CLF's issued equity securities consisted of 59,366,814 Shares on issue.

There are no other shares or other securities or options or performance rights or other instruments which are convertible into securities in CLF. There are no current offers or current agreements entered into by CLF to issue any other shares, securities, options or performance rights or other instruments.

7.4. Substantial holders

As at the date of this Target's Statement, CLF is aware that the following persons have substantial holdings in CLF as specified below:

NAME	NUMBER OF CLF SHARES	PERCENTAGE OF ISSUED CAPITAL
Brian Sherman	12,316,623 ⁽¹⁾	20.75%
Wilson Asset Management Group	7,433,122	12.51%
Gasweld Pty Ltd	3,081,060	5.19%

⁽¹⁾ This interest arises due to Shares held by Escotwo Pty Ltd and Kirman 2 Pty Ltd, companies which Brian Sherman controls

7.5. Consents

Watson Mangioni Lawyers Pty Ltd has given, and has not withdrawn, its consent to being named as legal adviser to the Company in this Target's Statement in the form and context in which it is named.

Boardroom Pty Ltd has given, and has not withdrawn, its consent to being named as Share registry to the Company in this Target's Statement in the form and context in which it is named.

Escotwo Pty Ltd, Kirman 2 Pty Ltd and Sokulsky Super Pty Ltd (CAN 624 788 692) each has given, and has not withdrawn, its consent to the statements regarding their respective Shareholdings in this Target's Statement in the form and context in which they appear.

Each person named above as having given their consent to the inclusion of a statement or being named in this Target's Statement:

- (a) does not make, or purport to make, any statement made in the 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, a statement included in this Target's Statement; and
- (b) 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 their name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that person.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Pursuant to the Class Order, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact CLF.

As permitted by ASIC Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

7.6. Regulatory and other approval, consent or waiver requirements

CLF has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer, nor has CLF been granted any waivers from ASX in relation to the Offer.

7.7. No other material information

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) 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
- (b) only if the information is known to any director of CLF.

In deciding what information should be included in this Target's Statement, the Directors have had regard to the matters that Shareholders may reasonably be expected to know and the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers.

8. GLOSSARY AND INTERPRETATION

8.1. Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

ASIC means Australian Securities & Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

Bidder's Statement means the bidder's statement by WAM Capital under Part 6.5 Division 2 of the Corporations Act relating to the Offer, dated 3 September 2020.

Board means the board of directors of CLF.

CLF or the **Company** means Concentrated Leaders Fund Limited (ACN 003 236 173).

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

Director means a director of CLF, and **Directors** means all of them.

IMA means the Investment Management Agreement between CLF and the Manager dated 1 July 2020.

IMA Condition means a defeating condition of the Offer that is triggered if an amendment or assignment of the IMA is made or proposed.

Independent Board Committee or **IBC** means the board committee constituted by the Board to consider the Offer on behalf of the Company and its Shareholders, consisting of Brian Sherman, Barry Sechos and John Martin.

LIC means listed investment company.

Manager means Carrara Investment Management (Australia) Pty Limited (ACN 641 618 331).

Market Fall Condition means a defeating condition of the Offer that is triggered if the S&P/ASX 200 Index closes at a level that is 5% or more below the level of that index at 5.00pm (Sydney time) on 2 September 2020 and stays below that level for 2 consecutive trading days.

Minimum Acceptance Condition means a defeating condition of the Offer that is triggered if WAM Capital does not obtain a Relevant Interest in CLF Shares by the end of the Offer Period of at least 50.1% of the CLF Shares then on issue.

NTA means net tangible assets.

NTA Condition means a defeating condition of the Offer that is triggered if the pre-tax NTA per Share of CLF declines by 5% or more below the pre-tax net NTA per Share of CLF of \$1.06 per Share, being the announced \$1.23 per Share pre-tax NTA of CLF of 31 July 2020 adjusted for the 15.5 cents per Share fully franked special dividend and the 1.5 cents per Share fully franked quarterly dividend, announced to the ASX by CLF in the July Monthly Report on 11 August 2020.

Offer or **WAM Capital's Offer** means the offer made by WAM Capital to acquire all of the Shares it does not own for the Offer Consideration, as set out in the Bidder's Statement, and as varied in accordance with the Corporations Act.

Offer Consideration means 2 new shares in WAM Capital for every 3.7 Shares.

Offer Period means the period during which the Offer will remain open for acceptance.

Prescribed Occurrences means the events referred to in Section 652C(1) and (2) of the Corporations Act.

Relevant Interest has the meaning given in section 608 and section 609 of the Corporations Act.

Share means a fully paid ordinary share in the capital of CLF.

Shareholder means a person who is recorded in CLF's register of members as the holder of one or more Shares.

Target's Statement means this document, being the statement under Part 6.5 Division 3 of the Corporations Act issued by CLF in relation to the Offer.

VWAP means volume-weighted average share price.

WAM Capital means WAM Capital Limited (ACN 086 587 395).

8.2. Interpretation

In this Target's Statement:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act except to the extent otherwise specified;
- (b) words of any gender include all genders;
- (c) words indicating the singular include the plural and vice versa;
- (d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, clause, annexure, attachment and schedule is a reference to a section of, clause of annexure of and an attachment and schedule to this Target's Statement except to the extent otherwise specified;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- (h) a reference to time is a reference to Melbourne time unless otherwise indicated; and
- (i) a reference to dollars, \$, A\$, AUD, cents and ¢ is a reference to the lawful currency of the Commonwealth of Australia unless otherwise stated.

9. AUTHORISATION

This Target's Statement has been approved by a resolution of the Board of Directors of CLF.

Signed for and on behalf of Concentrated Leaders Fund Limited.



Brian Sherman AM
Chairman
Concentrated Leaders Fund

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