

ACT NOW: ACCEPT WAM's Offer for CLF

8 October 2020
ASX announcement

WAM Capital Limited (ASX: WAM) refers to the conditional off-market takeover bid for Concentrated Leaders Fund Limited (ASX: CLF) (**WAM Offer**).

The Target Statement released by the CLF Board is grossly inadequate and fails to identify the material benefits of the WAM Offer, including:

- the tangible value of WAM Shares being offered to CLF Shareholders; and
- the superior fully franked dividends paid by WAM if you accept the Offer.

The Target Statement also fails to provide any substantive details as to how the CLF Board will provide tangible value to CLF Shareholders in the absence of the WAM Offer.

The WAM Offer values CLF Shares at \$1.23 per share¹, representing:

- a **24.5% premium** to CLF's Share price before the announcement of the Offer; and
- a **17.4% premium** to CLF's 30 September 2020 pre-tax net tangible assets (NTA).

If you accept the WAM Offer you will receive the WAM fully franked final dividend of 7.75 cents per WAM Share² on 27 November 2020.

The WAM Offer provides you with a choice:

- (a) remain a WAM Shareholder; or**
- (b) utilise WAM's superior on-market liquidity to exit your position.**

When you accept the WAM Offer you will receive 2 new WAM Shares for every 3.7 CLF Shares. The ASX-listed price of WAM Shares and CLF Shares is the only tangible and realisable value of those shares. Outside of WAM's Offer, the CLF Share price is the sole value that shareholders can currently exit (or enter) their investment at, notwithstanding CLF's NTA.

CLF Shareholders who do not wish to become long-term WAM Shareholders can accept the WAM Offer and utilise WAM's superior on-market liquidity to exit their position at a significant premium to both the CLF Share price and the CLF NTA. Without the Offer from WAM, CLF Shareholders have no alternative mechanism to exit their investment at a premium.

While there are many factors that may influence the market price of CLF Shares, the recent improvement in the CLF Share price is as a direct result of WAM's Offer; it does not reflect the substantial discount to CLF's NTA before the announcement of the Offer.

There is a real risk that CLF Shares may fall to at or below the pre offer CLF share price after the close of the WAM Offer if you do not accept.

To **ACCEPT the Offer, complete the form previously mailed to you or call 1300 737 760 to request a replacement. The Offer is currently scheduled to **CLOSE** on 19 October 2020.**

¹ Based on the WAM share price of \$2.28 as at 7 October 2020, the CLF 30 September 2020 reported pre-tax NTA of \$1.05 per share and the CLF Share price of \$0.99 as at 2 September 2020, being the date before the announcement of the WAM Offer.

² This assumes you accept the Offer and WAM Shares are issued to you by 20 November 2020. The WAM fully franked final dividend of 7.75 cents is payable on 27 November 2020.

Remain a WAM shareholder

The benefits of taking up the Offer and remaining a WAM Shareholder include gaining access to:

- Wilson Asset Management's investment expertise and experience;
- Wilson Asset Management's commitment to shareholder engagement;
- WAM's history of paying fully franked dividends;
- WAM's track record of investment portfolio outperformance; and
- WAM's greater market capitalisation and on-market liquidity.

Wilson Asset Management's investment expertise and experience

Established in 1997 by Geoff Wilson AO, the investment manager of WAM, Wilson Asset Management is an independently owned investment manager and LIC specialist based in Sydney, Australia, responsible for investing more than \$3.5 billion in Australian and international companies on behalf of 88,000 retail investors across seven LICs. The investment team comprises 14 highly experienced professionals with more than 190 years' combined investment experience and a total focus on managing money. Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years.

Wilson Asset Management created and is the lead supporter of the first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and provides all team members with \$10,000 each year to donate to charities of their choice. This philanthropic investment is made by Wilson Asset Management.

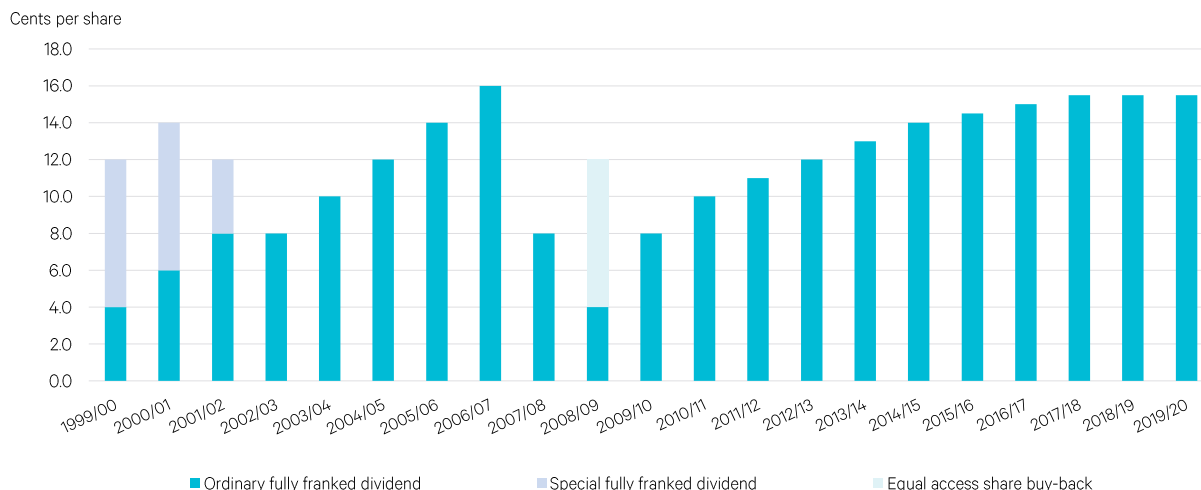
Wilson Asset Management's commitment to shareholder engagement

Shareholders are the owners of a LIC. Wilson Asset Management believes shareholder engagement is crucial to the success of a LIC and provides:

- Updates from our Lead Portfolio Managers;
- Investment team insights at WAM Vault: wilsonassetmanagement.com.au/vault;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- NTA reports and investment updates;
- Shareholder Q&A calls;
- Presentations and lunches across Australia; and
- Annual and interim results announcements.

WAM's history of fully franked dividends

The Board is committed to paying a stream of fully franked dividends to WAM Shareholders, provided WAM has sufficient profit reserves and franking credits and it is within prudent business practices. WAM's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. Dividends have historically been paid on a six-monthly basis and the dividend reinvestment plan is currently available to WAM Shareholders.



WAM Shareholders have received a dividend in each year since its inception in 1999, representing an average annualised dividend yield on the initial public offering price of 12.1%, fully franked, per year over more than 20 years. The fully franked full year dividend for the 2020 year was 15.5 cents per WAM Share, representing a 8.5% yield on the 30 June 2020 WAM Share price. Since inception, WAM Capital has paid 246.25 cents per share in fully franked dividends to shareholders.

If you continue to hold your WAM Shares, issued under the Offer, on 20 November 2020 you will also receive the fully franked final WAM dividend for 2020 of 7.75 cents per WAM Share announced on 8 July 2020 and payable on 27 November 2020.

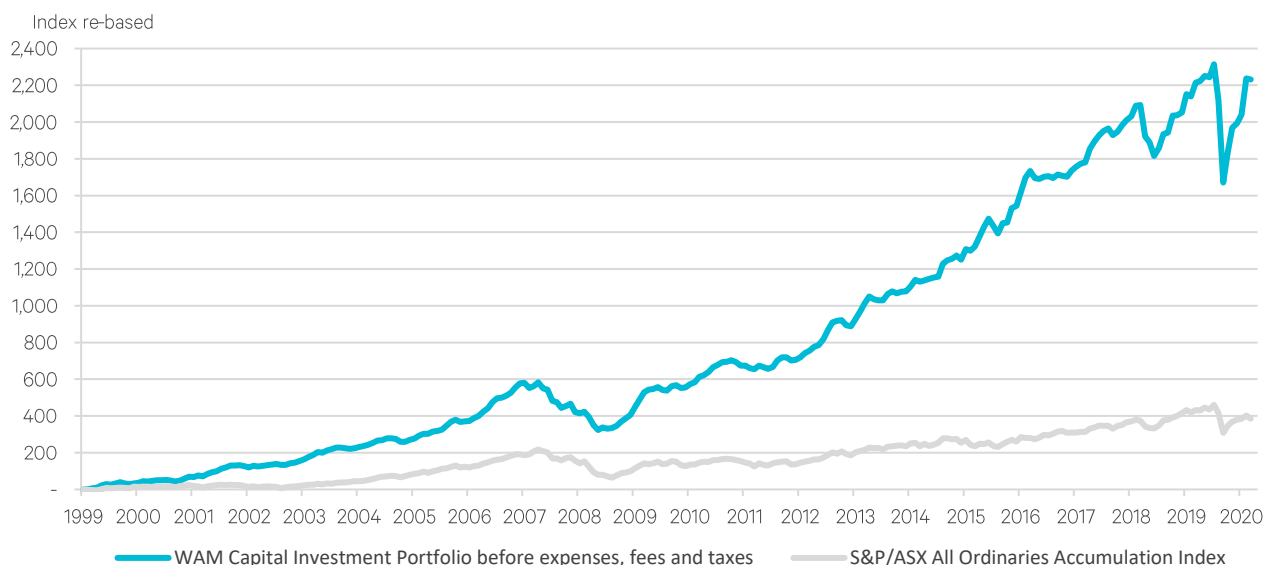
WAM's track record of investment portfolio outperformance

WAM's investment portfolio has returned 16.0% per annum over more than 20 years, outperforming the S&P/ASX All Ordinaries Accumulation Index by 8.3%.

Performance at 30 September 2020	FYTD	1 yr	3 yrs %pa	5 yrs %pa	10 yrs %pa	Since inception % pa (Aug-99)
WAM Capital Investment Portfolio	11.4%	0.7%	7.4%	10.4%	12.6%	16.0%
S&P/ASX All Ordinaries Accumulation Index	1.1%	-8.8%	5.5%	7.7%	7.0%	7.7%
Outperformance	+10.3%	+9.5%	+1.9%	+2.7%	+5.6%	+8.3%

Investment portfolio performance and Index returns are before expenses, fees and taxes.

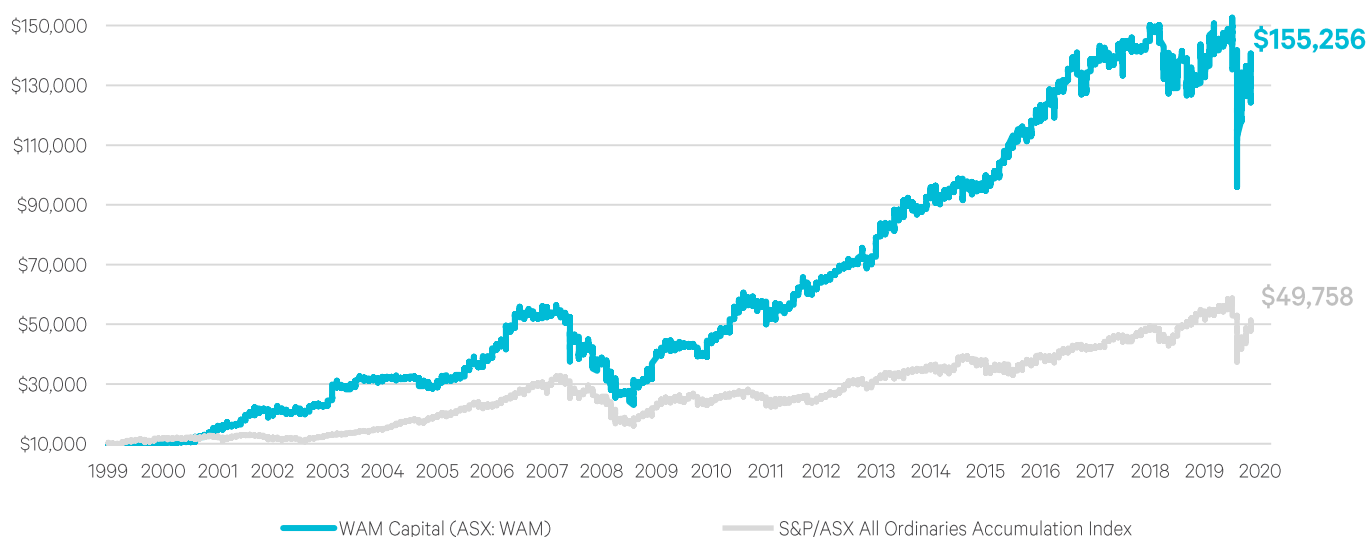
WAM Capital's investment portfolio has returned 16.0% p.a. over more than 20 years outperforming the market by 8.3% p.a.



WAM's greater market capitalisation and on-market liquidity

WAM believes that shares in larger LICs are more likely to trade at a premium to their pre-tax NTA than the shares of smaller LICs. WAM has a market capitalisation of \$1,654.1 million as at 7 October 2020. Assuming the Offer is successful and WAM acquires 90% of CLF Shares and proceeds to compulsory acquisition, the combination of CLF and WAM will be significantly larger than CLF on a standalone basis and would make the Enlarged Group one of the largest ASX listed investment companies (LICs) in terms of market capitalisation and pre-tax NTA.

Growth of a \$10,000 investment since inception



Notes:

1. The above graph reflects the period from inception in August 1999 to 30 September 2020.
2. WAM Capital's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Capital portfolio.

An exit opportunity with WAM Capital

The Offer Consideration is 2 WAM Shares for every 3.7 CLF Shares you own. This represents a highly attractive premium over the historical market price of CLF Shares. The Offer is equivalent to \$1.23 per CLF Share, a 24.5% premium to the closing price of CLF Shares the trading day before the date of the Bidder's Statement of \$0.99 and represents:

- a 20.0% premium to the VWAP of CLF Shares for one month before the date of the Bidder's Statement;
- a 23.1% premium to the VWAP of CLF Shares for three months before the date of the Bidder's Statement; and
- a 26.5% premium to the VWAP of CLF Shares for six months before the date of the Bidder's Statement.

As at 7 October 2020, the CLF Share price was \$1.125 per share and the recent CLF Share price movement reflects the premium offered by WAM under the Offer. The Offer from WAM currently represents a 9.5% premium to CLF's Share price.

The ASX-listed price of WAM shares and CLF shares is the only tangible and realisable value of those shares. Outside of WAM Capital's offer, the CLF share price is the sole value that shareholders can currently exit (or enter) their investment at, notwithstanding the NTA level of the company.

Despite the persistent share price discount to pre-tax NTA of CLF, the CLF Board of Directors has employed inconsistent and ineffective capital management initiatives and have not provided shareholders with the opportunity to exit their positions at or above the announced pre-tax NTA. The CLF Board have failed to communicate any strategy to close the CLF Share price discount to NTA for CLF Shareholders.

Should CLF Shareholders accept the offer, they will obtain access to WAM's on market liquidity which is far superior to that of CLF. Importantly, this will enable them to exit their position should they choose to do so. The on-market liquidity of WAM Shares versus CLF Shares provides accepting CLF Shareholders with tangible, realisable value for their CLF Shares and is set out below:

To 30 September 2020	WAM Value	CLF Value
1 month	\$30.5m	\$1.3m
3 months	\$86.9m	\$2.9m
6 months	\$188.6m	\$3.5m
12 months	\$461.7m	\$5.8m

Source: IRESS.

The on-market liquidity of WAM Shares is far superior to that of CLF Shares. This fact provides significant evidence that WAM's Offer presents CLF Shareholders with the opportunity to exit their investment in CLF at an attractive price that is higher than both the current CLF Share price and reported pre-tax NTA.

CLF Target's Statement

Contained in CLF's Target's Statement are a number of other statements and comments in relation to the Offer from WAM. WAM does not intend to respond in detail to all of CLF's statements, other than:

Investment strategy risk: WAM's diligent and proven investment approach, which focuses on identifying undervalued growth companies with a catalyst, has led to strong investment portfolio outperformance since inception in August 1999. WAM has achieved an investment portfolio return of 16.0% per annum since inception, outperforming the S&P/ASX All Ordinaries Accumulation Index by 8.3% per annum.

There is a risk that CLF's investment objectives will not be achieved and/or CLF may underperform its benchmark or it may underperform other listed investment companies in the same asset class. The achievement of CLF's objective (including the ability to pay dividends) depends on a range of factors, including its portfolio selection, the skills of the CLF's investment manager's employees, and the actual performance of CLF's investments.

CLF's investment manager may use leverage, derivatives strategies and enter into derivative financial instruments in the normal course of business in order to magnify returns, including negative investment portfolio performance and hedge exposure to fluctuations in interest rates. Gains or losses can result from leverage and investments in derivatives may increase the losses that would otherwise have been experienced had the derivatives not been used.

Franking Credits and Regular Dividends: WAM Shareholders have received a dividend in each year since its inception in 1999, representing an average annualised dividend yield on the initial public offering price of 12.1%, fully franked, per year over the last 21 years. The fully franked full year dividend for the 2020 year was 15.5 cents per WAM Share, representing a 8.5% yield on the 30 June 2020 WAM Share price.

Since inception, WAM Capital has paid 246.25 cents per share in fully franked dividends to shareholders. The interim and final fully franked dividends paid by WAM far exceed the dividends paid by CLF on a quarterly basis.

The profitability and success of CLF, including its ability to continue paying dividends to CLF Shareholders, is highly dependent on the ability of its Directors and investment manager to assess business risks and make appropriate investment decisions. No guarantee can be given in respect of the future earnings of CLF or the earnings and capital appreciation of its investments.

Undervaluation of CLF Shares: The ASX-listed price of WAM shares and CLF shares are the only tangible and realisable value of those shares. Outside of WAM Capital's offer, the CLF share price is the sole value that shareholders can currently exit (or enter) their investment at, notwithstanding the NTA level of the company. As at 7 October 2020, the Offer from WAM values CLF Shares at \$1.23 per share, a 17.4% premium to CLF's pre-tax NTA as at 30 September 2020 and a 24.5% premium to CLF's Share price before the date of the Offer. This represents tangible and realisable value for CLF Shareholders.

Tax Implications: If the WAM Offer becomes unconditional and WAM does not increase its holding to at least 80% of the CLF Shares on issue as a result of the Offer, CGT rollover relief will not be available for any CLF Shareholders. Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances in relation to the Offer and the premium value being offered by WAM for your CLF Shares. Mr Brian Sherman of CLF has indicated that he intends to cause his investment companies not to accept the Offer in respect of the CLF Shares he controls. As Mr Sherman controls 20.75% of CLF Shares on issue, this would prevent accepting CLF Shareholders from accessing CGT rollover relief.

Further information

Further information about the Offer is contained in the **Bidder's Statement**. If you have any questions regarding this proposed transaction, please call Chairman Geoff Wilson AO on (02) 9247 6755 or Chief Financial Officer Jesse Hamilton on 0401 944 807.

This announcement has been authorised by the Board of WAM Capital Limited.

Capitalised terms in this announcement have the same meaning as the defined terms contained within the Bidder's Statement.

About WAM Capital

WAM Capital Limited (ASX: WAM) is a listed investment company (LIC) managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of undervalued growth companies listed on the ASX, with a focus on small-to-medium sized businesses. The Company's investment objectives are to deliver a stream of fully franked dividends, provide capital growth and preserve capital.

About Wilson Asset Management

Wilson Asset Management has a track record of making a difference for shareholders and the community for more than 20 years. As the investment manager for seven leading LICs: WAM Capital, WAM Leaders, WAM Global, WAM Microcap, WAM Alternative Assets, WAM Research and WAM Active, Wilson Asset Management invests over \$3.5 billion on behalf of more than 88,000 retail investors. Wilson Asset Management is the creator and lead supporter of Future Generation Australia and Future Generation Global, a passionate advocate for retail investors and a member of the global philanthropic Pledge 1% movement.



For further information, visit wilsonassetmanagement.com.au or contact:

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