

8 November 2021

ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

By: E-lodgement

PM Capital Asian Opportunities Fund (ASX: PAF) – Takeover Bid by WAM Capital Limited (ASX: WAM) – Target's Statement

Attached, as required by item 14 of section 633(1) of the Corporations Act 2001 (Cth), is a copy of the target's statement (**Target's Statement**) of PM Capital Asian Opportunities Fund Limited (**PAF**) in response to the off-market takeover bid by WAM Capital Limited (**WAM**), for all the issued shares in PAF.

The PAF Directors (who comprise the PAF Board Committee) recommend that PAF Shareholders should REJECT WAM's takeover bid.

The Target's Statement has been sent to WAM and lodged with the Australian Securities and Investments Commission today and is being provided to PAF shareholders.

Yours faithfully
PM Capital Asian Opportunities Fund Limited

This announcement was authorised for release by the PAF Board Committee.

PM Capital Asian Opportunities Fund Limited

TARGET'S STATEMENT

This Target's Statement has been issued in response to the share based takeover offer made by WAM Capital Limited ("WAM") to acquire your shares in PM Capital Asian Opportunities Fund Limited ("PAF").

**The PAF Directors (who comprise the PAF Board Committee)
recommend that PAF Shareholders should**

REJECT

WAM's Takeover Bid

by

**TAKING NO ACTION in relation to it, and
to NOT ACT on documents sent by WAM.**

This is an important document. You should read the entire document. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

You may call the PAF Investor Services Information Line if you have general questions in relation to the PGF Scheme. The telephone number for the PAF Investor Services Information Line is +612 8243 0888. The PAF Investor Services Information Line is open between Monday and Friday from 8.30am to 5.30pm (Sydney time).

PM Capital Asian Opportunities Fund Limited
ACN 168 666 171

Corporate Adviser



GRESHAM

Legal Adviser

**Baker
McKenzie.**

Important Notices

Date

This Target's Statement is dated 8 November 2021.

Nature of this document

This is a Target's Statement issued by PAF under Part 6.5 Division 3 of the Corporations Act and set out the PAF Board Committee's response to the off-market takeover offer made by WAM Capital Limited in its Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and ASX on 8 November 2021. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

WAM information in this Target's Statement

The information in this Target's Statement in relation to WAM has been prepared by PAF using publicly available information including the Bidder's Statement. PAF and its Directors are unable to verify the accuracy or completeness of that information. The information on WAM in this Target's Statement should not be considered comprehensive. Accordingly, to the maximum extent permitted by law, PAF does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

Future matters and intentions

Some of the statements appearing in this Target's Statement are 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 PAF 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 PAF, PAF'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. Subject to any continuing obligations under law or the Listing Rules, PAF does not give any undertaking to update or revise any forward-looking statements after the date of this Target's Statement to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. PAF is not licensed to provide financial product advice in relation to PAF Shares or any other financial products. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to PAF Shares or the WAM Takeover Bid generally. The Directors encourage you to obtain independent legal, financial, taxation or other professional advice before deciding whether or not to accept the WAM Takeover Bid.

Privacy

PAF has collected your information from the PAF share registry for the purpose of providing you with this Target's Statement. The type of information PAF has collected about you includes your name, contact details and information on your PAF shareholding. The Corporations Act requires the name and address of Shareholders to be held in a public register.

PAF website

The content of PAF's website does not form part of this Target's Statement, and PAF Shareholders should not rely on its content. Any references in this Target's Statement to a website is a textual reference for information only and no information in any website forms part of this Target's Statement.

Questions

The PAF Investor Services Information Line is available for PAF Shareholders to call if you have any general questions or require further information. PAF Investor Services cannot give you advice of any kind. The telephone number is +612 8243 0888. The PAF Investor Services Information Line is open between Monday and Friday from 8.30am to 5.30pm (Sydney time).

Interpretation

Capitalised terms and certain abbreviations used in this Target's Statement have the meanings set out in the Glossary at the back of this Target's Statement

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Target's Statement. A number of figures, amounts, percentages, estimates, calculations and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

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

- the singular includes the plural and vice versa and words importing one gender include other genders;
- terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the Corporations Act 2001 (Cth) at that date;
- a reference to dollars, A\$, AUD,\$ and cents is a reference to Australian currency;
- a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a Section is a reference to a section of this Target's Statement;
- a reference to time is a reference to Sydney time; and
- headings and bold type are used for reference only.

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Important Dates

WAM Takeover Bid announced	28 September 2021
Bidder's Statement lodged with PAF, ASIC, and ASX	14 October 2021
WAM Takeover Bid opened	28 October 2021
Date of this Target's Statement	8 November 2021
The earliest that the WAM Takeover Bid Period can close (which is subject to extension)	29 November 2021

1. Chairman's Letter

8 November 2021

Dear Shareholder

This letter summarises the PAF Board Committee's response to the unconditional off-market takeover bid from WAM Capital Limited ("**WAM**") for all of the PAF Shares ("**WAM Takeover Bid**").

The PAF Directors who comprise the PAF Board Committee recommend that shareholders should REJECT WAM's Takeover Bid. The PAF Directors holding PAF Shares do not intend to accept the WAM Takeover Bid.

On 15 September 2021, PAF announced that it had entered into a Scheme Implementation Deed with PM Capital Global Opportunities Fund Limited ("**PGF**"), pursuant to which PGF agreed to acquire all of the shares in PAF that it does not already own by way of a scheme of arrangement ("**PGF Scheme**"). Following the announcement of the PGF Scheme, on 28 September 2021 WAM announced its intention to undertake the WAM Takeover Bid and on 14 October 2021 issued its Bidder's Statement.

Pursuant to the PGF Scheme, PAF appointed an Independent Expert for the purposes of assessing whether the PGF Scheme is fair and reasonable and in the best interests of PAF Shareholders. The Independent Expert has assessed the PGF Scheme and the WAM Takeover Bid, and has concluded that the **PGF Scheme is in the best interests of PAF Shareholders**. The Independent Expert Report is set out in Annexure A of the PGF Scheme Explanatory Memorandum announced on ASX at www.asx.com.au on 4 November 2021 which has been made available to PAF Shareholders.

The PAF Directors who comprise the PAF Board Committee agree with the Independent Expert.

We have concluded that the PGF Scheme, rather than the WAM Takeover Bid, is in the best interests of PAF Shareholders and **recommend that you REJECT the WAM Takeover Bid and vote in favour of the PGF Scheme** in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the PGF Scheme is in the best interests of PAF Shareholders.

The PAF Directors who comprise the PAF Board Committee do not consider that the WAM Takeover Bid constitutes a Superior Proposal, and to the extent to which they hold PAF Shares intend to vote in favour of the PGF Scheme in the absence of a Superior Proposal.

The Independent Expert has considered the following key factors in reaching its conclusion:

- The PGF Scheme Consideration represents a significant premium to the market prices of PAF Shares prior to the announcement of the PGF Scheme.
- There are no significant disadvantages associated with the PGF Scheme.
- While the implied market value of the WAM Takeover Bid may provide slightly higher consideration in the short term relative to the PGF Scheme, this is offset by significantly higher risks associated with the WAM Takeover Bid.
- PAF Shareholders would suffer significant NTA per share dilution under the WAM Takeover Bid.
- There is a risk that the significant premium to post-tax NTA implicit in recent trading of WAM shares may reduce.
- PAF Shareholders who accept the WAM Takeover Bid will likely not receive CGT rollover relief.

In particular, the Independent Expert has stated "... the significant NTA dilution under the WAM Takeover Bid is not reasonably compensated by the potentially higher consideration under the WAM Takeover Bid."

If the determination of the Independent Expert or recommendation of the PAF Directors who comprise the PAF Board Committee changes we will let you know.

Further information comparing the competing proposals is contained in Section 2 of this Target's Statement and I recommend that PAF Shareholders consider that section carefully.

The value relativities between the two competing offers are subject to a variety of metrics including the value of WAM Shares, the net tangible asset values of PGF Shares and PAF Shares and various other factors.

If PAF Shareholders decide to accept the WAM Takeover Bid they will lose the ability to change their minds and vote in favour of the PGF Scheme. WAM will instead have control over their shares and vote them against the PGF Scheme. PAF shareholders accepting into the WAM Takeover Bid will also generally lose the ability to change their minds and retract their acceptance into the WAM Takeover Bid.

Governance Protocol

In order to address potential conflicts of interest, PAF adopted a governance protocol prior to entering into the Scheme Implementation Deed designed to ensure independent consideration of the PGF Scheme and any competing offer, for which there was none at the time, but, now includes the WAM Takeover Bid. A result of the governance protocol was my agreeing to re-join the PAF Board and becoming Chairman. I am a former director of PAF and PGF. I own no shares in PAF, PGF or WAM. I have no personal interest that could affect my involvement in considering the PGF Scheme on behalf of PAF Shareholders.

The PAF Directors who comprise the PAF Board Committee are myself and Mr Ben Skilbeck. Mr Skilbeck is also a Director of PGF and an employee of PM Capital, the investment manager of PAF and PGF, however he has been recused from decision making in relation to the PGF Scheme on behalf of PGF, with director and secretary leave of absence applying.

The PAF Board also includes Mr Chris Knoblanche. Prior to entering into the Scheme Implementation Deed and due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the PGF Scheme on behalf of PAF, with director leave of absence applying.

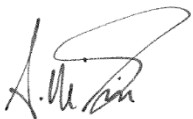
Consideration of the Target's Statement

You should read this Target's Statement in its entirety. You should also carefully consider the WAM Takeover Bid having regard to your own personal risk profile, investment strategy and tax position. You may also wish to seek independent legal, financial, taxation or other professional advice in relation to your overall assessment of the WAM Takeover Bid.

PAF Directors will continue to keep you updated on all material developments relating to the WAM Takeover Bid. All company announcements are available on our website, www.pmcapital.com.au/listed-investment-company/paf. In the meantime, if you have any questions in relation to this Target's Statement, you can contact the PAF Investor Services Information Line on +612 8243 0888 between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Yours sincerely

PM Capital Asian Opportunities Fund Limited



Andrew McGill
Chairman

2. The PAF Board Committee recommends rejection of the WAM Takeover Bid

2.1 Recommendation

The PAF Directors (who comprise the PAF Board Committee) recommend that PAF shareholders should:

REJECT the WAM Takeover Bid by
TAKING NO ACTION in relation to it, and

to **NOT ACT** on documents sent by
WAM.

The PAF Directors (who comprise the PAF Board Committee) have carefully considered the WAM Takeover Bid and the findings of the Independent Expert Report and recommend that you **REJECT** the WAM Takeover Bid, for the reasons set out in this Section 2 of the Target's Statement.

In considering the WAM Takeover Bid, PAF Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- read the whole of the Independent Expert's Report attached as Annexure A to the PGF Scheme Explanatory Memorandum sent to PAF Shareholders;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the choices available to you and ensure you understand the consequences of those choices, as outlined in Section 4 of this Target's Statement; and
- seek independent financial, legal, taxation or other professional advice if you are in any doubt as to what you should do in response to the WAM Takeover Bid.

PAF Directors will keep you informed of any material developments relating to the WAM Takeover Bid.

2.2 Reasons why you should REJECT the WAM Takeover Bid

2.2.1 PGF Scheme Best Interests Findings of the Independent Expert

The Independent Expert has assessed the PGF Scheme and WAM Takeover Bid, and has **concluded that the PGF Scheme is in the best interests of PAF Shareholders.**

The Independent Expert has considered the following key factors in reaching its conclusion:

- The PGF Scheme Consideration represents a significant premium to the market prices of PAF Shares prior to the announcement of the PGF Scheme.
- There are no significant disadvantages associated with the PGF Scheme.
- While the implied market value of the WAM Takeover Bid may provide slightly higher consideration in the short term relative to the PGF Scheme, this is offset by significantly higher risks associated with the WAM Takeover Bid.
- PAF Shareholders would suffer significant NTA per share dilution under the WAM Takeover Bid.
- There is a risk that the significant premium to post-tax NTA implicit in recent trading of WAM shares may reduce.
- PAF Shareholders who accept the WAM Takeover Bid will likely not receive capital gains tax rollover relief.

In particular, the Independent Expert has stated "... the significant NTA dilution under the WAM Offer is not reasonably compensated by the potentially higher consideration under the WAM Takeover Bid."

Further, PAF Directors (who comprise the PAF Board Committee) note the risks associated with the WAM shares as identified by the Independent Expert:

- PAF Shareholders would suffer 15.5% post-tax NTA dilution under the WAM Takeover Bid, as compared to neutrality under the PGF Scheme.
- The risk that WAM's significant premium to post-tax net tangible assets per share, implicit in recent trading of WAM shares, may reduce.
- PAF Shareholders who accept the WAM Takeover Bid will likely not receive CGT rollover relief
- PGF and PAF both have global investment strategies, while WAM has an Australian focused strategy.

For details, please refer to the Independent Expert Report.

2.2.2 WAM Takeover Bid Dilution to Net Tangible Asset and Franking Credits

In addition to the post-tax NTA comparison referred to by the Independent Expert, PAF Shareholders may also compare the competing offers on the basis of pre-tax NTA and franking credits. PAF pre-tax net tangible assets plus franking credits per share as at 30 September 2021 is \$1.18.

In comparing the WAM Takeover Bid to the PGF Scheme, the look-through implied pre-tax net tangible assets plus franking per share consideration is estimated to be:

- \$0.96 under the WAM Takeover Bid (which is 18.7% dilutive to PAF Shareholders); compared to
- \$1.22 under the PGF Scheme (which is 3.6% accretive to PAF Shareholders).

In other words, the PGF Scheme is materially better than the WAM Takeover Bid from a PAF Shareholder perspective in this regard. Details supporting this are set out below.

WAM Takeover Bid Consideration Based on Net Tangible Assets plus Franking Credits per Share

(Based on 30 September 2021 disclosure. All WAM figures adjusted for 7.75 cent dividend Ex Date 18 October 2021)

Form of Consideration	Scheme		WAM Take-over Bid				
	PGF Shares based on ratio of NTA after, excluding deferred tax		Fixed Exchange of 1 WAM share per 1.99 PAF Shares				
	PAF	PGF	WAM**	PGF Shares Offered per PAF Share	WAM Shares Offered per PAF Share		
				0.7367	0.5025		
				Implied Look-Through Pre-Tax NTA plus Franking Credit Value		PGF Scheme Uplift For PAF	PGF Excess over WAM
Pre-Tax Net Tangible Assets + Franking Credits*	\$1.1786	\$1.6580	\$1.9066	\$1.2215	\$0.9581	3.6%	27.5%
Pre-Tax Net Tangible Assets	\$1.1138	\$1.6565	\$1.8995	\$1.2204	\$0.9545	9.6%	27.9%
NTA (After tax, excluding deferred tax assets)**	\$1.0939	\$1.4848	\$1.8995	\$1.0939	\$0.9545	0.0%	14.6%

* Franking credits based on the respective FY2021 Annual Reports of PAF, PGF and WAM. PGF and PAF adjusted for final dividends.

** WAM does not disclose NTA after tax (excluding deferred tax assets). As such WAM's pre-tax NTA has been used as an upper bound to its NTA after tax (excluding deferred tax assets).

PAF Shareholders should note that the ability to realise the value of franking credits is uncertain as it depends on whether franking is distributed to shareholders with dividends and the individual tax circumstances of shareholders.

The above table has been prepared on the basis on net tangible asset disclosure to 30 September 2021 given this is the latest disclosure available from WAM. PAF has undertaken to publish weekly the PGF Scheme exchange ratio (ie, the number of PGF shares offered for each PAF Share under the PGF Scheme) from 8 November 2021 until the date of the PAF Shareholder meeting to consider and vote on the PGF Scheme. PAF Shareholders should keep themselves apprised of this disclosure.

As at 31 October 2021, PAF's: Pre-tax net tangible assets plus franking credits per share was \$1.1772; Pre-tax net tangible assets per share was \$1.1118; and NTA (after tax, excluding deferred tax assets) per share was \$1.0948. PGF's NTA (after tax, excluding deferred tax assets) per share was \$1.5304 and as such the PGF Scheme exchange ratio was 0.7154 PGF shares per PAF Share.

2.2.3 Implied WAM Takeover Bid price may be Lower than that Nominated by WAM

PAF shareholders need to appreciate that single point in time historic share prices do not provide the most useful assessment of the value implied by the WAM Takeover Bid as they may not reflect the volume weighted average price nor the ex-dividend price for WAM.

Compared to the WAM share price used in the Bidder's Statement of \$2.3025 (being 13 October 2021 closing price less the \$0.0775 dividend), the following WAM share prices are lower:

\$2.1764	WAM's 6 month VWAP to 13 October 2021 (as calculated by Bloomberg's dividend adjusted historical pricing VWAP function).
\$2.1735	18 October 2021 WAM \$36 million placement in consideration for buying an unlisted investment company. Representing a 5% discount to the day's close of \$2.29.

Applying the WAM Takeover Bid exchange ratio of 1 WAM share for every 1.99 PAF shares to either of these prices generates an Implied WAM Takeover Bid Price of only \$1.09 per PAF share, which is lower than that claimed by WAM.

2.2.4 Ability to realise WAM Takeover Bid Consideration at the current WAM Share price in the short term

If PAF Shareholders choose to accept the WAM Takeover Bid in the belief they can exit their WAM shares and realise the WAM Takeover Bid Price, PAF Shareholders should consider the risk that it may not be possible to realise a price similar to WAM's current market. If a large number of PAF Shareholders seek to sell their WAM shares shortly after receiving them, any material increase in the WAM average trading volume may lead to a lower realised price than WAM's current market price.

2.2.5 Inability to realise WAM Takeover Bid Consideration at the current WAM Share price in the longer term.

The Independent Expert Report highlights:

- *"the risk that the significant premium to post-tax NTA implicit in recent trading in WAM Capital shares (of 23.5% as at 30 September 2021) may reduce"* and
- *"Any decision to hold... WAM shares... beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements..."*

In this regard, it is important that PAF Shareholders consider the risk to the sustainability of WAM's share price. There is a risk that the current premium that WAM Shares are trading to NTA at will not be maintained until such time as accepting Shareholders may wish to sell their WAM shares.

In particular, PAF shareholders should consider whether the WAM trading price properly reflects WAM's investment performance (refer further to sections 2.2.6 and 2.2.7 below) and risks in relation to its ability to sustain the current level of fully franked dividend.

Other listed investment companies managed by WAM's investment manager trade at discounts or insignificant premiums. These include: WAM Leaders (+3.8%); WAM Global (-2.7%); WAM Alternative Assets (-12.3%) and WAM Strategic Value (-3.5%) (bracketed numbers show premium/discount to pre-tax net tangible assets, source Wilson Asset Management, September 2021 Investment Update). This demonstrates the risk associated with obtaining WAM Shares at a premium to NTA.

2.2.6 Concerns with WAM's Historical Stated Investment Performance

For PAF Shareholders considering being medium to longer term holders of WAM Shares, views as to the potential future performance of WAM may have a significant bearing on how they intend to proceed.

We note that WAM does not disclose investment portfolio performance net of fees and expenses. In order to allow PAF Shareholders to better assess the historical investment portfolio performance of WAM that actually accrued to WAM shareholders, we have estimated WAM's historical investment net returns. Please note that these are estimates based on publicly available information. We invite WAM to disclose its actual net historical performance and correct these estimates to the extent necessary.

By referencing only gross returns in the Bidder's Statement, PAF considers that WAM has overstated its historical investment performance as accrues to the benefit of investors. PAF estimates that the 1 year, 3 year and 5 year net investment performance of WAM has been below benchmark.

The Bidder's Statement shows a table of investment portfolio performance before expenses, fees and taxes, which is compared with the S&P/ASX All Ordinaries Accumulation Index. In PAF's view, the comparison of investment performance between the S&P/ASX All Ordinaries Accumulation Index against WAM's performance may be misleading. This is because the performance comparisons compare the results of active management in WAM's case versus a passive index without reflecting the costs of the active management. Further, the S&P/ASX All Ordinaries Accumulation Index does not include franking credits in its returns, whereas the gross

returns quoted by WAM may include franking. Based on WAM's FY2021 disclosures, PAF is unable to confirm the gross returns which WAM publishes without including the franking WAM obtained on its investments. We invite WAM to clarify whether or not its disclosed gross investment returns include franking.

The following table illustrates WAM's disclosed investment portfolio performance and then adjusts to reflect net performance after fees and expenses. It also seeks to illustrate the potential impact of removing franking credits assuming that these are included in WAM's disclosed gross performance numbers. Adjustments made to WAM's Investment Portfolio performance are estimates and involve assumptions based on publicly available information. Please refer to Section 8.11 for further details in relation to the adjustments made in order to estimate WAM's net investment returns and Annexure A for the Investigating Accountants Report

Performance at 30 September 2021	1 yr	3 Yrs (%pa)	5 Yrs (%pa)	10 Yrs (%pa)	Since Inception
WAM Capital Investment Portfolio	31.2%	11.8%	10.8%	15.0%	16.7%
S&P/ASX All Ordinaries Accumulation Index	31.5%	10.4%	10.8%	10.9%	8.7%
Outperformance	-0.3%	1.4%	0.0%	4.1%	8.0%
Investment Portfolio performance is before expenses, fees and taxes to compare with the relevant Index, which is also before expenses fees and taxes.					
Source: WAM Bidder's Statement					
Fees and Expenses as % of Avg. Net Assets to 30 June	-2.5%	-1.7%	-1.6%	-2.2%	-2.9%
WAM performance adjusted for fees and expenses	28.7%	10.1%	9.2%	12.8%	13.8%
Outperformance Adjusted for Fee & Expense	-2.8%	-0.3%	-1.6%	1.9%	5.1%
Franking Earned on Investment as % of Avg. Net Assets to 30 June	-2.5%	-1.3%	-1.2%	-1.2%	-1.2%
WAM performance adjusted for fees, expenses and franking	26.2%	8.8%	8.0%	11.7%	12.6%
Outperformance Adjusted for Fee, Expense & Franking	-5.3%	-1.6%	-2.8%	0.8%	3.9%

After adjusting for estimated fees and costs, over time horizons of 1, 3 and 5 years it appears that WAM has not added value relative to a passive strategy of holding the S&P/ASX All Ordinaries Accumulation Index. However, we note that WAM has added value relative to its stated benchmark over longer time periods, including over 10 years and since inception.

In order to cross check the analysis above, PAF has estimated WAM's investment performance using a different approach. In each of WAM's annual reports for the 5 years FY2017 to FY2021 (inclusive), WAM quotes its single year pre-tax NTA performance inclusive of dividends paid to its shareholders (which should be after fees and expenses). WAM also quotes the contribution to this pre-tax NTA performance attributed to undertaking corporate activity, such as capital raisings and acquisitions. This data has been used in the table below to construct a return time series for the five-year period 30 June 2016 to 30 June 2021 as a further estimate of WAM's net performance after fees and expenses, before corporate activity.

Year Ending	Pre-Tax NTA Performance less capital raising accretion*	All Ordinaries Accumulation Index Return	Outperformance relative to Benchmark (Both excluding Franking)	Pre-Tax NTA at start of Financial year**	Dividends Paid	Franking	Franking as % of starting pre-tax NTA	Pre-Tax NTA Performance less Capital Raising Accretion* + Franking	ASX/S&P300 Accum + Franking***	Outperformance relative to a benchmark including Franking
30/06/2017	8.3%	13.1%	-4.8%	\$1.9167	\$0.1475	\$0.063	3.3%	11.6%	15.4%	-3.8%
30/06/2018	11.1%	13.7%	-2.6%	\$1.9520	\$0.1525	\$0.065	3.3%	14.4%	14.9%	-0.4%
30/06/2019	-2.3%	11.0%	-13.3%	\$2.0261	\$0.1550	\$0.066	3.3%	1.0%	13.3%	-12.3%
30/06/2020	-5.7%	-7.2%	1.5%	\$1.8410	\$0.1550	\$0.066	3.6%	-2.1%	-6.6%	4.5%
30/06/2021	27.8%	30.2%	-2.4%	\$1.5884	\$0.1550	\$0.066	4.2%	32.0%	29.8%	2.2%
3 Year Compound Annual Return (% pa)								9.3%	11.2%	-1.9%
5 Year Compound Annual Return (% pa)								10.8%	12.7%	-2.0%

* Inclusive of dividends. Source WAM annual reports.

** Source: WAM monthly investment update reports.

*** Source: S&P/ASX 300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

The pre-tax NTA performance analysis above would appear to support the earlier conclusion that WAM appears to have not added value relative to a passive strategy over 5 years.

It should be noted, that if franking credits are to be included in returns and compared to a benchmark, the benchmark should include franking credits. The S&P/ASX All Ordinaries Accumulation Index does not include franking credits, whereas the ASX S&P300 Accumulation Index (inclusive of franking) does. It is for this reason that the ASX S&P300 Accumulation Index (inclusive of franking) is utilised in the table above. Ideally in order to show like-for-like indices with and without franking, an All Ordinaries Index inclusive of franking would have been used if it were available. However, it is useful to highlight that 5 year compound annual returns for the S&P/ASX All Ordinaries Accumulation Index (which excludes franking) and the ASX S&P300 Accumulation Index (excluding franking) are very similar, being 11.5% and 11.3%, respectively.

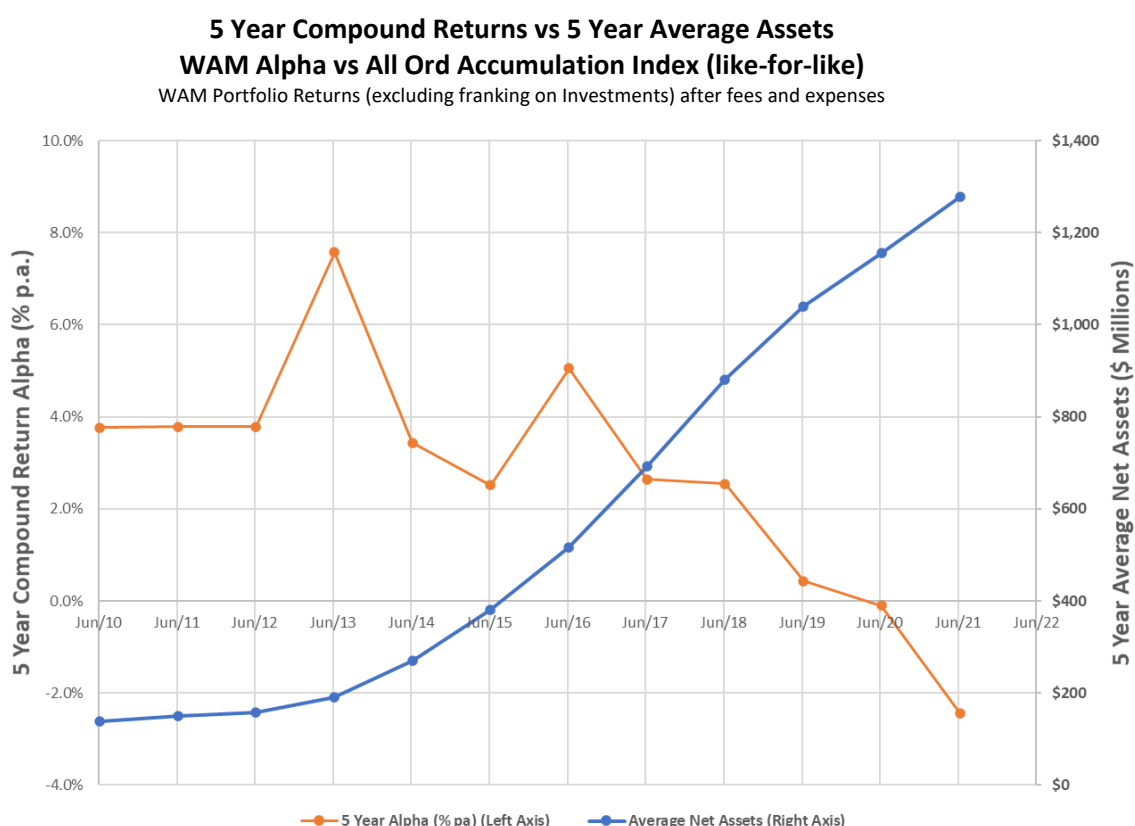
Further to the above, WAM's bidder's statement discloses that Wilson Asset Management has a strong track record of delivering risk-adjusted return for shareholders. However, WAM has provided no substantiation of the risk characteristics of the historical investment returns delivered and therefore we caution PAF shareholders against accepting any statements about the level of risk incurred by WAM in generating investment returns.

2.2.7 Concerns about the relevance of WAM's Longer Dated Historical Investment Performance

WAM's assets under management have increased significantly in recent years. An increased quantum of assets under management can be a factor which impacts an investment manager's performance.

This risk is highlighted when considering that 30 June 2016 represented the first financial year end where WAM's total assets had exceeded \$900 million. This was a substantial increase relative to WAM's historical assets under management. To illustrate the magnitude of change in assets under management, as at 30 June 2012 WAM had \$181 million in total assets. Moving forward to 2021, as at 30 June, WAM's total assets exceeded \$1.8 billion.

The chart below illustrates the relationship between WAM's 5 year average net assets and the corresponding 5 year per annum compound return excess over the S&P/ASX All Ordinaries Accumulation Index (after deducting fees, expenses and franking credits earned on investments using the method outlined in Section 8.11).



2.2.8 Concerns about perceptions surrounding sustainability of WAM's Fully Franked dividends

Based on WAM's FY2021 annual report, as at 30 June 2021 WAM's franking balance adjusted for franking credits arising from estimated income tax payable and the final fully franked dividend is disclosed as being \$19.3 million. Using WAM's share count at the time, implies 2.2 cents per share. Given a 30% company tax rate,

this 2.2 cents of franking is capable of supporting a fully franked dividend of 5.1 cents per share. By way of comparison, WAM's semi-annual dividend is currently 7.75 cents per share and as at WAM's September 2021 Investment Update, WAM disclosed a profit reserve of 28.2 cents per share. WAM does not disclose its franking balance at 30 September 2021.

For a company to pay a fully franked dividend, directors must take into account a range of matters including having sufficient franking credits as well as retained earnings or profit reserves. As such, the lower of the profit reserve and the amount of fully franked dividends that the franking balance can support should be a factor considered by PAF Shareholders.

Ultimately, over the long term, WAM's capacity to pay fully franked dividends will be determined by its investment returns, the tax it pays on those returns and the franking WAM earns on dividends it receives on its investments. WAM's currently semi-annual fully franked dividend of 7.75 cents per share represents 15.5 cents annually, or 22.1 cents annually when grossed up for franking credits. Using WAM's 30 September 2021 pre-tax NTA, adjusted for the October dividend, of \$1.8998 per share, the 22.1 cent gross dividend represents a return of 11.7%. Based on the analysis in 2.2.6 above, if fees and expenses have averaged 2.2% over the past 10 years and if this is illustrative of WAM's actual fees and expenses, this would imply the WAM would need to generate portfolio returns before fees, expenses and tax in the order of 13.9% per annum so as to sustain its current rate of dividend.

2.2.9 WAM Takeover Bid may impose a capital gains tax liability on accepting PAF Shareholders, which would not arise under the PGF Scheme

In order for PAF Shareholders to be eligible for capital gains rollover tax relief, WAM must acquire ownership of at least 80% of PAF Shares on issue. In the absence of rollover relief being available, accepting PAF Shareholders may be required to pay capital gains tax on any capital gain realised on the disposal of their PAF Shares in exchange for WAM shares.

In considering the likelihood of WAM achieving at least 80% ownership of PAF Shares on issue, PAF Shareholders should have regard to the PAF substantial shareholders outlined in Section 8.7 and other shareholder demographics, as this may well be unable to be achieved. By contrast, this will be achieved if the PGF Scheme proceeds.

A general outline of the tax implications for Australian resident PAF Shareholders of accepting the WAM Takeover Bid is set out in Section 7 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.

2.2.10 Concerns that WAM's Management Expense Ratio ("MER") in the Bidder's Statement is not reflective of WAM actual expense ratio

PAF Shareholders, whether knowingly or not, are likely used to seeing expense ratios calculated in accordance with standards applied to managed investment products through Schedule 10 of the Corporations Regulations, ASIC instruments and RG 97. This regime seeks to ensure expense ratios are comparable across different products. PAF follows these regulatory guidelines for MER disclosure.

While the Bidder's Statement shows an MER for WAM in FY2021 of 1.10%, PAF believes that this represents only a part of WAM's costs and expenses. In accordance with regulatory guides, best practice dictates that all annual fees and expenses, including management fees and costs, performance fees and transaction costs are included when quoting expense ratios. Based on WAM's FY2021 annual report, PAF believes WAM's expense ratio for FY2021 was in the order of 2.5%.

2.2.11 Concerns of inadequate disclosure of WAM Director's interests in WAM Bidder's Statement

It is important that PAF Shareholders understand the material personal interest which PAF believes that WAM director Mr Wilson has in the outcome of the WAM Takeover Bid. The Bidder's Statement states in paragraph 11.14 that Mr Wilson has no interest in the outcome of the WAM offer, but PAF Board Committee does not believe this to be accurate when including indirect benefits.

PAF believes that Mr Wilson stands to obtain a potential meaningful benefit if Wilson Asset Management obtains management of the PAF funds under management. PAF Shareholders need to recognise the potential for this benefit and consider its relevance to the WAM Takeover Bid.

2.2.12 PAF Directors do not intend to accept the WAM Takeover Bid, and instead intend to vote in favour of the PGF Scheme

Each member of the PAF Board intend to vote all PAF Shares that they own or control, and will direct any proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the PGF Scheme is in the best interests of PAF Shareholders.

Accordingly, PAF Directors do not intend to accept the WAM Takeover Bid.

3. Frequently asked questions

This Section answers some questions you may have about the WAM Takeover Bid. It is not intended to address all relevant issues for PAF Shareholders. This Section should be read in conjunction with all other parts of this Target's Statement.

Question	Answer
The WAM Takeover Bid	
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the WAM Takeover Bid, a copy of which was sent to shareholders on 28 October 2021.
What is the Target's Statement?	The Target's Statement is PAF's response to the WAM Takeover Bid
What is WAM offering for my PAF Shares?	<p>WAM is offering 1 WAM Share for every 1.99 PAF Shares you own.</p> <p>If the PGF Scheme Break Fee agreed between PAF and PGF is removed, WAM's intention is to increase its Offer to 1 WAM Share for every 1.975 PAF Shares you own. However PAF has received notice from PGF that it does not intend to forgo its right to the PGF Scheme Break Fee.</p>
Who is WAM?	WAM Capital Limited (ASX: WAM) is a listed investment company. WAM is managed by Wilson Asset Management. WAM seeks to provide 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.
How many PAF Shares does WAM have an interest in?	As at 14 October 2021 WAM held no PAF Shares.
What choices do I have in response to the WAM Takeover Bid?	<p>As a PAF Shareholder you have the following three choices in respect of your PAF Shares:</p> <ul style="list-style-type: none"> • REJECT the WAM Takeover Bid and remain a PAF Shareholder. To reject the WAM Takeover Bid simply take no action – do not act on any documents sent to you by WAM. By remaining a PAF Shareholder, you will also have the option of voting in favour of the PGF Scheme. This is the option recommended by PAF Directors. • Sell your PAF Shares on the ASX (unless you have previously accepted the WAM Takeover Bid). • Accept the WAM Takeover Bid by following the instructions set out in the Bidder's Statement. <p>There are implications for you in relation to each of these choices. An outline of these implications is set out in Section 4 of this Target's Statement.</p>
How do I REJECT the WAM Takeover Bid?	To REJECT the WAM Takeover Bid, TAKE NO ACTION.
What are WAM's intentions in relation to PAF?	WAM's intentions in relation to PAF are set out in Section 7 of the Bidder's Statement.
Will PAF remain listed on the ASX?	<p>That depends on the outcome of the WAM Takeover Bid and the PGF Scheme.</p> <p>In relation to the WAM Takeover Bid please refer to Section 5 for further details.</p> <p>If the PGF Scheme is implemented, PAF will request that the ASX removes it from the official list of the ASX. The delisting of PAF from the ASX is expected to occur shortly following implementation of the PGF Scheme.</p>
Is there a competing alternative to the WAM Takeover Bid?	Yes. PAF has entered into a Scheme Implementation Deed with PGF, under which PGF agreed to acquire all of the shares in PAF that it does not already own by way of a scheme of arrangement. Subject to Court approval, for the PGF Scheme to proceed, the requisite majority of PAF Shareholders must vote to approve the PGF Scheme at the PGF Scheme Meeting. The PGF Scheme Meeting is currently scheduled to be held on 13 December 2021. Details regarding the PGF Scheme Meeting and how PAF Shareholders may vote at the PGF Scheme Meeting are included in the Notice of Meeting, attached as Annexure D to the PGF Scheme Explanatory Memorandum that has been sent to PAF Shareholders.

How to respond to the WAM Takeover Bid	
What do PAF Directors recommend?	<p>The PAF Directors (who comprise the PAF Board Committee) have carefully considered the WAM Takeover Bid and the findings of the Independent Expert Report and recommend that you REJECT the WAM Takeover Bid, for the reasons set out in this Section 2 of this Target's Statement.</p> <p>If there is a change to this recommendation or any material developments in relation to the WAM Takeover Bid, PAF will keep you fully informed.</p>
What is the PAF Board Committee?	<p>The PAF Board Committee is comprised of the PAF Directors who have not been recused from the consideration, negotiation and progression of the PGF Scheme and the WAM Takeover Bid.</p> <p>Mr Knoblanche was recused from decision making in relation to the PGF Scheme and the WAM Takeover bid due to his conflict of interest and because he is representing PGF in relation to the PGF Scheme.</p>
What do PAF Directors intend to do with their own Shares?	PAF Directors do not presently intend to accept the WAM Takeover Bid, and instead intend to vote in favor of the PGF Scheme.
When do I have to make a decision?	<p>If you wish to follow the PAF Directors' recommendation to REJECT the WAM Takeover Bid, you do not need to do anything. You should IGNORE all documents received from WAM.</p> <p>If you wish to accept the WAM Takeover Bid, you must do so before its scheduled closing date. WAM has stated that its WAM Takeover Bid remains open until at least 29 November 2021. WAM has reserved the right to extend the WAM Takeover Bid Period in accordance with the Corporations Act. In addition, the WAM Takeover Bid Period may be extended automatically in certain circumstances.</p>
Can WAM vary its WAM Takeover Bid?	<p>WAM can only vary the WAM Takeover Bid in certain circumstances in accordance with the Corporations Act. Such a variation could include an increase in WAM Takeover Bid Consideration. WAM has not declared its WAM Takeover Bid to be final. Accordingly, it remains open for WAM to increase the WAM Takeover Bid Consideration if it chooses.</p> <p>If WAM does increase the WAM Takeover Bid Consideration, PAF Shareholders who had already accepted would receive that increase.</p>
What happens if WAM increases the Offer Consideration or another offer emerges?	If WAM increases the WAM Takeover Bid Consideration or another offer emerges, PAF Directors will carefully consider the revised offer and advise PAF Shareholders accordingly.
What happens if I do nothing?	<p>You will remain a PAF Shareholder.</p> <p>If WAM acquires more than 50% of PAF Shares under the WAM Takeover Bid, you will become a minority shareholder in PAF. The implications of this outcome are described in Section 5 of this Target's Statement.</p>
If I accept the WAM Takeover Bid now, can I withdraw my acceptance later?	No. If you accept the WAM Takeover Bid, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. In the event that the WAM Takeover Bid is extended for any reason for less than one month you will not be able to withdraw from the Offer.
Can I be forced to sell my PAF Shares?	<p>You cannot be forced to sell your PAF Shares unless WAM is legally allowed to proceed to compulsory acquisition of PAF Shares. You may be forced to sell your shares if WAM acquires at least 90% of all PAF Shares (under the WAM Takeover Bid or otherwise) and elects to proceed to compulsorily acquire the outstanding PAF Shares.</p> <p>If WAM does compulsorily acquire the outstanding PAF Shares following its acquisition of at least 90% of PAF Shares under the WAM Takeover Bid, you will receive the same WAM Takeover Bid Consideration for your PAF Shares that you would have received under the WAM Takeover Bid, but it will take longer for you to receive the WAM Takeover Bid Consideration.</p>

How to respond to the WAM Takeover Bid	
Can I accept the WAM Takeover Bid for only some of my PAF Shares?	No. The terms of the WAM Takeover Bid allow you to accept the WAM Takeover Bid only for ALL of your PAF Shares.
When will I receive the WAM Takeover Bid Consideration if I accept the WAM Takeover Bid?	If you accept the WAM Takeover bid, WAM will, in the usual course, issue the WAM Shares on or before the earlier of: (a) one month after you accept or; and (b) the day that is 21 days after the end of the Offer Period.
Will I need to pay brokerage or stamp duty if I accept the WAM Takeover Bid?	If your PAF Shares are registered in your name in an Issuer Sponsored Holding (your SRN starts with an 'I'), you will not incur any brokerage fees or pay stamp duty in connection with your acceptance of the WAM Takeover Bid. If your PAF Shares are registered in a CHESS Holding (your HIN starts with an 'X'), or if you are a beneficial owner whose PAF Shares are registered in the name of a broker, bank, custodian or other nominee, you will not pay stamp duty by accepting the WAM Takeover Bid. However, you should ask your controlling participant (usually your broker) or nominee whether it will charge any transactional fees or service charges in connection with acceptance of the WAM Takeover Bid. You may incur brokerage costs if you choose to sell your PAF Shares on the ASX.
Are there any taxation implications of accepting the WAM Takeover Bid?	PAF Shareholders should be aware that if WAM does not acquire ownership of at least 80% of PAF Shares on issue, then capital gains tax rollover relief will not be available to PAF Shareholders in respect of any capital gain that is made on the receipt of WAM Shares as consideration. A general outline of the tax implications for certain Australian-resident PAF Shareholders of accepting the WAM Takeover Bid is set out in Section 7 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances. You should seek your own independent advice on the taxation implications applicable to your specific circumstances.
Are there any conditions to the WAM Takeover Bid?	No. WAM declared the WAM Takeover Bid free of conditions on 5 November 2021.
What if I have further questions?	You should contact your legal, financial, taxation or other professional adviser. If you have any questions about the WAM Takeover Bid or this document, please call the PAF office directly on +612 8243 0888 (Monday to Friday between 9.00am and 5.30pm (Sydney time) or via email PAFQuestions@pmcapital.com.au. If you have questions about your PAF shareholding, please contact Boardroom directly: Phone: 1300 737 760 (within Australia) +61 9290 9600 (outside Australia).

4. Your choices as a PAF Shareholder

The PAF Directors (who comprise the PAF Board Committee) recommend that you **REJECT** the WAM Takeover Bid.

You have the following three choices available to you:

1. REJECT THE OFFER

To **REJECT** the WAM Takeover Bid, you should do nothing. You are not required to take any action to reject the WAM Takeover Bid. In particular, **you should NOT complete or return the Acceptance Form that accompanied the Bidder's Statement** nor should you respond to any documentation sent to you by WAM or any other communication from WAM (including telephone solicitation or canvassing by WAM or its representatives).

2. SELL YOUR SHARES ON THE ASX

During the WAM Takeover Bid Period, you may sell your PAF Shares on-market through ASX at the prevailing market price for cash (less any brokerage), provided you have not already accepted the WAM Takeover Bid for those Shares. The latest trading price for PAF Shares may be obtained from the ASX website www.asx.com.au using the code 'PAF'.

If you sell your PAF Shares on-market, you will receive the consideration for that sale of your PAF Shares sooner than if you accept **WAM's** WAM Takeover Bid. If you sell your PAF Shares on-market, you:

- will lose the ability to accept the WAM Takeover Bid and receive the WAM Takeover Bid Consideration in relation to those Shares;
- will lose the ability to vote on the PGF Scheme, and if it's successful, receive PGF Scheme Consideration;
- will lose the ability to accept any offer from a competing bidder if one eventuates;
- may incur a brokerage charge;
- will lose the opportunity to receive future returns from PAF in relation to those PAF Shares; and
- may receive consideration for your PAF Shares the value of which is lower than the control value of your PAF Shares.

You should contact your broker for information on how to sell your PAF Shares through ASX and your tax adviser to determine your tax implications from such a sale.

3. ACCEPT THE OFFER

PAF Shareholders who accept the WAM Takeover Bid:

- will not receive any benefit generated by the PGF Scheme which, in the opinion of the Independent Expert is in the best interests of PAF shareholders;
- will have those shares voted by WAM against the PGF Scheme;
- will not generally be able to withdraw their acceptance and sell their PAF Shares, meaning that they would not be able to accept any offer from a competing bidder if one eventuates. See Section 5 of this Target's Statement; and
- will exit their investment in PAF completely and will not benefit if the market price for PAF Shares on the ASX trades above the Implied WAM Takeover Bid Price.

If WAM increases the WAM Takeover Bid Consideration, all PAF Shareholders, whether or not they have already accepted the WAM Takeover Bid before then, will be entitled to receive the increased WAM Takeover Bid Consideration.

Refer to the Bidder's Statement for directions on how to accept the WAM Takeover Bid.

5. Information about the WAM Takeover Bid & other important issues

5.1 Summary of the WAM Takeover Bid

The WAM Takeover Bid	<p>WAM is offering to acquire all of your PAF Shares.</p> <p>You may accept the WAM Takeover Bid for only all of your PAF Shares. You cannot accept the WAM Takeover Bid for part of your holding.</p>
WAM Takeover Bid Consideration	<p>WAM is offering 1 WAM Share for every 1.99 PAF Shares you own.</p> <p>In the event that the PGF Scheme Break Fee imposed is removed, WAM's intention is to increase its Offer to 1 WAM Share for every 1.975 PAF Shares you own. However PAF has received notice from PGF that it does not intend to forgo its right to the PGF Scheme Break Fee.</p>
Implied WAM Takeover Bid Price	<p>Based on 1 WAM Share for every 1.99 PAF Shares, the implied WAM Takeover Bid price for every PAF Share is:</p> <ul style="list-style-type: none"> • \$1.146, using the closing price of WAM Shares on 5 November 2021; and • \$1.131, using the 3 month VWAP, using Bloomberg dividend adjusted series, of WAM Share trading to 5 November 2021. <p>PAF Shareholders should be aware that the Implied WAM Takeover Bid Price may vary depending on the underlying price at which WAM Shares trade.</p>
Comparative value of underlying asset being offered in WAM Takeover Bid	<p>As at 30 September 2021 the underlying pre-tax net tangible assets per share value of the WAM Takeover Bid (adjusted for WAM's \$0.0775 dividend) was \$0.96.</p>
PAF's underlying assets	<p>As at 30 September 2021 the underlying per share value of PAF was:</p> <ul style="list-style-type: none"> • \$1.18, PAF pre-tax net tangible assets plus franking credits per share; • \$1.11, PAF pre-tax net tangible assets per share; and • \$1.09, NTA (after tax, excluding deferred tax assets). <p>As at 31 October 2021 the above PAF figures remain unchanged, when rounded to the nearest cent.</p>
Conditions	<p>WAM declared the WAM Takeover Bid free of conditions on 5 November 2021.</p>
Settlement terms	<p>If you accept the WAM Takeover bid, WAM will, in the usual course, issue the WAM Shares on or before the earlier of:</p> <ol style="list-style-type: none"> a) one month after you accept; and b) the day 21 days after the end of the Offer Period.
WAM has not yet declared its WAM Takeover Bid final	<p>WAM has not declared its WAM Takeover Bid final. Accordingly, it remains open for WAM to increase the WAM Takeover Bid Consideration, which WAM may at its discretion choose to do.</p> <p>If WAM increases the WAM Takeover Bid Consideration, all PAF Shareholders, whether or not they have already accepted the WAM Takeover Bid before then, will be entitled to receive that increased WAM Takeover Bid Consideration.</p>

WAM Takeover Bid closing date	The WAM Takeover Bid is scheduled to close at 7.00pm (Sydney time) on 29 November 2021 unless the WAM Takeover Bid is extended.
Procedural aspects	<p>If you accept the WAM Takeover Bid, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. If the WAM Takeover Bid is extended for any reason for less than one month you will not be able to withdraw from the WAM Takeover Bid.</p> <p>The WAM Takeover Bid Period may be extended by WAM.</p> <p>The WAM Takeover Bid Period may be required by law to be extended in certain circumstances.</p> <p>If you accept the WAM Takeover Bid, WAM is required to provide your WAM Takeover Bid Consideration within a certain timeframe.</p> <p>These and other procedural aspects of the WAM Takeover Bid are outlined in Section 5 of this Target's Statement.</p>

5.2 Risks associated with the WAM Takeover Bid

PAF Shareholders should be aware of the following key risks associated with the WAM Takeover Bid.

(a) Risks associated with rejecting the WAM Takeover Bid

If you choose to **reject** the WAM Takeover Bid, you will not receive the WAM Takeover Bid Consideration for your PAF Shares. Instead, you will remain a PAF Shareholder and will continue to be subject to the risks associated with holding PAF Shares. Prior to the PGF Scheme and WAM Takeover Bid proposals, PAF Shares traded at a material discount to underlying net tangible assets per share. In the event that you remain a PAF Shareholder and the PGF Scheme doesn't proceed, there is a risk that PAF Shares could fall and trade at a material discount to underlying net tangible assets per share.

If you choose to **reject** the WAM Takeover Bid and WAM acquires less than 90% of PAF Shares, you will also be exposed to the minority shareholder risks described in Section 5.4 of this Target's Statement.

(b) Risks associated with accepting the WAM Takeover Bid

If you accept the WAM Takeover Bid, you will:

- Lose the benefits of the PGF Scheme, noting that the Independent Expert has found the PGF Scheme to be in the best interests of PAF Shareholders;
- Incur material dilution to the net tangible assets underlying your PAF Shares; and
- Be exposed to the risk of WAM's share price premium to net tangible assets reducing.

PAF Shareholders should note that **by accepting the WAM Takeover Bid, WAM will be entitled to attend meetings of PAF and vote on accepting PAF Shareholders' behalf in respect of their PAF Shares to defeat resolutions relating to the PGF Scheme**, and any other potential competing offers which may adversely affect the success of the WAM Takeover Bid.

If you accept the WAM Takeover Bid, you will be legally bound to sell your PAF Shares and will not be able to withdraw your acceptance (unless a withdrawal right arises under the Corporations Act).

Accordingly, if you accept the WAM Takeover Bid now, some of the consequences include the following:

- you will give up your right to sell your PAF Shares on the ASX or otherwise deal with them (relinquishing your right, for example, to participate in a superior offer should one eventuate); and
- you will relinquish control of your PAF Shares and the Rights attaching to them to WAM.

The effect of accepting the WAM Takeover Bid is set out in sections 8.8 and 8.9 of the Terms of the WAM Takeover Bid in Schedule 1 to the Bidder's Statement. PAF Shareholders should read those provisions in

full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their PAF Shares and the representations and warranties which they give by accepting the WAM Takeover Bid.

5.3 Consequences of WAM acquiring more than 50% but less than 90% of PAF

If WAM acquires more than 50% but less than 90% of the PAF Shares then WAM will acquire a majority shareholding in PAF. In those circumstances, control of PAF would pass to WAM as a result of the WAM Takeover Bid. In circumstances where WAM does not proceed with compulsory acquisition of your PAF Shares, additional factors that may need to be considered include:

- the number of PAF Shares traded on ASX could be significantly reduced. PAF Shares not accepted into the WAM Takeover Offer could become illiquid, infrequently traded and fall in price;
- WAM may be in a position to control the composition of management and the strategic direction of PAF. This would be effected through control of the Board of PAF. WAM has stated, in section 7 of the Bidder's Statement, that it intends to seek the appointment of a majority of WAM nominees to the PAF Board; and
- If WAM acquires 75% or more of PAF Shares it will be in a position to pass special resolutions at meetings of PAF Shareholders. This will enable WAM to, among other things, change PAF's constitution and arrange for PAF to be removed from the official list of ASX. If this occurs, any remaining Shareholders will not be able to sell their PAF Shares on-market.

You should also read section 7 of the Bidder's Statement which describes WAM's intentions in the event that it acquires control (including varying levels of control) of PAF.

5.4 Potential delisting

Alternatively, if WAM obtains more than 50.1% but less than 90% of the PAF Shares on issue, WAM states that it may seek to delist PAF from ASX. Therefore, there is a possibility of PAF being delisted following the WAM Takeover Bid. If this occurs, PAF Shares will not be able to be bought or sold on the ASX.

If PAF is ultimately delisted at some point in the future, any remaining PAF Shareholders would be holders of unquoted shares. A delisting would result in a number of disadvantages for PAF Shareholders such as:

- the absence of an orderly, transparent and timely mechanism for share trading;
- restricted information compared to that currently provided as PAF would no longer be subject to the continuous disclosure requirements of the ASX Listing Rules; and
- the ceasing of various requirements and protections for minority shareholders under the ASX Listing Rules and the Corporations Act. An example of provisions that would cease to apply includes restrictions on the issue of new securities.

5.5 Compulsory acquisition

WAM states in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding PAF Shares at the end of the WAM Takeover Bid Period under Part 6A.1 of the Corporations Act, it intends to do so.

If you choose to reject the WAM Takeover Bid, you will only have your PAF Shares compulsorily acquired if, by the end of the WAM Takeover Bid, WAM acquires at least 90% and meets other compulsory acquisition requirements. If this threshold is met, WAM will have one month after the end of the WAM Takeover Bid Period within which to give compulsory acquisition notices to PAF Shareholders who have not accepted the WAM Takeover Bid.

If WAM does not satisfy the compulsory acquisition threshold, it is possible that WAM will, at some time after the end of the WAM Takeover Bid Period, become the full beneficial holder of 90% of the PAF Shares. If so, WAM would then have rights to compulsorily acquire PAF Shares not owned by it within six months of becoming a 90% holder. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert at the relevant time.

6. Information on PAF

6.1 Introduction

PAF is an ASX listed investment company admitted to the official list of the ASX in May 2014.

PAF has appointed PM Capital Limited (PM Capital) as investment manager under an investment management agreement (dated 7 April 2014, the PAF Management Agreement). Under the PAF Management Agreement, PM Capital also facilitates all PAF's day-to-day administration functions. Accordingly, PAF has no employees.

6.2 Directors

Name	Title
Andrew McGill	Non-Executive Chairman
Ben Skilbeck	Executive Director
Chris Knoblanche	Non-Executive Director (leave of absence)

Prior to announcing the PGF Scheme due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the PGF Scheme, and any competing offer to the PGF Scheme including the WAM Takeover Bid, on behalf of PAF, with director leave of absence applying. Mr Knoblanche does not wish to make, and does not consider himself justified in making, a recommendation to PAF Shareholders in relation to the WAM Takeover Bid. This is due to his conflict of interest and because he is representing PGF in relation to the PGF Scheme.

A summary of each current director's experience and background is as follows:

Andrew McGill B.Comm LLB Grad Dip AppFin

Chairman and Non-executive Director (appointed 15 September 2021)

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Member of the PAF Board Committee

Mr McGill has more than 30 years' financial markets experience, including investment and management experience within the alternative asset sector and the funds management industry generally. He previously served as Managing Director and Chief Executive Officer of Pacific Current Group and in this capacity served on the board of a number of affiliated companies. Prior to joining Pacific Current Group, Mr McGill was a founding partner of Crescent Capital Partners, an independent mid-market private equity firm where he worked from 2000 to 2010. Earlier in his career, Mr McGill held senior roles within Macquarie Bank's Corporate Finance and Direct Investment teams. He was also a consultant with The LEK Partnership, an international firm of business strategy consultants.

Mr McGill also serves as Non-executive Director of Countplus Limited, Non-executive Director of Besa Pty Ltd, and Non-executive Director of and as a member of the Council of Kambala Girls School. Mr McGill was previously a Non-executive Director of PM Capital Asian Opportunities Fund Limited (from 20 March 2017 to 23 August 2019), and Chairman and Non-executive Director of PM Capital Global Opportunities Fund Limited (from 1 October 2013 to 16 August 2019).

Mr McGill holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and a Graduate Diploma in Applied Finance (FinSIA).

Ben Skilbeck B.Eng (Hons) B.Comm

Executive Director and Company Secretary

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Member of the PAF Board Committee

Mr Skilbeck has over 25 years' experience in financial markets. He joined the Investment Manager of the Company in February 2015 as the Chief Executive Officer ("CEO") and is responsible for implementing and contributing to the determination of the operational and strategic objectives of the Investment Manager's business. Mr Skilbeck has an Investment Banking background, having worked in both Australia and the US with Merrill Lynch and Credit Suisse, where he focussed on mergers and acquisitions and corporate finance advisory.

Before joining the Investment Manager Mr Skilbeck was most recently the CEO of Rismark, a provider of quantitative research solutions and synthetic equity exposures over the Australian residential property sector.

Mr Skilbeck is also a Director of PM Capital Limited, and Director (currently on leave of absence) and Company Secretary (currently on leave of absence) of PM Capital Global Opportunities Fund Limited. Mr Skilbeck attended the University of Melbourne and holds a Bachelor of Engineering (with Honours) and a Bachelor of Commerce.

Chris Knoblanche AM B.Com CA FCPA (leave of absence)

Chairman and Independent Non-executive Director

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Not a member of the PAF Board Committee

Mr Knoblanche has over 36 years' experience in the financial markets in corporate strategy, financing, risk control and management. Mr Knoblanche's previous executive experience includes serving as Managing Director and Head of Citigroup Corporate and Investment Banking Australia & NZ, partner in Caliburn (now Greenhill Investment Bank) and CEO of Andersen Australia and Andersen Business Consulting — Asia.

Mr Knoblanche is currently Chairman and Non-executive Director of HiPages Limited, Non-executive Director of Latitude Financial Insurance (Hallmark companies), and PM Capital Global Opportunities Fund Limited. Boards on which Mr Knoblanche has previously served include: Environment Protection Authority of NSW; iSelect Limited; Aussie Home Loans Limited; Greencross Limited; The Australian Ballet; and Australian Business Arts Foundation.

Mr Knoblanche holds a Bachelor of Commerce (Accounting and Financial Management) and is a member of Chartered Accountants Australia and New Zealand (CA) and Fellow of the Australian Society of CPA's (FCPA). In 2014 Mr Knoblanche was awarded an Order of Australia (AM) for significant service to arts administration, the community and the business and finance sector. In 2000 Mr Knoblanche was awarded the Centenary Medal by the Australian Government for services to the arts and business.

6.3 Publicly available information about PAF

As an ASX listed company and a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act, PAF is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to the ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. PAF's most recent announcements are available from its website (www.pmcapital.com.au/listed-investment-company/paf). Further announcements concerning PAF will continue to be made available on this website after the date of this Target's Statement.

The ASX maintains files containing publicly available information about entities listed on their exchange. PAF's files are available for inspection at the ASX during normal business hours and are available on the ASX website at www.asx.com.au. These include:

- the constitution of PAF;
- PAF's financial statements for the financial year ended 30 June 2021; and
- PAF's public announcements.

6.4 Financial information

PAF's last published audited financial statements for the financial year ended 30 June 2021 were released to the ASX on 12 August 2021. Copies of PAF's Annual Report may be obtained from ASX's website at www.asx.com.au (ASX Code: PAF) or from PAF's website (www.pmcapital.com.au/listed-investment-company/paf).

The historical statement of profit or loss and other comprehensive income of PAF for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019, are as follows:

	2021 \$	2020 \$	2019 \$
Revenue			
Interest	993	17,322	45,796
Dividends	2,059,554	1,281,134	1,296,059
Gains/(Losses) on investments at fair value through profit or loss	14,163,821	(6,620,177)	(5,907,383)
Gains/(Losses) on foreign exchange	(11,361)	260,675	547,025
Other income	10,000	10,019	5
Total revenue/(loss)	16,223,007	(5,051,027)	(4,018,498)
Expenses			
Management fees	605,445	571,774	626,298
Insurance	84,691	59,963	47,748
Directors' fees	65,000	69,854	65,000
ASX fees	54,466	52,985	64,107
Brokerage and trading fees	48,559	71,733	77,315
Audit fees	42,770	43,076	41,256
Administration fees	41,797	40,880	-
Registry fees	40,036	34,849	40,040
Legal and professional fees	38,709	20,722	-
Finance costs	24,276	74,669	-
Other operating expenses	22,854	8,947	55,341
Total expenses	1,068,603	1,049,452	1,017,105
Profit/(loss) for the year before income tax	15,154,404	(6,100,479)	(5,035,603)
Income tax (expense)/benefit	(4,488,369)	1,885,464	1,373,331
Profit/(loss) after income tax	10,666,035	(4,215,015)	(3,662,272)
Other comprehensive income for the year	-	-	-
Total comprehensive income/(loss) attributable to shareholders	10,666,035	(4,215,015)	(3,662,272)
Basic earnings/(losses) per share	18.64 cents	(7.36) cents	(6.47) cents
Diluted earnings/(losses) per share	18.64 cents	(7.36) cents	(6.47) cents

The historical statements of financial position of PAF for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019, are as follows:

	2021 \$	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	12,433,199	11,870,207	8,710,375
Financial assets at fair value	51,845,803	40,447,742	51,197,162
Receivables	1,701,386	280,219	684,158
Total current assets	65,980,388	52,598,168	60,591,695
Non-current assets			
Deferred tax assets	1,907,877	5,278,620	3,158,790
Total non-current assets	1,907,877	5,278,620	3,158,790
TOTAL ASSETS	67,888,265	57,876,788	63,750,485
Liabilities			
Current liabilities			
Interest bearing liabilities	869,905	-	838,150
Financial liabilities at fair value	382,341	231,890	-
Payables	216,183	1,661,214	180,881
Income tax payable	701,067	53,710	1,457,100
Total current liabilities	2,169,496	1,946,814	2,476,131
Non-current liabilities			
Deferred tax liabilities	394,958	83,745	44,219
Total non-current liabilities	394,958	83,745	44,219
TOTAL LIABILITIES	2,564,454	2,030,559	2,520,350
NET ASSETS	65,323,811	55,846,229	61,230,135
SHAREHOLDERS' EQUITY			
Share capital	55,496,272	55,831,087	55,288,264
Retained profits	7,762,721	15,142	5,941,871
Profit reserve	2,064,818	-	-
TOTAL SHAREHOLDERS' EQUITY	65,323,811	55,846,229	61,230,135
NTA after tax (pre deferred taxes assets)	\$1.1081	\$0.8777	\$1.0207
PAF Shares outstanding (m)	57,230,342	57,611,321	56,892,865

In addition, PAF publishes net tangible assets per share updates on a weekly basis, the latest of which was announced to ASX on 5 November 2021 relating to 31 October 2021 which disclosed a NTA of \$1.0948 per share.

Except as set out in this Target's Statement, PAF Directors are not aware of any material changes to the financial position of PAF since the release of the above financial information.

6.5 Intentions of the PAF Directors (who comprise the PAF Board Committee) if the Scheme does not proceed

If the PGF Scheme does not proceed, and if the WAM Takeover Bid does not result in WAM obtaining control of PAF, then PAF is expected to continue to operate with the objective of providing long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of listed securities that are diversified across the Asian Region (ex- Japan).

The WAM Bidder's Statement contends that the PGF Scheme "indicates that PAF Directors believe the company does not have a viable future as a listed investment company". The PAF Board Committee has not indicated this and refutes WAM's **assertions**.

7. Taxation consequences

7.1 Introduction

This Section 7 is intended to provide general information on the Australian tax implications of the exchange of PAF Shares for WAM Shares pursuant to the WAM Takeover Bid. The general information in this section 7 is only relevant to PAF Shareholders who hold their PAF Shares on capital account. This section does not address the Australian tax consequences for PAF Shareholders who:

- hold their PAF Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- who acquired their PAF Shares pursuant to an employee share scheme operated by PAF;
- that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses on their PAF Shares; or
- are non-resident PAF Shareholders who hold their PAF Shares in carrying on a business at or through a permanent establishment in Australia.

The general information in this section 7 is not intended to be tax advice and should not be relied upon on that basis. PAF Shareholders are strongly encouraged to seek professional tax advice to take into account their individual circumstances.

The general information below is based upon Australian income tax legislation, rulings, or judicial or administrative interpretation of such tax laws in effect at the date of this Target's Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of any particular or all PAF Shareholders.

Income Tax Summary

The disposal of PAF Shares to WAM pursuant to the WAM Takeover Bid will give rise to a CGT event. For CGT purposes, a PAF Shareholder will be taken to have disposed of their PAF Share(s) on the date on which the WAM Takeover Bid is accepted by that PAF Shareholder. CGT scrip for scrip roll-over relief will be available only where WAM becomes the owner of 80% or more of the PAF Shares pursuant to the WAM Takeover Bid and, in any case, will be limited by reference to the eligibility of PAF Shareholders.

7.2 Australian resident PAF Shareholders

(a) Disposal of PAF Shares pursuant to the WAM Takeover Bid

The disposal of PAF Shares by PAF Shareholders to WAM pursuant to the WAM Takeover Bid will give rise to CGT event A1. The time of the CGT event will be when a PAF Shareholder accepts the WAM Takeover Bid.

In the absence of CGT scrip for scrip roll-over relief, the following tax consequences are expected to arise for PAF Shareholders from the disposal of their PAF Shares:

- a capital gain will be realised to the extent the capital proceeds received by PAF Shareholder from the disposal of their PAF Shares exceed the cost base of those shares; or
- a capital loss will be realised to the extent the capital proceeds received by PAF Shareholders from the disposal of their PAF Shares are less than the reduced cost base of those shares.

A capital gain that arises to an individual, a trust or a complying superannuation fund may be entitled to a CGT discount if they have held their PAF Shares for at least 12 months before acceptance of the WAM Takeover Bid (and the shareholder has not chosen to index the cost base of their PAF Shares). Where the CGT discount applies, the capital gain will be reduced by 50% for an individual or a trust, or 33^{1/3}% for a complying superannuation fund.

Capital losses can only be offset against capital gains derived in the same income year or later income years. Specific loss recoupment rules apply to companies which must be satisfied if those carry forward capital losses are to be used in future years. PAF Shareholders should obtain their own tax advice in relation to the operation of these rules.

(i) Cost base of PAF Shares

The cost base of the PAF Shares of a PAF Shareholder will generally include the amount paid,

and the market value of any property given, to acquire the PAF Shares, plus certain incidental costs of acquisition and disposal that are not otherwise deductible to the PAF Shareholder. The reduced cost base of the PAF Shares of a PAF Shareholder will be similarly determined.

(ii) Capital proceeds

The capital proceeds for the disposal of the PAF Shares of a PAF Shareholder will be the WAM Takeover Consideration. That is, the capital proceeds should equal the sum of the market value of the WAM Shares received pursuant to the WAM Takeover Bid.

(b) CGT Scrip for scrip roll-over relief

Australian resident PAF Shareholders that make a capital gain as a result of the sale of their PAF Shares pursuant to the WAM Takeover Bid will only be entitled to choose to apply CGT scrip for scrip roll-over relief for the capital gain where WAM becomes the owner of 80% or more of the PAF Shares pursuant to the WAM Takeover Bid.

WAM has indicated, in the Bidder's Statement, that it will not make a choice under section 124-795(4) of the ITAA 1997 to deny CGT scrip for scrip roll-over relief and that it will make joint elections for roll-over relief, where necessary, upon request by PAF Shareholders and written confirmation of the PAF Shareholder's cost base in their PAF Shares.

(i) Where scrip for scrip roll-over relief is chosen

Where an eligible PAF Shareholder chooses to obtain scrip for scrip roll-over relief:

- the capital gain that is attributable to the disposal of PAF Shares pursuant to the WAM Takeover Bid will be disregarded;
- the first element of the cost base of the WAM Shares received as WAM Takeover Consideration should be equal to the proportion of the cost base of their original PAF Shares that were exchanged for the WAM Shares. The first element of the reduced cost base is determined similarly; and
- for the purposes of determining future eligibility for the CGT discount, the acquisition date of the WAM Shares will be taken to be the date when the PAF Shareholders originally acquired their PAF Shares.

The benefit of choosing CGT scrip for scrip roll-over relief will depend upon the individual circumstances of each PAF Shareholder. PAF Shareholders who wish to choose to apply CGT scrip for scrip roll-over relief must make the choice by the time they lodge their income tax return for the year of income in which the PAF Shareholder accepts the WAM Takeover Bid. The choice to apply CGT scrip for scrip roll-over is evidenced by the way in which the PAF Shareholder prepares their income tax return (i.e. excluding the disregarded capital gain and specific disclosure in the tax return about making the choice).

(ii) Where scrip for scrip roll-over relief not chosen or available

The CGT scrip for scrip roll-over is not automatic and must be chosen by an eligible PAF Shareholder (and, potentially in some cases, at the joint election of WAM). Additionally, CGT scrip for scrip rollover will not be available:

- to a PAF Shareholder if they make a capital loss on the disposal of their PAF Shares pursuant to the WAM Takeover Bid; or
- to a PAF Shareholder who is not a resident of Australia; or
- where WAM does not become the owner 80% or more of the PAF Shares pursuant to the WAM Takeover Bid.

If the CGT scrip for scrip roll-over relief is not chosen or is not available (including for the reasons stated above) in relation to a PAF Shareholder's disposal of PAF Shares pursuant to the WAM Takeover Bid:

- the general CGT treatment in section 7.3 will apply;
- the first element of the cost base of the WAM Shares received as WAM Takeover Consideration should be an amount equal to the proportion of the market value of the PAF Shares given to acquire the WAM Shares; and
- the date of acquisition for CGT purposes will be the date the WAM Shares are acquired pursuant to the WAM Takeover Bid. This date will be relevant for any future qualifications for the CGT discount with respect to CGT events happening to the WAM Shares.

7.3 Non-resident PAF Shareholders

Non-resident PAF Shareholders who hold their PAF Shares on capital account should generally not be subject to the CGT rules in Australia on the disposal of their PAF Shares, provided their PAF Shares are not taxable Australian property. The PAF Shares will only be taxable Australian property for non-resident PAF Shareholders who:

- hold their PAF Shares in carrying on a business at or through a permanent establishment in Australia; or
- are individuals who made an election to disregard a CGT event, capital gain or capital loss in respect of their PAF Shares when they ceased to be an Australian tax resident.

Relevant to this conclusion is that the underlying value of PAF is not principally derived from Australian real property. For similar reasons, the foreign resident capital gains withholding tax may not apply, however, WAM has made no assurance or representation regarding withholding tax in its Bidder's Statement. That is, the Bidder's Statement is silent as to whether WAM intends to withhold and remit 12.5% of the WAM Takeover Consideration to the Australian Taxation Office.

7.4 Goods and Services Tax (GST)

GST will not be payable by PAF Shareholders on the disposal of PAF Shares to WAM pursuant to the WAM Takeover Bid. The disposal of PAF Shares will constitute a "financial supply" which is an input taxed supply for GST purposes.

GST costs incurred by PAF Shareholders may not be recoverable in whole or in part. Recoverability of reduced input tax credits, if any, on acquisitions associated with the disposal of PAF Shares under the WAM Takeover will depend on each PAF Shareholder's individual circumstances.

7.5 Stamp Duty

No stamp duty should be payable by PAF Shareholders in relation to the disposal of their PAF Shares to WAM pursuant to the WAM Takeover Bid.

No stamp duty should be payable by the PAF Shareholders in respect of the issuance of WAM Shares (i.e. receipt of WAM Takeover Bid Consideration) provided that WAM is admitted to the ASX and all of the securities of WAM are quoted on the ASX at all relevant times (including for example the dates of issue, purchase or transfer of the WAM Shares or agreement for such purchase or transfer) and provided that no person, either alone or with associated persons, acquires a 90% or greater interest in the securities of WAM.

8. Additional information

8.1 PAF Directors' interests and dealings in PAF Shares

(a) Interests in PAF securities

As at the date of the Target's Statement, no marketable securities of PAF are held or controlled (directly or indirectly) by, or on behalf of, members of the PAF Board and no such persons are otherwise entitled to such securities other than as listed below:

Name	Number
Andrew McGill	Nil
Ben Skilbeck	10,000
Chris Knoblanche (leave of absence)	Nil

There has been no dealing by any member of the PAF Board in any marketable securities of PAF (or its Related Bodies Corporate) in the four months preceding the date of this Target's Statement.

(b) Intentions in relation to the WAM Takeover Bid

Each member of the PAF Board intends to vote any PAF Shares in which he has a Relevant Interest in favour of the PGF Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the PGF Scheme is in the best interests of PAF Shareholders. Accordingly, PAF Directors do not presently intend to accept the WAM Takeover Bid, however each Director expressly reserves the right to accept the WAM Takeover Bid or otherwise to dispose of their PAF Shares at a later time.

8.2 PAF Directors' interests and dealings in WAM securities

(a) Interests in WAM securities

As at the date of this Target's Statement, no PAF Director has a relevant interest in any securities of WAM.

(b) Dealings in WAM securities

No PAF Director has acquired or disposed of a relevant interest in any securities of WAM in the four months ending on the date immediately before the date of this Target's Statement.

8.3 Benefits and agreements

(a) Directorships

As at the date of this Target's Statement, no Director of PAF is a director of WAM.

(b) Benefits in connection with retirement from office

As a result of the WAM Takeover Bid, 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 a board or managerial office of PAF.

(c) Agreements connected with or conditional on the WAM Takeover Bid

There are no agreements made between any Director and any other person in connection with, or conditional on, the outcome of the WAM Takeover Bid other than in their capacity as a holder of PAF Shares.

(d) Benefits from WAM

No Director has agreed to receive, or is entitled to receive, any benefit from WAM which is conditional on, or is related to, the WAM Takeover Bid, other than in their capacity as a holder of PAF securities as outlined in Section 8.1(a) of this Target's Statement.

(e) Material interests of Directors in contracts with WAM

No Director has any interest in any contract entered into by WAM.

8.4 Material litigation

As at the date of this Target's Statement, PAF Directors do not believe that PAF is involved in any litigation or dispute which is material in the context of PAF.

8.5 Issued capital

As at the date of this Target's Statement, PAF has 57,330,012 ordinary shares on issue.

8.6 Substantial holders

As at the date of this Target's Statement, the following persons had notified PAF that they had voting power of 5% or more of PAF Shares on issue:

Name	Number of PAF Shares in which they have voting power	% of PAF Shares
PM Capital Global Opportunities Fund Limited*	11,424,181	19.93%
Paul Moore**, PM Capital Ltd, Roaring Lion Pty Ltd <Roaring Lion S/F>, Horizon Investments Australia Pty Limited and associated entities	7,488,910	13.09%

* as per a Notice of Change of substantial shareholder dated 1 October 2021 (with % updated for a subsequent change in issued capital).

** as per a Notice of Change of substantial shareholder dated 13 October 2021.

8.7 Takeover response costs

The WAM Takeover Bid will result in PAF incurring expenses that would not otherwise have arisen in 2021-2022. These include legal, financial and other expenses from advisers engaged by PAF to assist in responding to the WAM Takeover Bid. The total cost of the takeover response depends on the outcome of the WAM Takeover Bid, the duration of the WAM Takeover Bid and required response activities, as well as the complexity of the issues addressed in the response. Therefore, it is difficult to estimate the likely total cost to PAF. These defence costs will be reflected in PAF's financial results for the financial year ending 30 June 2022.

8.8 Consents

Loneragan Edwards & Associates Limited has consented to being named in this Target's Statement as having prepared the Independent Expert Report for PAF in relation to the PGF Scheme, and to references to its report in the form and context in which they appear, and has not withdrawn that consent at the date of this Target's Statement.

Baker McKenzie has consented to being named in this Target's Statement as the legal adviser to PAF and has not withdrawn that consent at the date of this Target's Statement.

Gresham Advisory Partners Limited has consented to being named in this Target's Statement as the corporate adviser to PAF and has not withdrawn that consent at the date of this Target's Statement.

PM Capital Limited has consented to being named in this Target's Statement as the investment manager of PAF and has not withdrawn that consent at the date of this Target's Statement.

Boardroom Pty Limited has consented to being named in this Target's Statement as PAF's share registry and has not withdrawn that consent at the date of this Target's Statement.

Bentleys Sydney Audit Pty Ltd has consented to being named in this Target's Statement as an investigating accountant and the inclusion of its Investigating Accountant's Report in the form and context in which it appears and has not withdrawn that consent at the date of this Target's Statement.

Each person named in this Section 8.8 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- 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 a statement included in this Target's Statement with the consent of that person; and
- 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, any statement or report which has been included in this Target's Statement with the consent of that party.

8.9 Reliance on ASIC class orders

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 given to the ASX. In accordance with this class order, the consent of WAM or the ASX (respectively) is not required for the inclusion of such statements in this Target's Statement. Any PAF Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the WAM Takeover Bid Period by contacting PAF.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

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

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price trading and financial data sourced from Bloomberg, without their consent.

8.10 Method to adjust WAM Portfolio Investment Performance for fees, expenses and franking

In order to construct annual returns for WAM on an after fee, after expense and before franking basis, the following was undertaken:

- Take WAM's annual published Investment Portfolio Performance (gross returns) in a given financial year,
- Subtract, fees and expenses divided by the average of WAM's starting and ending net assets, as disclosed in WAM annual reports. Then magnify and overlay a grid to visually inspect and interpret the chart published in the WAM Strategic Value (ASX: WAR) prospectus dated 7 May 2021 illustrating WAM performance net of fees and expenses. Take the average of the results of the two methods mentioned (with the exception of FY2021 as the WAR prospectus doesn't show this period). (Noted WAM itself has not published the above mentioned chart that appeared in the WAR prospectus.)
- Subtract, franking earned on investments divided by the average of WAM's starting and ending net assets, as disclosed in WAM annual reports.

The above method has limitations associated with timing of the fees/expenses (and franking receipts) relative to the actual net assets at the time these occurred. Dividing disclosed fees/expenses (and franking) by the average of the starting and ending net assets, should however, provide an approximation of the quantum required to be deducted from gross return percentages to arrive at net return percentages. In terms of the quantum of percentage deduction, this appears to be supported by the WAR prospectus illustration. Averaging with the reading from the chart should further reduce the inherent limitation of these two approaches.

Using each of the adjusted annual investment portfolio performance returns generated from the above method, a time series is created to calculate compound annual returns to 30 June 2021 over 1, 3, 5 and 10 years (and since inception) time periods.

PAF has commissioned an Investigating Accountants Report on the veracity of this approach and whether there is a reasonable basis to believe franking credits are included WAMs investment portfolio performance. The Investigating Accountants Report is appended to this Target's Statement.

The difference between the adjusted returns and the gross returns over these periods is then used as an estimate as to what may be representative of the quantum to subtract from 1, 3, 5 and 10 Year (and since inception) return periods to 30 September 2021.

PAF highlights that the above method derives an estimation of after fee and expense, and before franking credits on investment if in fact WAM includes franking credits in its returns.

PAF notes that WAM does not disclose investment performance net of fees and expenses. Nor does WAM make it clear as to whether it includes franking credits it receives on investments into its investment returns. PAF invites WAM to accurately disclose the actual figures, and the basis thereof, and to correct PAF to the extent these numbers are materially incorrect.

8.11 No other material information

This Target's Statement is required to include all the information that PAF Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept the WAM Takeover Bid but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any of PAF Directors.

PAF Directors are of the opinion that the only information that PAF Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the WAM Takeover Bid is:

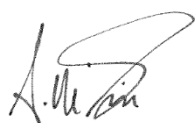
- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in releases by PAF to the ASX before the date of this Target's Statement; and the information contained in this Target's Statement.

PAF Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However, PAF Directors do not take any responsibility for the content of the Bidder's Statement and is not to be taken as endorsing, in any way, any or all statements contained therein.

8.12 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by PAF Directors.

Signed for and on behalf of PAF by:



Andrew McGill, Chairman

Date: 8 November 2021

9. Glossary & interpretation

Term	Meaning
Announcement Date	28 September 2021
ASIC	Australian Securities and Investments Commission.
associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time) as if section 12(1) of that Act included a reference to this Target's Statement and PAF was the designated body.
ASX	ASX Limited ABN 98 008 624 691 or, where the context otherwise requires, a financial market operated by it known as the Australian Securities Exchange.
ASX Listing Rules	the Listing Rules of ASX, as amended or replaced.
AUD or A\$ or \$	Australian dollars.
Bidder's Statement	the bidder's statement by WAM dated 14 October 2021 setting out the terms and other information in relation to the WAM Takeover Bid.
CGT	capital gains tax.
Conditions	each defeating condition to which WAM's WAM Takeover Bid is subject, as set out in the Bidder's Statement.
Corporations Act	the Corporations Act 2001 (Cth)
Director	a director of PAF, and unless the context otherwise requires, excludes a director who is recused from the consideration, negotiation and progression of the PGF Scheme (in their capacity as a director of PAF). They comprise Mr Andrew McGill and Mr Ben Skilbeck
FY	financial year, which for PAF is the year ending 30 June.
GST	goods and services tax.
Implied WAM Takeover Bid Price	the implied price offered by WAM under the WAM Takeover Bid.
Independent Expert	Lonergan Edwards & Associates Limited (ABN: 53 095 445 560, AFSL: 246532).
Independent Expert Report	The Independent Expert Report is set out in Annexure A of the PGF Scheme Explanatory Memorandum.
LIC	listed investment company.
Investigating Accountants Report	The report prepared by Bentleys Sydney Audit Pty Ltd dated 4 November 2021 and appended as Annexure A.
Investment Manager, or PM Capital	PM Capital Limited (ACN 083 644 731, AFSL 230222).
NTA	means the net tangible asset backing per PAF Share or WAM Share (as the case may be) calculated in accordance with the Corporations Act, Australian Accounting Standards and the Corporations Regulations.
PAF	PM Capital Asian Opportunities Fund Limited (ACN 168 666 171).
PAF Board	means the board of directors of PAF. It comprises Mr Andrew McGill, Mr Ben Skilbeck and Mr Chris Knoblanche.
PAF Board Committee	means the PAF board committee comprising Mr Andrew McGill and Mr Ben Skilbeck.
PAF Register	means the register of members of PAF.
PAF Share or Share	a fully paid ordinary share in the capital of PAF.
PAF Shareholder or Shareholder	a person who is registered in the PAF Register as a holder of PAF Shares.
PGF Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between PAF and the Scheme Shareholders, as per the PGF Scheme Explanatory Memorandum.
PGF Scheme Explanatory Memorandum	The document by that name dated 4 November 2021 announced to ASX which contains the Independent Expert Report.
relevant interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Rights	all accreditations, rights or benefits of whatever kind attaching to or arising from PAF Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends, distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by the PAF Group after that date) but excluding any franking credits attached to a dividend or other distribution.

Term	Meaning
Scheme Implementation Deed	the document titled “Scheme Implementation Deed” between PGF and PAF dated 15 September 2021 as announced to ASX on 15 September 2021 (as amended from time to time).
Scheme Share	means a PAF Share as at the Record Date, other than one held by PGF.
Superior Proposal	a proposal which the PAF Board, acting in good faith, and after taking written advice from its legal and financial advisers, determines: (a) is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the proposal including any timing considerations, conditions precedent and the identity of the proponent; and (b) would, if completed substantially in accordance with its terms, be more favourable to PAF Shareholders than the PGF Scheme taking into account all terms and conditions of the proposal including consideration, conditionality, funding, certainty and timing.
Target's Statement	this document, being the statement of PAF under Part 6.5 of the Corporations Act in response to the WAM Takeover Bid.
voting power	has the meaning given in section 610 of the Corporations Act.
VWAP	volume weighted average price.
WAM	WAM Capital Limited.
WAM Share	a fully paid ordinary share in the capital of WAM.
WAM Takeover Bid	the off-market takeover bid by WAM for all PAF Shares other than those already owned by WAM, as described in the Bidder's Statement.
WAM Takeover Bid Consideration	the consideration due to you as a result of your acceptance of the WAM Takeover Bid, being 1 WAM Share for every 1.99 PAF Shares that you hold.
WAM Takeover Bid Period	the period during which the WAM Takeover Bid will remain open for acceptance in accordance with the Bidder's Statement.

Annexure A – Investigating Accountants Report



04 November 2021

PRIVATE & CONFIDENTIAL

The Directors
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Dear Directors

WAM CAPITAL TAKEOVER – INVESTIGATING ACCOUNTANTS REPORT

In accordance with the engagement letter dated 29 October 2021 we have reviewed the before fees, expenses and tax investment portfolio performance of WAM Capital Limited ('WAM') with a view to identifying:

1. the likely after fees and expenses investment portfolio performance; and
2. whether franking credits on WAM's investments are included in WAM performance numbers and if so, the likely investment portfolio performance after fees, expenses and franking credits.

The aim of the review is to assist Directors in advising shareholders of PM Capital Asian Opportunities Fund Ltd ('PAF') in relation to the WAM takeover offer, considering the competing offer from PM Capital Global Opportunities Fund of a merger by way of scheme of arrangement.

Auditor's Responsibility

Our responsibility is to express a conclusion on whether we believe:

1. the performance numbers of WAM are inclusive of franking credits; and
2. the method used by PAF to deduce after fees, expenses and franking credits performance is reasonable in light of publicly available information.

We have conducted our review in accordance with ASRE 2405 Review of Historical Financial Information Other than a Financial Report to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance numbers of WAM are inclusive of franking credits received from investments held. No opinion is expressed on the accounting policies adopted by WAM regarding the recording and disclosure of performance in the Annual Report for the 2020 and 2021 financial years.

ASRE 2405 requires us to comply with the requirements of APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our review. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our review consisted of:

- researching publicly available information on WAM from sources such as the Australian Stock Exchange
- making enquiries with the Executive Director of PAF
- reviewing legislation applicable to performance reporting and best practice surrounding disclosures
- discussing with a wealth management expert on the industry norms regarding reporting of an ASX listed entity's performance, and
- applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Method

In order to construct annual returns for WAM on an after fee, after expense and excluding franking credits basis, the following was undertaken:

- Take WAM's annual published Investment Portfolio Performance (gross returns) in a given financial year.
- Subtract fees and expenses as derived using WAM's publicly available information.
- Subtract franking credits earned on investments as disclosed in WAM annual reports.

The above method has limitations associated with timing of the fees, expenses and franking credits relative to the actual net assets at the time these occurred. Average net assets have been used to provide an estimate of the overall percentage impact on performance.

Using each of the adjusted annual investment portfolio performance returns generated from the above method, a time series is created to calculate compound annual returns to 30 June 2021 over 1, 3, 5 and 10 years (and since inception) time periods.

We note that WAM has not historically disclosed investment performance net of fees and expenses, nor do they make it clear as to whether it includes franking credits it receives on investments into its investment returns.

Conclusion

Upon reviewing the 2021 annual report for WAM and performing a recalculation of WAM's investment portfolio performance, there is a reasonable basis to assume that the franking credits received from WAM's investments are included in performance returns quoted.

In our view, the method outlined above provides a close approximation of the actual percentage to be deducted from gross return percentages to arrive at net return percentages.

We note the limited information available and the difficulty reperforming the calculations does not allow us to conclude definitively as to how the performance returns have been derived. After deducting fees, expenses and franking credits from WAM's published performance returns, the comparison is as follows:

	Return as per WAM Annual Report	Return net of Fees and Expenses	Return net of Fees, Expenses and Franking Credits
FY 21 Investment Portfolio Performance	37.5%	35.0%	32.5%

Our review of Regulatory Guide 53: *The use of past performance in promotional material* noted that 'the use of gross returns may be misleading' and that comparing gross returns regarding investment performance to an index is discouraged as it may be misleading about the real returns.

This conclusion was also drawn from Regulatory Guide 168: *Disclosure: Product Disclosure Statements (and other disclosure obligations)* which noted comparative information about fees and returns should be clearly identified so that users are better aware.

Disclosures surrounding performance should be in accordance with industry standards. Financial Services Council Standard No.6 "Product Performance – Calculation of Returns" notes 'the NET (after all fees) returns to Scheme Holders is what should be highlighted so that Scheme Holders are better able to compare managed investment alternatives.'

Our report is for investors of PAF only. The report is not to be used for any other purpose or distributed to any other party, without our prior written consent.

Should you have any questions in regard to the contents of this report or wish to discuss the key identified issues further, please do not hesitate to contact Dean Krzemien or myself.

Kind Regards



Michael Payne
Audit Director

Corporate Directory

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Sydney NSW 2000

Phone: +612 8243 0888

Website: www.pmcapital.com.au/listed-investment-company/paf

Legal and tax adviser

Baker McKenzie

Level 19, 181 William Street

Melbourne Victoria 3000

Share registry

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

Phone: 1300 737 760 (Australia only), +61 9290 9600 (international)

Website: www.boardroomlimited.com.au

Stock exchange listing

PAF Shares are quoted on the Australian Securities Exchange (ASX: PAF)