

22 November 2021

ASX Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

By: E-lodgement

## Target's Statement<sup>1</sup> Summary

- PM Capital Asian Opportunities Fund Limited (PAF) directors recommend PAF Shareholders **Vote in Favour of the PGF Merger**
- PAF directors recommend that PAF shareholders **REJECT** the WAM Capital Limited ("WAM") Takeover Bid

PAF provides the following summary of the reasons why shareholders should reject the WAM Takeover Bid. There are 12 reasons set out in the Target's Statement which has been sent to PAF shareholders. The following is extracted from the Target's Statement. As these are extracts, there are additional details contained in the Target's Statement which provide context which PAF shareholders should have regard to.

## 2.2 Reasons why you should REJECT the WAM Takeover Bid

### 2.2.1 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.

PAF Shareholders would suffer significant Net Tangible Asset per share dilution under the WAM Takeover Bid.

### 2.2.2 WAM Takeover Bid Dilution to NTA and Franking Credits

In comparing the WAM Takeover Bid to the PGF Scheme, the look-through implied pre-tax net tangible assets plus franking per share consideration [as at 30 September 2021] 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.

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

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.

### 2.2.6 Concerns with WAM's Historical Stated Investment Performance

We note that WAM does not disclose investment portfolio performance net of fees and expenses.

By referencing only gross returns in the Bidder's Statement, PAF considers that WAM has overstated its historical investment performance that accrues to the benefit of investors.

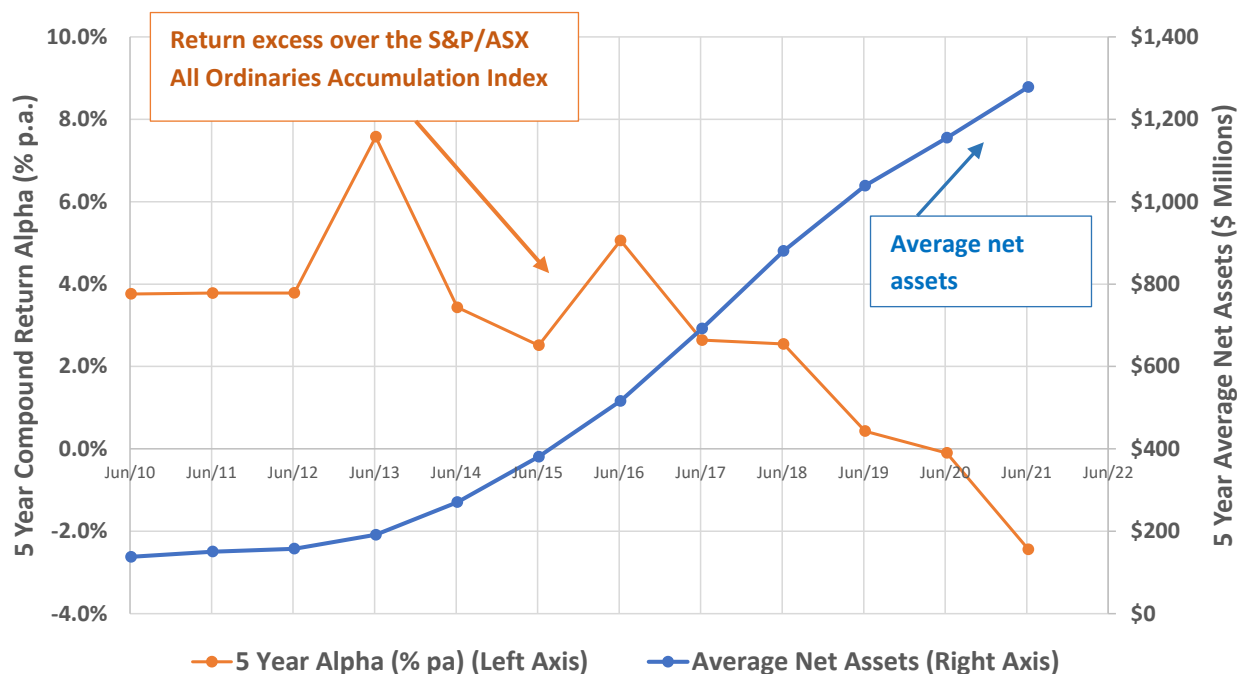
In PAF's view, the comparison of investment performance between the S&P/ASX All Ordinaries Accumulation Index against WAM's performance may be misleading.

## 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.

### 5 Year Compound Returns vs 5 Year Average Assets

WAM Alpha vs All Ord Accumulation Index (like-for-like)  
WAM Portfolio Returns (excluding franking on investments) after fees and expenses



Source: Target’s Statement

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

## 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

## 2.2.10 Concerns that WAM’s Management Expense Ratio (“MER”) in the Bidder’s Statement is not reflective of WAM actual expense ratio

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.

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

## 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

Yours faithfully

### PM Capital Asian Opportunities Fund Limited

This announcement was authorised for release by the PAF Board Committee

<sup>i</sup> The 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”). Target’s Statement issued 8 November 2021