



Premium Investors Limited

ABN 47 106 259 885

Scheme Booklet

Scheme with WAM Capital Limited

The Independent Directors unanimously recommend that you

VOTE IN FAVOUR

of the Scheme in the absence of a superior proposal.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER TO VOTE IN FAVOUR OF THE SCHEME. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

If, after reading this Scheme Booklet, you have any questions about the Scheme, please call the Shareholder Information Line on 1800 087 348 (in Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday between 8.30am and 7.00pm (Sydney time). If you have questions regarding the number of Premium Shares you hold or how to vote, please contact the Registry on 1300 850 505 (in Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday between 8.30am and 7.00pm (Sydney time).

If you have recently sold all of your Premium Shares, please disregard this document.

Financial Advisor



ALLIER

Legal Advisor

CORRS
CHAMBERS
WESTGARTH

lawyers

Contents

1	Summary of the Scheme	12
2	Scheme Meeting and making an Election	18
3	Advantages and disadvantages of the Scheme	22
4	Risk factors	27
5	Information on Premium	30
6	Information on WAM	40
7	Information about the Merged Entity	56
8	Information about the New WAM Shares and New WAM Options	62
9	Taxation considerations	65
10	Implementation of the Scheme	71
11	Additional information	75
12	Glossary of terms	79

Annexure A	Independent Expert's Report
Annexure B	Investigating Accountant's Report
Annexure C	Scheme Implementation Agreement
Annexure D	Scheme of Arrangement
Annexure E	Notice of Meeting

The Scheme at a glance

The Scheme Meeting will be held at 10.30am on Monday 10 December 2012 at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000.

The Scheme

- 1 Premium Shareholders will transfer their Premium Shares to WAM.
- 2 As consideration for the transfer of Premium Shares to WAM, Premium Shareholders can elect to receive Scrip Consideration, Cash Consideration or a combination of both.
- 3 The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Premium Shareholders, in the absence of a superior proposal.
- 4 The Independent Directors believe that, for the reasons set out in this Scheme Booklet, you should vote in favour of the Scheme. Each Independent Director who holds or controls Premium Shares intends to vote in favour of the Scheme, in the absence of a superior proposal.
- 5 Treasury Group, manager of Premium's portfolio of investments, intends to vote in favour of the Scheme in the absence of a superior proposal. Treasury Group's votes will be 'tagged', that is, the number of votes by Treasury Group and the manner in which they are voted will be able to be identified following the casting of all votes at the Scheme Meeting.

Cash Consideration

- 6 Premium Shareholders may elect to receive cash for up to 100% of their Premium Shares. Premium Shareholders who elect to receive the Cash Consideration will receive an amount equal to the Premium pre-tax net tangible assets per share less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme for each Premium Share.

Scrip Consideration

- 7 The exchange ratio to determine the number of New WAM Shares to be issued for each Premium Share will be calculated on the Calculation Date. The formula to determine the exchange ratio is outlined in section 1.6.
- 8 Based on the most recently reported monthly net asset backing per share for each company as at 31 August 2012, and taking into account estimated transaction costs, each eligible Premium Shareholder would be issued approximately one New WAM Share for every two Premium Shares held.
- 9 Each Premium Shareholder who is issued the Scrip Consideration also will be issued one New WAM Option for each New WAM Share that they are issued. The New WAM Options have a strike price of \$1.60 per option and may be exercisable at any time up to 31 July 2013. The closing market price for these options on Tuesday 30 October 2012 was \$0.03 per option.

Key benefits to Premium Shareholders

- 10 If Cash Consideration is elected for all or part of the Premium Shares:
 - (a) the Scheme provides Premium Shareholders with the opportunity to receive Cash Consideration for up to 100% of their shares at close to the pre-tax net tangible asset backing per share less deferred tax assets; and
 - (b) the implied Cash Consideration per share is expected to deliver a significant premium to Premium's historic share price which has consistently traded at a significant discount to the pre-tax net tangible asset backing per share.
- 11 Premium Shareholders can choose from a selection of combinations of Cash Consideration and Scrip Consideration in order to best meet their individual needs.
- 12 Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) will have access to the experience and performance of WAM's investment management

team. WAM has a stable and clearly articulated investment strategy focused on Australian listed securities and has achieved:

- (a) strong and consistent returns over time with an average annual return of 17.7% since inception;
- (b) a consistent stream of fully franked dividends to shareholders; and
- (c) a share price that currently trades at or near its pre-tax net tangible asset backing per share.

13 The value of the Scrip Consideration is expected to deliver a significant premium to Premium's historic share price.

14 The newly Merged Entity will be a listed investment company. If all Premium Shareholders elect to receive Scrip Consideration for 100% of their Premium Shares, the Merged Entity will have approximately \$300 million of net assets and more than 8,300 shareholders.

15 If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares, the Merged Entity will have approximately \$260 million of net assets.

16 It is expected that Premium Shareholders will have access to greater liquidity in the trading of their New WAM Shares. In addition, the Independent Directors believe that the shares of larger listed investment companies tend to trade at prices closer to pre-tax net tangible asset backing than the shares of smaller listed investment companies.

17 Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) are likely to enjoy a lower management expense ratio through owning shares in the enlarged WAM than they currently do as Premium Shareholders as a result of:

- (a) WAM's current management expense ratio (before performance fees and brokerage) being lower than the ratio currently achieved by Premium;
- (b) potential cost savings resulting from the removal of duplicated functions upon the cessation of Premium operating as a separately listed entity; and
- (c) the increased asset base of the Merged Entity.

18 The Merged Entity may be better able to realise the value of Premium's deferred tax assets and utilise Premium's available franking credits. The value of these items would be lost if Premium were to be wound up.

19 Scheme Participants who elect to receive Scrip Consideration may be eligible for CGT rollover relief.

Potential disadvantages of the Scheme

20 Scheme Participants who elect 100% Cash Consideration will potentially be subject to a disadvantage as they will not participate in any future potential capital growth and dividends from the Merged Entity without further investment and brokerage fees.

21 Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) will be subject to the following potential disadvantages:

- (a) they will hold a smaller share of a larger company;
- (b) the profitability, success and ability of the Merged Entity to meet its investment objectives are dependent on the earnings and capital appreciation of its investments. No guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments; and
- (c) the Merged Entity will have a different investment portfolio combination to Premium's current investment portfolio, which may result in a capital/income return risk profile that is different to Premium's current investment and capital/income return risk profile.

Potential risks associated with the Scheme

22 The Scheme is subject to a number of Scheme Conditions which are summarised in section 10.8 and there is the possibility that one or more of the Scheme Conditions will not be met or waived and the Scheme will not proceed as a result. At the date of this Scheme Booklet, Premium is not aware of any circumstances which would cause the Scheme Conditions not to be satisfied.

23 There are a number of risk factors that relate to investing in a listed investment company and a range of these are outlined in section 4.1. Risks that directly relate to the implementation of the Scheme for

Scheme Participants who elect Cash Consideration include that the Scheme NTA of Premium may fluctuate prior to implementation which may affect the value of Cash Consideration.

24 Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) include:

- (a) it is possible that the integration of Premium and WAM will be more difficult or take more time than currently anticipated, and could delay the realisation of synergy benefits expected to result from the Scheme;
- (b) the Scheme may deliver cost savings in operating synergies following its implementation. There is a risk that these synergies are not realised within the anticipated timeframe or at all or to their full extent;
- (c) the value of the Scheme Consideration will be dependent on the market value of WAM Shares and WAM Options traded on ASX and any fluctuation in price will directly impact the value of the Scrip Consideration to which Scheme Participants will be entitled;
- (d) the Scheme NTA of Premium and WAM may fluctuate which may affect the number of New WAM Shares and New WAM Options to which Scheme Participants will be entitled as Scrip Consideration; and
- (e) the market price of WAM Shares and WAM Options may fluctuate post implementation due to the issue of New WAM Shares and New WAM Options.

The Independent Expert considers that the advantages of the Scheme outweigh the disadvantages and that the Scheme is in the best interests of Premium Shareholders.

The Independent Directors believe the Scheme is in the best interests of Premium Shareholders and intend to vote Premium Shares they hold or control in favour of the Scheme, in the absence of a superior proposal.

Dear Premium Shareholders,

On behalf of Premium, I am pleased to present you with the opportunity to consider and vote on the Scheme.

Rationale for the Scheme

On 14 September 2012, we announced a Scheme with WAM.

The Scheme is anticipated to deliver to you, as a Premium Shareholder, the following benefits:

- ✓ you will be able to realise up to 100% of your investment in Premium as cash at a price close to pre-tax net tangible asset backing per share less deferred tax assets, which is likely to be a significant premium to Premium's historic share price;
- ✓ you will be able to choose the mixture of Cash Consideration and Scrip Consideration that optimises return based on your individual circumstances;
- ✓ the value of the Scrip Consideration is expected to deliver a significant premium to Premium's historic share price;
- ✓ if you elect to receive the Scrip Consideration and you are not an Ineligible Foreign Shareholder, the Scheme will give you access to the experience and performance of WAM's investment management team in the Merged Entity;
- ✓ the value of Premium's tax losses and franking credits are likely to be preserved and may result in a proportional benefit for Scheme Participants who elect to receive Scrip Consideration;
- ✓ you will enjoy the benefits of the enhanced scale and liquidity of the Merged Entity;
- ✓ the Merged Entity is likely to benefit from a lower management expense ratio (before performance fees and brokerage) than is currently achieved for Premium Shareholders; and
- ✓ Scheme Participants who elect to receive Scrip Consideration may be eligible for CGT rollover relief.

The Independent Expert believes that the Scheme is fair and reasonable and is in the best interests of Premium Shareholders, in the absence of a superior proposal.

There also are reasons you may decide to vote against the Scheme. The potential disadvantages and risks associated with the implementation of the Scheme if you elect to receive Cash Consideration for 100% of your shares include:

- an inability to participate in any future potential capital growth and dividends from the Merged Entity without further investment and brokerage fees; and
- the Scheme NTA of Premium may fluctuate prior to implementation which may affect the value of your Cash Consideration.

The potential disadvantages and risks associated with the implementation of the Scheme if you elect to receive Scrip Consideration (and you are not an Ineligible Foreign Shareholder) include:

- you will hold a smaller share of a larger company;
- no guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments;
- the Merged Entity will have a different investment portfolio combination to Premium's current investment portfolio, which may result in a capital/income return risk profile that is different to Premium's current investment and capital/income return risk profile;
- the integration of Premium and WAM may be more difficult or take more time than currently anticipated and there is a risk that expected synergies may not be realised within the anticipated timeframe or at all or to their full extent;
- the value of the Scheme Consideration will be dependent on the market value of WAM Shares and WAM Options traded on ASX and any fluctuation in price will directly impact the value of the Scrip Consideration to which you will be entitled if you opt to receive Scrip Consideration;
- the Scheme NTA of Premium and WAM may fluctuate which may affect the number of New WAM Shares and New WAM Options to which you will be entitled as Scrip Consideration; and



- the market price of WAM Shares and WAM Options may fluctuate after implementation due to the issue of New WAM Shares and New WAM Options.

The Independent Expert considers that the advantages of the Scheme outweigh the disadvantages and that the Scheme is in the best interests of Premium Shareholders. The Independent Expert's Report is included in annexure A, and I encourage you to read it before voting on the Scheme.

As noted above, the Independent Directors believe that, for the reasons set out in this Scheme Booklet, you should vote in favour of the Scheme at the Scheme Meeting to be held at 10.30am on Monday 10 December 2012. Each Independent Director who holds or controls Premium Shares intends to vote in favour of the Scheme, in the absence of a superior proposal.

Conditions to the Scheme

The Scheme is subject to a number of conditions including Court and Premium Shareholder approval. The Scheme Conditions are summarised in section 10.8 of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Agreement, attached at annexure C.

What Premium Shareholders can expect to receive if the Scheme proceeds

If the Scheme is implemented, Premium Shareholders can elect either:

- to receive Cash Consideration, which is the prevailing pre-tax net tangible asset backing per share less any deferred tax assets carried on the balance sheet and less any transaction costs associated with implementing the Scheme for up to 100% of their shares; or
- to exchange up to 100% of their shares for shares and options in WAM. The number of New WAM Shares and New WAM Options to be issued to each shareholder who elects to receive Scrip Consideration will be calculated by reference to the relative pre-tax Scheme NTA per share of Premium and WAM, determined in substantially the same manner as per each company's monthly net asset backing per share announcement to ASX, less any deferred tax assets carried on Premium's balance sheet and less any transaction costs associated with implementing the Scheme; or
- a combination of Cash Consideration and Scrip Consideration.

Further information

Important details of the Scheme, and the steps associated with its implementation, are set out in this Scheme Booklet, which you are urged to read carefully. If you have any questions, please call the Shareholder Information Line on 1800 087 348 (in Australia) or +61 3 9415 4000 (outside Australia) on weekdays between 8.30am and 7.00pm (Sydney time). Alternatively, contact your financial, legal, taxation or other professional adviser.

Yours sincerely,



Lindsay Mann
Chairman
Premium Investors Limited





WAM CAPITAL LIMITED (WAM)
ABN 34 086 587 395

Dear Premium Shareholders,

WAM Capital is pleased to have been able to work with your Independent Directors to present this merger opportunity for your consideration.

In his letter Premium Chairman, Lindsay Mann, has outlined a number of benefits the Scheme offers you, which I reiterate.

The Scheme proposal before you is designed to offer you a choice in respect of your Premium Shares. You can either elect to receive 100% of the Scheme Consideration in New WAM Shares and New WAM Options, cash or a combination of both.

In this Scheme Booklet, you will read about our history of performance and dividends, our business model and investment objectives and process. Prior to the Scheme Meeting, WAM Capital will be writing to invite you to information sessions to meet the Wilson Asset Management's investment team. These sessions will be held in Sydney, Melbourne, Brisbane, Adelaide and Canberra, at which Premium Shareholders can learn more about WAM Capital and Wilson Asset Management. If you are unable to attend these meetings, please feel free to call me on 02 9247 6755 or 0412 242 712 or email me at gwilson@wami.com.au.

The WAM Board is also pleased that Lindsay Mann has accepted its invitation to join the Board of the Merged Entity on implementation of the Scheme.

I encourage you to read the Scheme Booklet carefully and vote.

I look forward to meeting you at either the WAM Capital information sessions or at the Scheme Meeting and welcoming as WAM shareholders all those of you who elect Scrip Consideration as their Scheme Consideration.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Geoff Wilson', written in a cursive style.

Geoff Wilson
Chairman
WAM Capital Limited

Important notices

Reading this Scheme Booklet

This Scheme Booklet is important. You should carefully read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting. If you have any questions or require further information please contact the Shareholder Information Line on 1800 087 348 (in Australia) or +61 3 9415 4000 (outside Australia) on weekdays between 8.30am and 7.00pm (Sydney time). If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

Capitalised terms used in this Scheme Booklet are defined in the Glossary of terms in **section 12**. The Glossary of terms also sets out some rules of interpretation that apply to this Scheme Booklet in **section 12.2**.

Purpose of this Scheme Booklet

This Scheme Booklet sets out the effects of the Scheme, certain information required by law and all other information known to the Independent Directors which is material to your decision to vote in favour of, or against, the Scheme (other than information previously disclosed to Premium Shareholders) and includes the Explanatory Statement, as required by Part 5.1 of the Corporations Act, in relation to the Scheme.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by Premium and is the responsibility of Premium.

The WAM Information has been prepared by WAM and is the responsibility of WAM.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report which is contained in annexure A. Loneragan Edwards & Associates Limited takes responsibility for that report. Loneragan Edwards & Associates Limited does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in annexure A.

Moore Stephens has prepared the Investigating Accountant's Report relating to Premium and takes responsibility for that report. A copy of this report is contained in annexure B. Moore Stephens does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in annexure B.

Ernst & Young has prepared the information regarding the Australian taxation implications of the Scheme for Premium Shareholders and takes responsibility for that information, contained in **section 9**. Ernst & Young does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the general Australian taxation information contained in **section 9**.

ASIC

A copy of this Scheme Booklet was registered by ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance

with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the no objection statement, the statement will be produced to the Court at the time of the Second Court Date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASX

WAM is listed on ASX and application will be made for official quotation on ASX of all New WAM Shares and New WAM Options to be issued as Scrip Consideration. Premium Shares will continue to be quoted on ASX if the Scheme does not become effective.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of Corporations Act

A copy of this Scheme Booklet has been submitted to the Court to obtain an order of the Court approving the convening of the Scheme Meeting.

The fact that under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the Explanatory Statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how you should vote (on this matter, you must reach your own decision); or
- (b) has prepared, or is responsible for the content of, the Explanatory Statement.

Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. The information in this Scheme Booklet should not be relied on as the sole basis for any investment decision. You should seek independent legal, financial and other professional advice before making any investment decision.

Forward looking statements

Certain statements in this Scheme Booklet are about the future. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Premium or WAM, following implementation of the Scheme, to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in section 4. Changes to future matters are both normal and to be expected.

None of Premium, WAM or their respective directors, officers and advisers, nor any other person gives any assurance that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme

Booklet will actually occur.

The forward-looking statements in this Scheme Booklet reflect views held only as of the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, Premium will not update these statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to the making of a decision regarding whether or not to vote in favour of the Scheme.

Status of this Scheme Booklet

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act.

Privacy and personal information

Premium is required to collect personal information about you to implement the Scheme. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

If you are an individual, you have certain rights to access the personal information collected about you. You may contact the Registry if you wish to exercise those rights.

The information may be disclosed to Premium and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Scheme.

If the information outlined above is not collected, Premium may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

If you appoint an individual as your proxy, corporate representative or attorney to vote at the Scheme Meeting you should inform that individual of the matters outlined above.

Entitlement to inspect Share Register

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the Share Register. This register contains personal information about you.

Notice to Ineligible Foreign Shareholders

This Scheme Booklet has been prepared in compliance with the disclosure requirements of Australia which may be different to those in other jurisdictions. This Scheme Booklet and the Scheme does not in any way constitute an offer of securities or a solicitation of an offer to purchase securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or solicitation. Premium Shareholders in jurisdictions outside Australia and its external territories and New Zealand should refer to section 2.11 of this Scheme Booklet.

Explanatory statement

This Scheme Booklet constitutes an Explanatory Statement for the purposes of section 412 of the Corporations Act. This Scheme Booklet explains the effect of the Scheme between Premium and Premium Shareholders to be considered at the Scheme Meeting and provides all information that is prescribed or otherwise material to the decision of Premium Shareholders whether or not to approve the Scheme.

Date of this Scheme Booklet

This Scheme Booklet is dated 31 October 2012.

Important dates

Event	Indicative date
Latest time and date for receipt by the Registry of completed proxy form for the Scheme Meeting	10.30am on Saturday 8 December 2012
Time and date for determining eligibility to vote at the Scheme Meeting	7pm on Saturday 8 December 2012
Scheme Meeting	Monday 10 December 2012
Second Court Date	Wednesday 12 December 2012
Calculation Date	Wednesday 12 December 2012
Effective Date	Thursday 13 December 2012
Trading in Premium Shares on ASX is suspended	Close of trade on Thursday 13 December 2012
Latest time and date for receipt by Registry of completed Election Form for the Scheme Consideration	7.00pm Thursday 13 December 2012
Record Date for determining eligibility to participate in the Scheme	7.00pm on Thursday 20 December 2012
Implementation Date Despatch date	Monday 31 December 2012
Trading of New WAM Shares and New WAM Options commences on the ASX on a normal T+3 basis	Wednesday, 2 January 2013

The dates and time set out above are indicative only and are subject to the Court approval process, ASIC approval and any other regulatory approvals required. Any changes to the above timetable will be announced to ASX and available on its website, www.asx.com.au.

Questions and Answers

This section answers some basic questions that you may have about the Scheme. The information is a summary only and should only be read in conjunction with the entire Scheme Booklet. You should read the entire Scheme Booklet before deciding how to vote on the Scheme.

Question	Answer
Questions about the Scheme	
What is the Scheme?	<p>On 14 September 2012 Premium and WAM announced a proposal to merge via a scheme of arrangement.</p> <p>The newly Merged Entity will create a single listed investment company with approximately \$300 million of net assets and will have more than 8,300 shareholders assuming all Premium Shareholders elect to receive Scrip Consideration for 100% of their shares.</p> <p>If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares and the remainder in Scrip Consideration, the Merged Entity will have approximately \$260 million of net assets.</p>
Why is the Scheme being proposed?	<p>The Independent Directors of Premium considered a range of strategic alternatives to address:</p> <ul style="list-style-type: none"> • the persistent and widening discount of Premium's share price to net tangible asset backing per share; • the performance of the underlying portfolio in the recent period of continued market volatility; and • Premium not being able to declare a dividend since July 2011. <p>The Independent Directors sought independent financial, legal and tax advice on various restructure proposals and have determined that the Scheme is in the best interests of Premium Shareholders, in the absence of a superior proposal.</p>
What will Premium Shareholders receive if the Scheme is implemented?	<p>If the Scheme is implemented, Premium Shareholders can elect to either:</p> <ul style="list-style-type: none"> • receive cash consideration for up to 100% of their Premium Shares; • exchange up to 100% of their Premium Shares for shares and options in WAM. The number of New WAM Shares and New WAM Options to be issued to each shareholder who elects to receive Scrip Consideration will be calculated by reference to the NTA Formula; or • a combination of the above. <p>Ineligible Foreign Shareholders will have the same Election options, however any New WAM Shares and New WAM Options issued to Ineligible Foreign Shareholders will be dealt with by the Nominee in accordance with the process set out in section 2.11.</p>
Will the New WAM Shares rank equally with the existing WAM Shares?	<p>The New WAM Shares will rank equally with all other issued WAM Shares. Further detail about the New WAM Shares is set out in section 8.1.</p>
What are the WAM Options?	<p>The New WAM Options issued to Premium Shareholders that elect to receive Scrip Consideration will have a strike price of \$1.60 per WAM Option and can be exercised at any time up to 31 July 2013. The New WAM Options will trade on ASX under the ASX Code WAMO.</p>

How do I choose my form of Scheme Consideration?	A personalised Election Form accompanies this Scheme Booklet. Further information about how to choose your Scheme Consideration is set out in section 2.9.
Who are the Independent Directors?	<p>The Independent Directors are Mr Lindsay Mann and Mr Tom Collins. Given his role as a director of Treasury Group, Mr Reubert Hayes is not considered by the Premium Directors to be independent.</p> <p>If the Scheme becomes effective, Mr Lindsay Mann will be appointed to the WAM Board. Despite this appointment, the Premium Directors consider Mr Lindsay Mann to be independent because:</p> <ul style="list-style-type: none"> • he is a non-executive Premium Director, and has never been an executive of either Premium or WAM; • he is not a substantial shareholder, or otherwise associated with a substantial shareholder, of either Premium or WAM; • he has never been a material professional adviser or consultant to Premium or WAM; • he is not a material supplier or customer of Premium or WAM; and • he does not have any material contractual relationship with Premium or WAM other than as a non-executive Premium Director. <p>The seat on the WAM Board was considered by the Independent Directors only in relation to the benefit that it would bring to Premium Shareholders by providing continuity of management. The Premium Directors do not consider that it would materially interfere with Mr Lindsay Mann's independent exercise of his judgement in relation to assessing the Scheme and determining whether it is in the best interests of Premium Shareholders, in the absence of a superior proposal.</p> <p>Information about the reasons for the Independent Directors' recommendation to vote in favour of the Scheme is set out in section 1.2.</p>
What do the Independent Directors recommend?	The Independent Directors unanimously believe the Scheme is in the best interests of Premium Shareholders and recommend that Premium Shareholders vote in favour of the Scheme in the absence of a superior proposal.
How do the Independent Directors intend to vote in respect of their own Premium Shares?	In the absence of a superior proposal, the Independent Directors intend to vote in favour of the Scheme in respect of all the Premium Shares they hold or control and encourage all Premium Shareholders also to vote in favour of the Scheme.
How does Treasury Group intend to vote in respect of its own Premium Shares?	In the absence of a superior proposal, Treasury Group intends to vote in favour of the Scheme in respect of all of its Premium Shares. Treasury Group's votes will be 'tagged', that is, the number of votes by Treasury Group and the manner in which they are voted will be able to be identified following the casting of all votes at the Scheme Meeting.
What is the opinion of the Independent Expert?	The Independent Expert has considered the merits of the Scheme and has concluded that the Scheme is fair and reasonable and is in the best interests of Premium Shareholders, in the absence of a superior proposal.

	The Independent Expert's Report is set out in full at annexure A.
How will the Scheme be implemented?	<p>The Scheme will be implemented by way of a scheme of arrangement between Premium and Premium Shareholders. As part of the Scheme, WAM will acquire all of the Premium Shares from the Scheme Participants, in consideration for the Scheme Consideration. The Scheme is subject to (amongst other things) receipt of all necessary Regulatory Approvals, the approval of Premium Shareholders and the approval of the Court.</p> <p>Premium Shareholders will be asked to consider and vote on the Scheme at the Scheme Meeting. If all the conditions to the Scheme are satisfied or waived (in accordance with the Scheme Implementation Agreement) and Court orders approving the Scheme are lodged with ASIC, the Scheme will constitute a binding arrangement between Premium and each Scheme Participant to transfer all of their Premium Shares to WAM. Further details on how the Scheme will be implemented are set out in section 10.</p>
When and where will the Scheme Meeting be held?	The Scheme Meeting is scheduled to be held at 10.30am on Monday 10 December 2012 at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000.
Who is entitled to participate in the Scheme?	<p>Only persons registered as holders of Premium Shares on the Record Date may participate in, and will be bound by, the Scheme. It is anticipated that the Record Date will be 7.00pm on Thursday 20 December 2012.</p> <p>This date may change. Any changes will be announced to the ASX and notified on the ASX announcements platform.</p>
When will the Scheme become Effective?	<p>Subject to satisfaction or waiver (in accordance with the Scheme Implementation Agreement) of the conditions to the Scheme, it is expected that the Scheme will become Effective on Thursday 13 December 2012.</p> <p>The Scheme Consideration will be distributed after the Effective Date. Further information about when the Scheme Consideration will be distributed is set out in section 1.4.</p>
What are the advantages of the Scheme?	<p>Advantages of the Scheme are considered in section 3.3 and include:</p> <ul style="list-style-type: none"> • Scheme Participants are able to realise up to 100% of their investment in Premium as cash at a price close to pre-tax net tangible asset backing per share excluding deferred tax assets. This is likely to be a significant premium to Premium's historic share price which has consistently traded at a significant discount to net tangible asset backing per share; • Premium Shareholders can choose from a selection of combinations of Cash Consideration and Scrip Consideration in order to best meet the needs of their individual circumstances; • the value of the Scrip Consideration is expected to deliver a significant premium to Premium's historic share price; • if you elect to receive the Scrip Consideration and you are not an Ineligible Foreign Shareholder, the Scheme will give you access to the experience and performance of WAM's investment management team in the Merged Entity; • the possible preservation of tax losses may result in a

	<p>proportional benefit for Scheme Participants who elect to receive Scrip Consideration;</p> <ul style="list-style-type: none"> • the likely ability of Scheme Participants who elect to receive Scrip Consideration to obtain a proportional benefit from the preservation of franking credits; • participation in the benefits of the enhanced scale and liquidity of the Merged Entity for Scheme Participants who elect to receive Scrip Consideration; • to the extent Scheme Participants elect to receive Scrip Consideration, they are likely to enjoy a lower management expense ratio (before performance fees and brokerage) than that currently incurred by Premium; • Lindsay Mann, the Premium Chairman, will join the board of the Merged Entity, providing continuity of board oversight for Premium Shareholders; and • Scheme Participants who elect to receive Scrip Consideration may be eligible for CGT rollover relief.
<p>What are the disadvantages of the Scheme?</p>	<p>Potential disadvantages of the Scheme are considered in section 3.4 and include:</p> <ul style="list-style-type: none"> • the risks of the Scheme (see question and answer below); • the dilution of Premium Shareholders' voting power in the Merged Entity; • the dilution of Premium Shareholders' interests in Premium's investments, tax losses and franking credits; and • the investments of the Merged Entity may underperform those of Premium on a stand-alone basis.
<p>What are the risks of the Scheme?</p>	<p>The risks associated with the Scheme include but are not limited to:</p> <ul style="list-style-type: none"> • risks relating to the Merged Entity, which are common to both Premium and WAM; • existing risks relating to Premium's investments, which are common to the investments of both Premium and WAM, and will continue to be relevant to those investments after the implementation of the Scheme; • risks relating to the implementation of the Scheme, including (without limitation), certain conditions of the Scheme not being met, merger costs, synergy realisation, movements in the market price of WAM Shares, and the fluctuation of the Scrip Consideration with the movement of the relative Scheme NTA per share of each of Premium and WAM; and • risks specific to an investment in the Merged Entity, including (without limitation) a potential change in the investment and capital/income return risk profile. <p>Further detail about these risks is set out in section 4.</p>
<p>What happens if the Scheme does not proceed?</p>	<p>If the Scheme is not implemented, costs in connection with the Scheme of approximately \$590,000 of the total estimated transaction costs of \$1,729,000 will be borne by Premium. The Independent Directors would then consider alternatives to the Scheme, including a significant buy back, continuing Premium in its current form paying fully franked dividends when possible, or a voluntary winding up of</p>

	<p>Premium.</p> <p>A voluntary winding up of Premium requires the approval of Premium Shareholders before it can proceed and would be expected to take a further three months. A voluntary winding up may incur additional costs of approximately \$1,960,000.</p>
What will be the effect of the Scheme on Scheme Participants?	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> • Scheme Participants will transfer all their Premium Shares to WAM; • each Scheme Participant can elect to receive either the Cash Consideration, the Scrip Consideration or a combination of both, in consideration for the transfer of each of their Premium Shares; and • Premium will become a wholly owned subsidiary of WAM and will be delisted from ASX.
What are the intentions of the Premium Directors if the Scheme is implemented?	<p>If the Scheme becomes effective, the Premium Directors intend to resign as directors of Premium on or before the Implementation Date. WAM would then appoint its nominees to the board of Premium.</p> <p>Mr Lindsay Mann will be invited to take a seat on the board of WAM, which he intends to take up.</p>
What are the options for Premium Shareholders?	<p>Premium Shareholders may:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme at the Scheme Meeting; • vote against the Scheme at the Scheme Meeting; • sell their Premium Shares before trading is suspended on the Effective Date; or • do nothing.
What approvals are required at the Scheme Meeting?	<p>For the Scheme to be approved, votes in favour of the Scheme must be received from Premium Shareholders as follows:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Premium Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative), unless the Court orders otherwise; and • at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or by corporate representative).
What are the key conditions to be satisfied before the Scheme can proceed?	<p>The key conditions that must be satisfied in order for the Scheme to proceed are:</p> <ul style="list-style-type: none"> • Premium Shareholders approving the Scheme Resolution at the Scheme Meeting; and • the Court approving the Scheme. <p>These are not the only conditions. Each of the conditions is summarised in section 10.8 of this Scheme Booklet. The conditions are set out in full in clause 3.1 of the Scheme Implementation Agreement which is reproduced in annexure C.</p>
Questions about WAM	
Who is WAM?	<p>WAM is a listed investment company incorporated in New South Wales on 8 March 1999 and was admitted to the official list of ASX on 12 August 1999. Further information about WAM is set out in section 6.</p>

What has WAM achieved since listing in 1999?	WAM has delivered an average investment return on its portfolio of 17.7% per annum since it listed in 1999. This is 10.4% per annum greater than the S&P/ASX All Ordinaries Accumulation Index, which has returned 7.3% over the same time. WAM has paid more than 139 cents per share in fully franked dividends since it listed.
Why does WAM wish to acquire Premium?	<p>WAM believes the Scheme offers an opportunity to create a larger entity¹, whose shareholders may benefit from:</p> <ul style="list-style-type: none"> • a reduction in the fixed administrative expense ratio as WAM's administrative expenses are spread across a larger pool of assets; • the potential to achieve an increase in the liquidity of WAM Shares which will make it easier for shareholders to buy and sell WAM Shares; • an increase in the size of WAM, thereby making it more relevant in the market and potentially improving the coverage by research firms, dealer groups and financial advisors; and • the potential utilisation of Premium's tax losses and franking credits.
Questions about the Merged Entity	
Who will manage the Merged Entity following the completion of the Scheme?	<p>Treasury Group Investment Services has agreed with Premium to remain as investment manager for a transition period after implementation of the Scheme (should the Scheme be approved).</p> <p>The Independent Directors have negotiated the Treasury Group Fee, being \$700,000, payable to Treasury Group Investment Services, if the Scheme is implemented, in accordance with the arrangements described in section 5.6A. The Treasury Group Fee is payable as consideration for the benefits to Premium set out in section 5.6A.</p> <p>Wilson Asset Management will be ultimately responsible for managing all the assets held by the Merged Entity. The Independent Directors of Premium negotiated with WAM's investment manager an agreement that Wilson Asset Management will pay \$200,000 in management fees during the 3 month transition period, making the net cost of the total Treasury Group Fee to Premium \$500,000.</p>
Who will be the Chairman of the Merged Entity?	Geoff Wilson, the Chairman of WAM, will act as Chairman of the Merged Entity.
Where will the head office of the Merged Entity be located?	<p>The Merged Entity will be located at the offices of Wilson Asset Management, which is at Level 11, 139 Macquarie Street, Sydney, New South Wales.</p> <p>Telephone number: 02 9247 6755</p> <p>Email address: info@wamfunds.com.au</p> <p>Website: www.wamfunds.com.au</p>
What are the intentions of the Board of WAM in relation to the investments of the Merged Entity after implementation of the Scheme?	<p>Treasury Group Investment Services will remain as investment manager for the Premium assets for a transition period in accordance with the arrangements described in section 5.6A, after which time Wilson Asset Management ultimately will be responsible for managing all the assets held by the Merged Entity.</p> <p>If the Scheme is approved, the board of the Merged Entity will</p>

¹ Assuming a majority of Premium Shareholders elect to receive Scrip Consideration as Scheme Consideration.

	<p>consider, as soon as practicable, issues such as whether WAM will form a tax consolidated group with Premium and the management of the assets held within Premium. Although the WAM Board expects that all the assets of the Merged Entity will be managed in a similar way to those of WAM, the board of the Merged Entity will only be able to make definitive decisions once it has all the necessary information available to it (including the actual number of scrip and cash acceptances).</p>
<p>Questions about implementation of the Scheme</p>	
<p>How will the Scheme NTA for Premium and WAM be calculated?</p>	<p>The Scheme Consideration will be based on the pre-tax net tangible asset backing per share less deferred tax assets and transaction costs associated with implementing the Scheme, being the Scheme NTA, for Premium Shares for the Cash Consideration and that of both Premium and WAM for Scrip Consideration. In calculating the Scheme NTA, the costs incurred by each party in implementing the Scheme that remain unpaid will be treated as liabilities for the relevant party.</p> <p>The Scheme NTA will be calculated as at the Calculation Date, being the Second Court Date. Each of Premium and WAM will calculate its own Scheme NTA and will provide the calculation to the other for certification by the auditor for the other party. This certification will be completed within 5 Business Days of delivery of the Scheme NTA information.</p> <p>It is anticipated that the precise Scheme Consideration to be paid will be known and announced by the Record Date for the Scheme, expected to be 7.00pm on Thursday 20 December 2012.</p>
<p>How will a change in the Scheme NTA of Premium or WAM impact the number of New WAM Shares and New WAM Options to which I will be entitled if the Scheme is implemented?</p>	<p>A decrease in the Scheme NTA per Premium Share relative to that of WAM will result in Scheme Participants being entitled to a smaller number of New WAM Shares and New WAM Options as Scrip Consideration.</p> <p>An increase in the Scheme NTA per Premium Share relative to that of WAM will result in Scheme Participants being entitled to a larger number of New WAM Shares and New WAM Options as Scrip Consideration.</p> <p>The examples in section 1.6 set out, for illustrative purposes only, an indication of the number of New WAM Shares and New WAM Options to which each Scheme Participant who elects to receive Scrip Consideration would be entitled based on a range of possible Scheme NTA balances for each company.</p>
<p>Illustratively, what number of New WAM Shares would I be entitled to if the Scheme is implemented and the respective Scheme NTAs of Premium and WAM as at the Calculation Date do not change from their levels as at 31 August 2012?</p>	<p>The number of New WAM Shares and New WAM Options you will be entitled to receive will be based on the respective Scheme NTAs of Premium and WAM on the Calculation Date, which will be the Second Court Date. However, for illustrative purposes only, based on:</p> <ul style="list-style-type: none"> • the respective pre-tax Scheme NTA per share of each company as at 31 August 2012; • Premium's recognised deferred tax assets as at 31 August 2012; • estimated transaction costs relating to the Scheme; and • adjustments to WAM's 31 August 2012 Scheme NTA to account for significant capital management initiatives, <p>Scheme Participants would have been entitled to approximately</p>

	<p>0.5029 New WAM Shares and New WAM Options for each Premium Share held. In other words, Scheme Participants would have been entitled to one New WAM Share and one New WAM Option for slightly less than every two Premium Shares held.</p>
<p>Will I be required to pay brokerage or stamp duty?</p>	<p>You will not have to pay either brokerage or stamp duty if the Scheme is implemented unless you are an Ineligible Foreign Shareholder.</p>
<p>When will I receive my New WAM Shares and New WAM Options?</p>	<p>Scheme Participants who elect to receive the Scrip Consideration (other than Ineligible Foreign Shareholders) will be issued with New WAM Shares and New WAM Options on the Implementation Date. At this stage, the Implementation Date is expected to be Monday 31 December 2012.</p> <p>Key dates relating to the Scrip Consideration are set out in section 1.4A.</p>
<p>When will I receive my Cash Consideration?</p>	<p>Scheme Participants who elect to receive the Cash Consideration can elect to receive their Cash Consideration as a cheque or via EFT if they have notified the Registry of their EFT details before the Record Date. The Cash Consideration will be distributed within 5 Business Days of the Implementation Date.</p> <p>These dates may change. Any change will be announced to ASX and notified on the ASX announcements platform.</p>
<p>Can I sell my Premium Shares now?</p>	<p>You can offer to sell your Premium Shares on ASX at any time prior to trading in Premium Shares being suspended. If the Scheme becomes Effective, trading in Premium Shares on ASX will be suspended at close of trade on the Effective Date. It is currently anticipated that the Effective Date will be Thursday 13 December 2012.</p>
<p>Who is an Ineligible Foreign Shareholder</p>	<p>Each Premium Shareholder whose address on the Share Register at the Record Date is in a jurisdiction other than Australia or New Zealand and their respective external territories is an Ineligible Foreign Shareholder under the Scheme.</p>
<p>What if I am an Ineligible Foreign Shareholder?</p>	<p>Like other Premium Shareholders, Ineligible Foreign Shareholders can elect their form of Scheme Consideration using the Election Form.</p> <p>Ineligible Foreign Shareholders that elect to receive Cash Consideration will do so on the same terms as other Premium Shareholders.</p> <p>Ineligible Foreign Shareholders that elect to receive Scrip Consideration will not receive the New WAM Shares and New WAM Options to which they would otherwise be entitled under the Scheme. Instead, those New WAM Shares and New WAM Options will be issued to the Nominee who will sell them on ASX.</p> <p>The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per New WAM Share and New WAM Option (after deduction of any applicable brokerage, stamp duty and other taxes or charges) multiplied by the number of New WAM Shares and New WAM Options which would otherwise have been issued to that Ineligible Foreign Shareholder.</p> <p>Ineligible Foreign Shareholders who elect to receive a combination of Cash Consideration and Scrip Consideration will have two payments made to them and at different times.</p> <p>For further information on the treatment of Ineligible Foreign</p>

	Shareholders, please refer to section 2.11.
What are the tax implications of the Scheme for Scheme Participants?	The taxation implications of the Scheme will differ depending on the individual circumstances of each Scheme Participant. General information on the taxation effect of the Scheme on Scheme Participants who are residents of Australia for tax purposes is set out in section 9. The information is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Scheme Participant. Your decision on how to vote on the Scheme should be made only after consultation with your financial, legal, taxation and other professional advisers based on your own investment objectives, financial situation, taxation position and particular needs.
Questions about voting	
Who is entitled to vote at the Scheme Meeting?	To be entitled to vote at the Scheme Meeting, you will need to be registered as a Premium Shareholder at 7pm on Saturday 8 December 2012. WAM, and any entity holding Premium Shares controlled by WAM, are excluded from voting at the Scheme Meeting.
How do I vote by Proxy?	Accompanying this Scheme Booklet is a personalised Proxy Form. If you wish to vote on the Scheme but are not able to attend the Scheme Meeting, you should appoint a proxy by following the instructions on the Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the Scheme Meeting. In order to be valid, your proxy must be appointed by 10.30am on Saturday 8 December 2012. If you intend to appoint your proxy by returning the completed Proxy Form by mail or fax, your Proxy Form must be received by Computershare before 10.30am on Saturday 8 December 2012.
Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting scheduled to be held at 10.30am on Monday 10 December 2012, you should appoint a proxy. For further details regarding voting and appointing a proxy for the Scheme Meeting, see section 2.2 to 2.5 of this Scheme Booklet.
What happens if I vote against the Scheme?	If the Scheme becomes Effective it will bind all Premium Shareholders, including those who voted against the Scheme and those who do not vote at all.
Other information	
What other information is available?	This Scheme Booklet provides detailed information in relation to the Scheme that all Premium Shareholders should read. If you have any questions or require further information, you can call the Shareholder Information Line on: 1800 087 348 (within Australia) +61 3 9415 4000 (outside Australia) between 8.30am and 7.00pm Monday to Friday (Sydney time).

1 Summary of the Scheme

This section provides a summary of the Scheme, the reasons for the Scheme, the Independent Directors' recommendation in relation to the Scheme and the key terms of the Scheme Implementation Agreement.

The Scheme Implementation Agreement is reproduced in annexure C. The Scheme is reproduced in annexure D.

1.1 Rationale for the Scheme

The Independent Directors have been considering strategic alternatives to address:

- (a) the persistent and widening discount of Premium's share price to net tangible asset backing per share;
- (b) the performance of the underlying portfolio in the recent period of continued market volatility; and
- (c) Premium not being able to declare a dividend since July 2011.

The Independent Directors have sought independent financial, legal and taxation advice on various restructure proposals and determined that the Scheme is in the best interests of Premium Shareholders in the absence of a superior proposal.

The newly Merged Entity will create a single listed investment company with approximately \$300 million of net assets and will have more than 8,300 shareholders assuming all Premium Shareholders elect to receive Scrip Consideration for 100% of their Premium Shares. The Merged Entity is expected to provide shareholders with access to greater liquidity in the trading of their shares.

If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares, the Merged Entity will have approximately \$260 million of net assets.

The Merged Entity:

- (a) will have a stable and clearly articulated investment strategy focused on Australian listed securities and a proven investment manager with an outstanding performance record;
- (b) may provide access to greater liquidity in the trading of their New WAM Shares than has been enjoyed by Premium Shares;
- (c) will have a share price that has recently traded at its pre-tax net tangible asset backing per share;
- (d) will have greater scale which, when combined with WAM's lower cost structure (before performance fees and brokerage), and the removal of duplicated expenses, is likely to result in a lower management expense ratio (before performance fees and brokerage) than is currently incurred by Premium; and
- (e) will have a history of paying fully franked dividends to shareholders.

1.2 Independent Directors' recommendation

Each of the Independent Directors recommends that Premium Shareholders vote in favour of the Scheme, in the absence of a superior proposal.

In making this recommendation, the Independent Directors have considered the Scheme against other options for restructuring Premium, including conducting a buy-back (as was previously announced on 22 August 2012) or the winding up of Premium.

The Independent Directors considered the advice of:

- (a) Allier Capital Pty Ltd regarding the strategic alternatives available to Premium;
- (b) Corrs Chambers Westgarth regarding Premium's legal position; and
- (c) Ernst & Young regarding Premium's tax position, with respect to its alternatives for a restructure.

The Independent Directors have also considered:

- (a) the advantages and disadvantages of the Scheme set out in section 3;
- (b) the risks factors associated with the Scheme set out in section 4; and
- (c) the opinion of the Independent Expert, whose report is included in annexure A.

After considering the information available to them, the Independent Directors consider that the Scheme is a superior proposal to conducting a substantial buy-back or winding up Premium, and unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal.

Each of the Independent Directors intends to vote in favour of the Scheme, in the absence of a superior proposal, with respect to the Premium Shares which they hold or control.

1.3 Scheme Consideration

If the Scheme is implemented, Premium Shareholders can elect to receive either:

- (a) Scrip Consideration by exchanging up to 100% of their Premium Shares for New WAM Shares and New WAM Options, described further in section 1.6; or
- (b) Cash Consideration for up to 100% of their shares, described further in section 1.5; or
- (c) a combination of the above.

If the Scheme becomes Effective, the Scheme Consideration will be provided in respect of each Premium Share held at the Record Date, which is currently expected to be at 7.00pm (Sydney time) on Thursday 20 December 2012.

1.4 Key dates relating to the Scheme Consideration

The Scheme NTA will be calculated on the Calculation Date, being the Second Court Date. Each of Premium and WAM will calculate its own Scheme NTA and will provide the calculation to the other for certification by the auditor for the other party. This certification will be completed within 5 Business Days of delivery of the Scheme NTA information.

It is anticipated that the precise Scheme Consideration to be paid will be known and announced by the Record Date for the Scheme, expected to be Thursday 20 December 2012.

A. Scrip Consideration

The New WAM Shares and New WAM Options will be issued to Premium Shareholders who elect to receive Scrip Consideration (or part Scrip Consideration) (other than Ineligible Foreign Shareholders) on the Implementation Date, which is currently expected to be Monday 31 December 2012.

Confirmation of issue of New WAM Shares and New WAM Options will be dispatched to Premium Shareholders that elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) within 5 Business Days of the Implementation Date.

It is anticipated that the New WAM Shares and New WAM Options will commence normal T+3 trading on the ASX on Wednesday, 2 January 2013.

B. Cash Consideration

Premium Shareholders who elect to receive Cash Consideration will receive payment by cheque unless they have provided EFT details to the Registry.

Cheque

If payment by cheque is elected, WAM will post the cheque to your address as it is shown on the Share Register on the Record Date. Dispatch of the cheques will take place within five Business Days of the Implementation Date.

EFT²

If the Scheme Participant's EFT details have been provided to the Registry before the Record Date, WAM will transfer the Cash Consideration to the nominated bank account. The EFT will take place within five Business Days of the Implementation Date.

1.5 Cash Consideration

Premium Shareholders who elect to receive Cash Consideration will receive an amount equal to the Premium pre-tax net tangible asset backing per share calculated on the Calculation Date, less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme, for each Premium Share.

For illustrative purposes only, the table below sets out the Cash Consideration per Premium Share that Premium Shareholders would receive based on a calculation date of 31 August 2012.

² The Registry may have your EFT details even if you have nominated to participate in the dividend reinvestment plan. You can contact the Shareholder Information Line to check whether the Registry has your EFT details or to provide your EFT details.

Current Metric	Per share (cents)
Premium Pre-tax NTA as at 31 August 2012	86.9
Less: Premium deferred tax asset	(5.4)
Premium NTA excl. deferred tax asset at 31 August 2012	81.5
Less: transaction costs	(1.7)
Cash Consideration³	79.8

If 100% of Scheme Participants elect to receive Cash Consideration for 100% of their Premium Shares, using the Scheme NTA of Premium as at 31 August 2012 for illustrative purposes, the maximum Cash Consideration that would be payable by WAM for the 97.3% of shares that they do not currently own would be \$78,555,470.

The available sources of cash from which WAM could fund payment of Cash Consideration from include:

- (a) available cash at bank, which as at 31 August 2012 had a balance of \$102,269,779 (excluding outstanding settlements and receivable income); and
- (b) the sale of liquid listed securities, which as at 31 August 2012, had a value of \$111,708,399.

1.6 Scrip Consideration

A. Formula for calculating New WAM Shares and New WAM Options

The number of New WAM Shares and New WAM Options to be issued to Premium Shareholders (or the Nominee in the case of Ineligible Foreign Shareholders) who elect to receive Scrip Consideration will be calculated based on the relative pre-tax net tangible asset backing per share of each company at the Calculation Date (**NTA Formula**):

$$NewWAM = PRVShares * \left(\frac{PRVNTA}{WAMNTA} \right)$$

Where:

- (a) **NewWAM** means the number of New WAM Shares to be issued to each Premium Shareholder.
- (b) **PRVShares** means the number of Premium Shares held by the eligible Premium Shareholder as at the Record Date that are elected for Scrip Consideration.
- (c) **PRVNTA** means the pre-tax net tangible asset backing of Premium per Premium Share (less deferred tax assets carried on the balance sheet and Premium transaction costs).
- (d) **WAMNTA** means the pre-tax net tangible asset backing of WAM per WAM Share (less WAM transaction costs).
- (e) **Calculation Date** means the date on which Premium and WAM calculate their PRVNTA and WAMNTA respectively, which will be the Second Court Date of the Scheme.

For each New WAM Share issued, WAM will also issue one New WAM Option to the Premium Shareholder.

B. Effects of rounding

All entitlements to New WAM Shares and New WAM Options under the Scheme will be rounded down to the nearest whole number in order to avoid fractions of shares.

If either Premium or WAM reasonably believes that a Premium Shareholder has divided its shareholding to obtain an advantage because of the calculation of this rounding provision, then Premium and WAM reserve the right to round the entitlement of such holdings so that only that number of New WAM Shares and New WAM Options that would have been received but for the division will be distributed.

C. Examples of calculation of number of New WAM Shares and New WAM Options

The table below sets out, for illustrative purposes only, the exchange ratio for calculating the number of New WAM Shares and New WAM Options to which each Scheme Participant who elects to receive Scrip Consideration would be entitled if the Scheme becomes Effective, based on the Scheme NTA per

³ Numbers do not sum to total due to rounding

share values for each of Premium and WAM as at 31 August 2012 and assuming that WAM's capital structure reflected the shares on issue as at the date of this Scheme Booklet.

In this illustration, the WAM Scheme NTA per share has been adjusted to account for capital management events that occurred in September 2012 that had a direct impact on Scheme NTA per share. These events were:

- (a) the exercise of 6,240,504 WAM Options at a strike price of \$1.60 per share; and
- (b) the payment of a dividend of 5.5 cents per WAM Share.

Following these adjustments to the WAM net tangible asset backing per share, the illustrative exchange ratio is as follows:

Assumptions	Premium	WAM
Pre-tax NTA per share at 31 August 2012	86.9	164.6
WAM September Capital Management		
Impact of Options Exercised in September	-	(0.2)
Impact of Dividend in September	-	(5.5)
Indicative Pre-Tax NTA per share for adjusted for September capital management	86.9	158.9
Less: Premium deferred tax asset per share	(5.4)	-
Less: transaction costs per share	(1.7)	(0.05)
Scheme NTA per share⁴	79.8	158.9
Implied Exchange Ratio		0.5019

For a Premium Shareholder who holds 1,000 Premium Shares, the table below sets out the maximum indicative number of New WAM Shares they would receive as Scrip Consideration for their Premium Shares.

The table below sets out the way in which this exchange ratio would alter depending on the relative Scheme NTA of Premium and WAM at the Calculation Date.

The Premium Shareholder would also receive the same number of New WAM Options.

		Indicative Premium Scheme NTA per share for merger calculation						
		77.0	78.0	79.0	79.8	81.0	82.0	83.0
Indicative WAM Scheme NTA for merger calculation	162.0	475	481	487	492	500	506	512
	161.0	478	484	490	495	503	509	515
	160.0	481	487	493	498	506	512	518
	158.9	484	490	497	501	509	516	522
	158.0	487	493	500	504	512	518	525
	157.0	490	496	503	507	515	522	528
	156.0	493	500	506	511	519	525	532

D. Value of New WAM Options

Each shareholder who elects to receive Scrip Consideration will also be issued one New WAM Option for each New WAM Share that they are issued. These options will be traded on ASX under the ASX Code WAMO. The New WAM Options will have a strike price of \$1.60 per share and will be

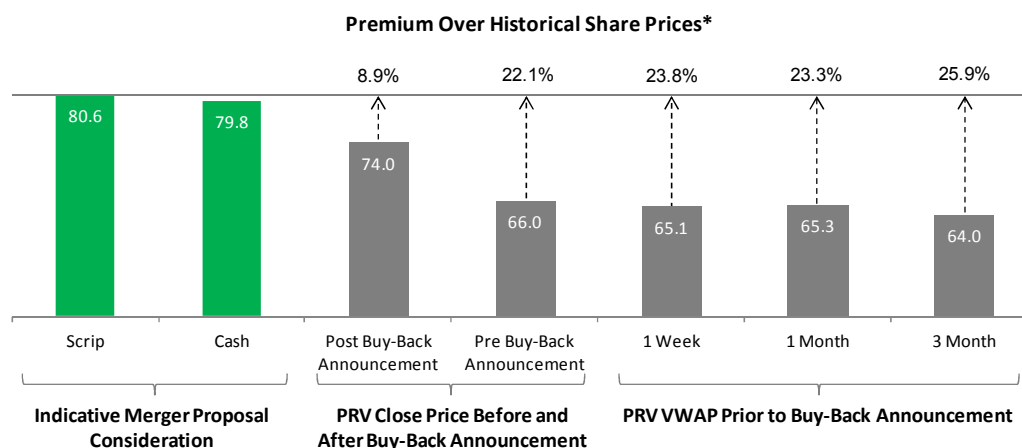
⁴ Numbers do not sum to total due to rounding

exercisable at any time up to 31 July 2013. The closing market price for these options on Tuesday 30 October 2012 was \$0.03 per option.

E. Indicative consideration comparison to historic share price

The indicative value of Scrip Consideration represents a significant premium to the Premium Share price both:

- (a) prior to the announcement of the proposed buy-back on 22 August 2012; and
- (b) after the proposed buy-back announcement but before the announcement of the Scheme.



*premium based on comparison to value of Scrip Consideration⁵

F. Terms of New WAM Shares and New WAM Options

New WAM Shares will be fully paid and will rank equally with other ordinary WAM Shares on issue as at the Implementation Date.

New WAM Options will have an exercise price of \$1.60 per option and will expire on 31 July 2013.

The New WAM Shares and New WAM Options will be quoted on ASX. Section 8 sets out additional information about the New WAM Shares and New WAM Options.

1.7 Scheme Implementation Agreement

Premium and WAM entered into the Scheme Implementation Agreement on 14 September 2012. The Scheme Implementation Agreement is reproduced in annexure C. The Scheme is reproduced in annexure D.

The Scheme Implementation Agreement can be terminated by either party if the other party is in material breach of the Scheme Implementation Agreement or a Court or Government Agency has taken action to restrain or prohibit the Scheme. At the date of this Scheme Booklet, WAM and Premium are not aware of any reason to terminate the Scheme Implementation Agreement.

A. Scheme Conditions and status

Implementation of the Scheme is subject to the satisfaction or waiver of the conditions precedent summarised in section 10.8 and set out in clause 3.1 of the Scheme Implementation Agreement.

As at the date of this Scheme Booklet, Premium and WAM are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. An update of the status of the Scheme Conditions will be provided at the Scheme Meeting.

B. End date

⁵ Indicative Scheme Consideration shown for illustrative purposes only:

Scrip Consideration based on relative Scheme NTA of Premium and WAM at 31 August 2012 as per section 1.6C, and WAM share and option closing prices on 11 September 2012 (the day WAM net tangible asset backing per share was announced) of 163.5 cps and 2.5 cps, respectively

Cash Consideration based on Scheme NTA of Premium at 31 August 2012 as per section 1.5

Close Price Post Buy-Back Announcement represents close price on 22 August 2012

Close Price Pre Buy-Back Announcement represents close price on 21 August 2012

1-Week VWAP calculated from 15 August 2012 to 21 August 2012

1-Month VWAP calculated from 22 July 2012 to 21 August 2012

3-Month VWAP calculated from 22 May 2012 to 21 August 2012

Share price data sourced from S&P Capital IQ

If the Scheme Resolution is approved by Premium Shareholders at the Scheme Meeting, the Scheme may still not be implemented if all the Scheme Conditions are not satisfied or waived (in accordance with the Scheme Implementation Agreement).

If the Scheme has not become Effective on or before 1 February 2013, the Scheme will lapse and be of no further force and effect, and no Scheme Consideration will be distributed.

C. Exclusivity

Under the Scheme Implementation Agreement, Premium has agreed to the following exclusivity arrangements:

- (a) **(No shop restriction)** it will not solicit or invite competing transactions;
- (b) **(No talk restriction)** it will not participate in any discussions or negotiations with any third party in relation to a competing transaction; and
- (c) **(No due diligence)** it will not provide any due diligence information for the purposes of enabling a third party to make a competing transaction.

The 'no talk' and 'no due diligence' restrictions will not apply to a superior competing transaction that is not solicited in breach of the Scheme Implementation Agreement if the fiduciary duties owed by the independent directors of Premium require them to consider the superior proposal, or they are required to consider the superior proposal by law.

1.8 Independent Expert's Report

Premium engaged Lonergan Edwards & Associates to provide an Independent Expert's Report assessing the merits of the Scheme for Premium Shareholders. The Independent Expert's Report is included in this Scheme Booklet as annexure A.

In the opinion of the Independent Expert, the Scheme is in the best interests of Premium Shareholders, in the absence of a superior proposal.

1.9 Ineligible Foreign Shareholders

Like other Premium Shareholders, Ineligible Foreign Shareholders can elect their form of Scheme Consideration using the Election Form.

However, Ineligible Foreign Shareholders who elect to receive Scrip Consideration will not receive the New WAM Shares and New WAM Options. Instead, those New WAM Shares and New WAM Options will be issued to the Nominee who will sell them on ASX. The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per New WAM Share and New WAM Option (after deduction of any applicable brokerage, stamp duty and other taxes or charges) sold in this way multiplied by the number of New WAM Shares and New WAM Options which would otherwise have been issued to that Ineligible Foreign Shareholder.

Ineligible Foreign Shareholders who elect to receive a combination of Cash Consideration and Scrip Consideration will have two payments made to them and at different times.

For further information on the treatment of Ineligible Foreign Shareholders, please refer to section 2.11.

1.10 Questions

If you have any questions or would like any further information about the Scheme, please call the Shareholder Information Line between 8.30am and 7.00pm Monday to Friday, Sydney time on:

1800 087 348 (within Australia)

+61 3 9415 4000 (outside Australia)

2 Scheme Meeting and making an Election

This section 2 provides you with information on the Scheme Meeting, how to vote at the Scheme Meeting, and how to elect your Scheme Consideration.

Additional information about voting by proxy is set out in the Proxy Form accompanying this Scheme Booklet.

Additional information about how to complete your Election Form is set out in the Election Form accompanying this Scheme Booklet.

2.1 Scheme Meeting

The Scheme Meeting is scheduled to be held at 10.30am on Monday 10 December 2012 at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000.

Your vote is important

In order for the Scheme to be implemented, the Scheme Resolution must be approved by Premium Shareholders at the Scheme Meeting. This means votes in favour of the Scheme must be received from:

- (a) a majority in number (more than 50%) of Premium Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, by corporate representative), unless the Court orders otherwise; and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or, by corporate representative).

The Independent Directors unanimously recommend that you vote in favour of the Scheme.

2.2 Who is entitled to vote

Each person that is registered on the Share Register as a Premium Shareholder at 7.00pm on Saturday 8 December 2012 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote your shares at the Scheme Meeting.

In the case of Premium Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held Premium Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

WAM, and any entity holding Premium Shares controlled by WAM, are excluded from voting at the Scheme Meeting.

2.3 Location and details of the Scheme Meeting

The notice convening the Scheme Meeting is set out in annexure E.

The details of the Scheme Meeting are as follows:

Location	The offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000
Date	Monday 10 December 2012
Time	10.30am

2.4 How to vote on the Scheme

You can vote:

- (a) **in person**, by attending the Scheme Meeting
- (b) **by mailing** the accompanying Proxy Form so that it is received before 10.30am on Saturday 8 December 2012 to:
Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne Victoria 3001
Australia
- (c) **by faxing** the accompanying Proxy Form so that it is received before 10.30am on Saturday 8 December 2012 to:
1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)

- (d) **online** by visiting www.investorvote.com.au and following the instructions in your Proxy Form to submit your voting intentions.

If you are an intermediary online subscriber (custodian), you can vote online at www.intermediaryonline.com.

2.5 Voting by Proxy

Using the Proxy Form, you can:

- (a) appoint a proxy and direct your proxy how to vote;
- (b) vote a portion of your holding; and
- (c) appoint up to two proxies to attend the meeting and vote on a poll.

A proxy does not need to be a Premium Shareholder.

2.6 Undirected proxies

The Chairman of the Scheme Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary of Premium or any Premium Director which do not contain a direction as to how to vote will be voted in support of the Scheme, in the absence of a superior proposal.

2.7 Voting by attorney

Premium Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Premium for notation, deliver to Premium the original instrument appointing the attorney by no later than 10.30am on Saturday 8 December 2012 (Sydney time) (or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a Premium Shareholder will, as between Premium and that Premium Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Premium Shareholder is lodged with Premium.

2.8 Voting by corporate representative

To vote by corporate representative at the Scheme Meeting, a corporate Premium Shareholder or proxy should obtain an appointment of corporate representative form from Premium and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the Scheme Meeting with the Registry or at the registration desk on the day of the Scheme Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

The Chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

2.9 How to elect your form of consideration

Premium Shareholders must use the Election Form to nominate the form of Scheme Consideration they wish to receive, if the Scheme is implemented.

If you do not make a valid form of Election, you will receive Scrip Consideration for 100% of your Premium Shares.

A. How do I complete the Election Form?

Your personalised Election Form accompanies this Scheme Booklet.

By using your Election Form, you can choose to receive either:

- (a) 100% Scrip Consideration;
- (b) 100% Cash Consideration; or
- (c) a combination of Cash Consideration and Scrip Consideration.

You can elect your form of Scheme Consideration by clearly marking the appropriate box next to your chosen combination of Scheme Consideration:

Scrip Consideration	Cash Consideration	
100%	0%	
80%	20%	
60%	40%	
40%	60%	
20%	80%	
0%	100%	

Importantly:

- (a) Elections must be made in accordance with the instructions in the Election Form and this Scheme Booklet;
- (b) you can only choose from the above combinations of Scrip Consideration and Cash Consideration;
- (c) you must only mark one of the above boxes and it must be clearly apparent from your mark which combination of Scheme Consideration is your Election;
- (d) if more than one validly completed Election Form is received, you will receive the combination of Scheme Consideration indicated in the last validly completed Election Form;
- (e) if we do not receive a valid Election Form from you, you will receive 100% Scrip Consideration; and
- (f) whether or not an Election Form has been validly completed is at the sole discretion of the Premium Directors.

B. Where do I send my Election Form?

The completed Election Form must be received by the Registry before 7.00pm on the Effective Date, which is currently anticipated to be Thursday 13 December 2012, either:

- (a) **by mailing** the Election Form to:
Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne Victoria 3001
Australia
- (b) **by faxing** the Election Form to:
1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Once made, a valid Election by a Scheme Participant may be varied by mail or fax so that notice of the variation is received before 7.00pm on the Effective Date.

C. Further information

For further information about how to make an Election or if you need to obtain another Election Form, please contact the Shareholder Information Line on weekdays between 8.30am and 7.00pm (Sydney time).

2.10 Election by trustees and nominees

If you hold one or more parcels of Premium Shares as trustee or nominee for a number of people, you can make separate Elections in relation to each of those parcels to reflect the instructions of the beneficial owners of the Premium Shares.

In order to make separate Elections, the trustee or nominee must:

- (a) establish distinct separate holdings in the Share Register (each with a separate holder identification number) before the Record Date; and
- (b) lodge a separate Election Form for each separate holding on the Share Register.

The Scheme Consideration distributable in respect of each separate holding will be calculated on the

total balance of the holding, not individual beneficial shareholder entitlements.

Trustees or nominees who wish to make separate Elections should contact the Shareholder Information Line for further information or to obtain additional copies of the Election Form.

2.11 Ineligible Foreign Shareholders

Premium Shareholders whose address on the Share Register as at the Record Date is in a jurisdiction other than Australia or its external territories or New Zealand are Ineligible Foreign Shareholders under the Scheme.

Ineligible Foreign Shareholders can elect to receive Cash Consideration, Scrip Consideration, or a combination of both.

Ineligible Foreign Shareholders that elect to receive Cash Consideration will do so on the same terms as other Premium Shareholders.

However, restrictions in certain jurisdictions make it impractical or unlawful for Ineligible Foreign Shareholders who elect to receive Scrip Consideration to receive New WAM Shares and New WAM Options.

Accordingly, Ineligible Foreign Shareholders that elect to receive Scrip Consideration will not receive the New WAM Shares and New WAM Options to which they would otherwise be entitled under the Scheme.

Instead, the New WAM Shares and New WAM Options that would be issued to Ineligible Foreign Shareholders under the Scheme will be allotted to the Nominee appointed by WAM. Ineligible Foreign Shareholders that elect to receive Scrip Consideration with respect to any of their Premium Shares must have the New WAM Shares and New WAM Options allotted in this way. There is no minimum or maximum participation by Ineligible Foreign Shareholders in the sale facility that will be operated by the Nominee.

The Nominee will sell the New WAM Shares and New WAM Options as soon as practicable and in any event not more than 20 Business Days after the Implementation Date. The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per share of the Nominee's sale, after the deduction of any applicable brokerage, and other taxes and charges, of all New WAM Shares and New WAM Options sold in this way multiplied by the number of New WAM Shares and New WAM Options which would otherwise have been issued to that Ineligible Foreign Shareholder. The amount paid to Ineligible Foreign Shareholders will be less than the actual price that is received by the Nominee upon sale of the New WAM Shares and New WAM Options.

The market price for WAM Shares and WAM Options is subject to change. Up to date information on the market price for WAM Shares and WAM Options is available from the ASX website www.asx.com.au.

Ineligible Foreign Shareholders who elect to receive a combination of Cash Consideration and Scrip Consideration will have two payments made to them and at different times.

2.12 Further information

If you have any questions in relation to the Scheme, you can call the Shareholder Information Line on weekdays between 8.30am and 7.00pm (Sydney time) on:

1800 087 348 (in Australia)

+61 3 9415 4000 (outside Australia)

If you have any questions regarding the number of Premium Shares you hold or how to vote, please contact the Registry on weekdays between 8.30am and 7.00pm (Sydney time) on:

1300 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

3 Advantages and disadvantages of the Scheme

This section 3 identifies the material advantages, disadvantages, and other relevant matters you should consider when deciding whether to vote in favour of the Scheme.

You should carefully consider the following advantages and disadvantages of the Scheme, as well as the other information contained in this Scheme Booklet including the risks in section 4, in deciding whether or not to vote in favour of the Scheme.

3.1 Independent Directors' recommendation

The Independent Directors unanimously believe that the advantages of the Scheme outweigh its disadvantages and risks. Each Independent Director recommends that Premium Shareholders vote in favour of the Scheme.

The Independent Directors intend to vote the Premium Shares they hold or control in favour of the Scheme, in the absence of a superior proposal.

Section 1.2 explains the reasons that the Independent Directors are making this recommendation.

3.2 Independent Expert's Report

The Independent Directors have commissioned an Independent Expert to prepare a report on the Scheme. That report concludes that, in the view of the Independent Expert, the Scheme is fair and reasonable and in the best interests of Premium Shareholders, in the absence of a superior proposal.

The report is contained in annexure A.

3.3 Advantages of the Scheme

A. The Independent Directors believe that the proposed Scheme is in the best interests of Premium Shareholders (other than WAM and its Related Bodies Corporate), in the absence of a superior proposal

In recommending the Scheme, the Independent Directors have reviewed the strategic options available to reduce the significant and widening discount between the price of Premium Shares and the net tangible asset backing per share. A range of options were considered including:

- maintaining the status-quo of Premium;
- significant capital return via an off-market, equal-access buy-back of Premium Shares;
- merging with another suitable listed investment company; and
- winding-up Premium.

After considering each of these options and financial and legal advice in relation to each of the options, the Independent Directors believe that the Scheme is in the best interests of Premium Shareholders (other than WAM and its Related Bodies Corporate), in the absence of a superior proposal.

This belief is supported by the Independent Expert, whose report is contained in annexure A.

B. Scheme Participants who elect to receive Cash Consideration can realise up to 100% of their investment in Premium as cash at a price close to pre-tax net tangible asset backing per share, which is likely to be a significant premium to Premium's historic share price

This 100% participation rate is materially greater than the level of participation offered under the buy-back proposal that was announced on 22 August 2012, which was to be capped at 75% of the total issued share capital of Premium.

If Premium Shareholders elect to receive Cash Consideration, they will receive an amount equal to the Premium pre-tax net tangible asset backing per share, less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme, for each Premium Share they hold. The implied Cash Consideration per share is expected to deliver a significant premium to Premium's historic share price which has consistently traded at a significant discount to the pre-tax net tangible asset backing per share.

C. Shareholders can choose from a selection of combinations of Cash Consideration and Scrip Consideration in order to best meet the needs of their individual circumstances

Premium Shareholders will be able to elect either:

- (a) to receive Cash Consideration for up to 100% of their Premium Shares;
- (b) to exchange up to 100% of their Premium Shares for New WAM Shares and New WAM

Options; or

- (c) a combination of the above.

Premium Shareholders other than Ineligible Foreign Shareholders have the choice to exit all or part of their investment in Premium without the need to pay brokerage and may choose the level of exposure to the Merged Entity that best suits their individual circumstances.

Both the value of the Cash Consideration and the Scrip Consideration are expected to deliver a significant premium to Premium's historic share price.

D. The value of the Scrip Consideration is expected to deliver a significant premium to Premium's historic share price

The number of New WAM Shares and New WAM Options to be issued to Premium Shareholders who elect to receive Scrip Consideration is based on the relative pre-tax net tangible asset backing per share of each company at the Calculation Date. The NTA Formula for calculating the number of New WAM Shares and New WAM Options is set out in section 1.6.

For illustrative purposes only, based on the relative Scheme NTA per share of each company as at 31 August 2012 adjusted for WAM's capital management initiatives, each Premium Shareholder that elects to receive Scrip Consideration would receive one New WAM Share and one New WAM Option for every 1.992 Premium Shares held.

Additionally, Premium Shareholders electing to receive Scrip Consideration may benefit from scrip for scrip roll-over relief, subject to their own individual circumstances.

A choice to obtain scrip for scrip roll-over relief allows the Premium Shareholder to disregard a capital gain made on the disposal of a Premium Share under the Scheme to the extent that the proceeds from the disposal of a Premium Share relate to the receipt of a WAM Share. Scrip for scrip roll-over relief is not available in relation to any capital gains arising from the receipt of the WAM Options or the Cash Consideration. Further information about taxation considerations is set out in section 9.

E. Access to the experience and performance of WAM's investment management team in the Merged Entity

Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) will have access to the experience of WAM's investment management team. WAM has a stable and clearly articulated investment strategy and since listing in August 1999, has achieved:

- (a) strong and consistent returns over time; and
(b) a consistent stream of fully franked dividends to shareholders.

WAM's share price currently trades at or near its pre-tax net tangible asset backing per share. Scheme Participants who elect to receive Scrip Consideration will obtain exposure to a fund that has generated a return of 17.7% per annum since inception. Further information about WAM is set out in section 6.

F. Participation in the benefits of the enhanced positioning of the Merged Entity for Scheme Participants who elect to receive Scrip Consideration

The Independent Directors believe that the shares of larger listed investment companies tend to trade at prices closer to pre-tax net tangible asset backing than the shares of smaller listed investment companies.

The Merged Entity will be significantly larger than each of Premium or WAM on a standalone basis. Based on the net tangible asset value of Premium and WAM as at 31 August 2012, assuming 100% of Scheme Participants elect to receive Scrip Consideration for 100% of their Premium Shares, and adjusting for WAM's holding in Premium, the Merged Entity will have a combined net tangible asset value of approximately \$300 million which would make it the tenth largest ASX listed investment company in terms of pre-tax net tangible asset value.

Using these assumptions, the Merged Entity will have more than 8,300 shareholders and the increased size is expected to provide shareholders with access to greater liquidity in the trading of their shares.

If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares, the Merged Entity is expected to have a combined net tangible asset value of approximately \$260 million which would make it the thirteenth largest ASX listed investment company in terms of pre-tax net tangible asset value.

Further information about the Merged Entity is set out in section 7.

G. The Merged Entity is likely to benefit from a lower management expense ratio (before performance fees and brokerage) than is currently the case for Premium Shareholders

Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) are likely to enjoy a lower management expense ratio through owning shares in the enlarged WAM than they currently do as Premium Shareholders as a result of:

- (a) WAM's current management expense ratio (before performance fees and brokerage) being lower than the ratio currently achieved by Premium;
- (b) potential cost savings resulting from the removal of duplicated functions upon the cessation of Premium operating as a separately listed entity; and
- (c) the increased asset base of the Merged Entity.

The extent to which these anticipated benefits can be realised by Premium Shareholders depends on the extent to which Premium Shareholders elect to take Scrip Consideration.

Further information about the potential cost savings is set out in section 7.

H. Potential preservation of tax losses for Scheme Participants who elect to receive Scrip Consideration

At 30 June 2012, Premium had an unrecognised deferred income tax asset of \$10.0m (2011: \$8.8m), comprising realised tax losses of \$8.7m (2011: \$9.2m) and unrealised tax gains of \$1.3m (2011: \$0.4m losses).

The deferred income tax asset recognised by Premium at the balance sheet date was \$5.5m (2011: \$5.5m) which is based on a view taken on the time frame for the generation of future taxable income to utilise these losses.

Both the recognised and unrecognised deferred tax assets may be preserved if the Scheme is implemented, although it will be diluted as a function to the proportion of Scheme Participants who elect to receive Scrip Consideration.

The amount of recognised deferred income tax assets will be determined by the application of the accounting standard AASB 112 "Income Taxes" and the ability of Premium or WAM to utilise these losses in a reasonable period.

Under a wind-up of Premium, as considered by the Independent Directors as part of the review of strategic alternatives, the value of these tax losses would have been lost.

I. Potential preservation of franking credits for Scheme Participants who elect to receive Scrip Consideration

As at 30 June 2012, Premium had a franking credit balance of \$5,968,055.

As Premium recorded a net loss after tax for the year ended 30 June 2012, the Premium Directors were advised that they could not declare a dividend for the 2011/12 financial year and be certain that franking credits could be attached.

If the Scheme is implemented, it is likely that the value of the franking credits will be preserved, although they will be diluted as a function to the proportion of Scheme Participants who elect to receive Scrip Consideration.

Under a wind-up of Premium as considered by the Independent Directors as part of the review of strategic alternatives, these franking credits would have been lost.

J. Lindsay Mann, the Premium Chairman, will join the board of the Merged Entity to ensure continuity for Premium Shareholders

If the Scheme is implemented the Chairman of Premium, Mr Lindsay Mann, will be invited to take a seat on the board of WAM, providing continuity of board oversight for Premium Shareholders who elect to receive Scrip Consideration.

K. Scheme Participants who elect to receive Scrip Consideration may be eligible for CGT rollover relief

A general outline of the potential Australian tax implications of the Scheme for Premium Shareholders is set out in section 9.

3.4 Disadvantages of the Scheme

A. Risks of the Scheme for Scheme Participants

There are a number of risks that may result from implementation of the Scheme. Further information about the risks is set out in section 4.

The Independent Directors strongly believe that the advantages of the Scheme outweigh the risks and disadvantages of the Scheme, and unanimously recommend all Premium Shareholders vote in favour

of the Scheme, in the absence of a superior proposal.

B. Scheme Participants who elect 100% Cash Consideration will be subject to the following potential disadvantages:

- (a) Scheme Participants who elect 100% Cash Consideration will not participate in any future potential capital growth and dividends from the Merged Entity without further investment and brokerage fees; and
- (b) future participation in the Merged Entity will require the purchase of shares which is likely to result in the incurrence of brokerage costs.

C. Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) will be subject to the following potential disadvantages:

- (a) Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) will hold a smaller share of a larger company

The Scheme, if implemented, will result in Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) having smaller voting interests in the Merged Entity than their current voting interests in Premium. As at 31 August 2012, Premium Shareholders (other than WAM) had a collective voting interest of 97.3% in Premium. If the Scheme is implemented, assuming 100% of Scheme Participants elect to receive Scrip Consideration for 100% of their Premium Shares, and adjusting for WAM's holding in Premium, Scheme Participants would have a collective voting interest of 26.3% in the Merged Entity (based on the respective Scheme NTA per share of each company as at 31 August 2012).

If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares, Scheme Participants would have a collective voting interest of 14.8% in the Merged Entity.

In addition, if the Scheme is implemented, it would result in Scheme Participants having a reduced exposure to Premium's investments and an increased exposure to WAM's investments. Further information about WAM is set out in section 6.

- (b) Relative growth prospects

Premium's investments on a stand-alone basis may achieve a higher rate of return than the investments of the Merged Entity over the short, medium or long term. Equally, they may achieve a lower rate of return.

The Independent Directors of Premium express no opinion as to the relative rates of return of either Premium's or WAM's investments.

- (c) Investment and capital/income return profile

The risk/return profile and income/capital profile of an investment in the Merged Entity going forward will be different to the current profile of an investment in Premium.

Specifically, WAM's investment philosophy is focused on small to medium cap Australian listed securities using a single investment manager. In contrast, Premium has historically taken a globally diversified approach with multiple managers in order to minimise the risk profile of the portfolio.

3.5 Other Relevant Considerations

A. No superior proposal has emerged

As at the date of this Scheme Booklet, no superior proposal has been received by Premium. The Independent Directors will keep you informed of any material developments between the date of this Scheme Booklet and the Scheme Meeting which may affect the Independent Directors' belief that the Scheme is in the best interests of Premium Shareholders (other than WAM and its Related Bodies Corporate). Any announcements will be made on the ASX company announcements platform.

B. Management of the Merged Entity

Treasury Group Investment Services has agreed with Premium to remain as investment manager of the assets of Premium for a transition period after implementation of the Scheme in accordance with the arrangements described in section 5.6A. Following this transition period the Merged Entity's investment decisions will be carried out by WAM's investment manager, Wilson Asset Management.

The term and fee structure under the WAM Management Agreement differs from the term and fee structure under Premium's Investment Management Agreement with Treasury Group Investment Services. Key points of difference include:

- (a) Base fee: Treasury Group Investment Services is entitled to 0.9% per annum of the value of the Premium portfolio under management, whereas Wilson Asset Management is entitled to 1% per annum of the average value of the WAM portfolio;
- (b) Performance fee: performance fees for the managers of Premium and WAM are calculated by reference to different benchmarks and at different rates to reflect the different investment focus employed by Treasury Group Investment Services and Wilson Asset Management. The performance fees payable to Wilson Asset Management are uncapped and are not subject to a high water mark in contrast to the performance fees payable by Premium to Treasury Group Investment Services which are capped and have a high water mark; and
- (c) Term: the Investment Management Agreement between Premium and Treasury Group Investment Services can be terminated by Premium Shareholders passing an ordinary resolution on and from November 2028 and paying a termination fee, whereas the WAM Management Agreement is a rolling agreement for five year periods, and Wilson Asset Management has the option to extend this term for an unlimited number of five year periods at its sole discretion.

WAM's current management expense ratio (before performance fees and brokerage) is lower than the ratio currently achieved by Premium.

Section 6 sets out further details on WAM's historic performance, investment focus, and the fee structure under the WAM Management Agreement.

C. Taxation

If the Scheme is implemented, it may result in taxation implications for Premium Shareholders. These implications will differ depending on the individual circumstances of each Premium Shareholder.

A general outline of the potential Australian tax implications of the Scheme for Premium Shareholders is set out in section 9.

D. No direct transaction costs for Scheme Participants

Scheme Participants other than Ineligible Foreign Shareholders⁶ will not be required to pay brokerage or stamp duty on the transfer of their Premium Shares to WAM, or on the issue of New WAM Shares and New WAM Options.

Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) can participate in the potential future growth of the Merged Entity without having to pay brokerage costs or stamp duty which might otherwise be payable if WAM Shares and WAM Options were bought on ASX.

⁶ Scrip Consideration issued to Ineligible Foreign Shareholders will be dealt with in accordance with the procedure set out in section 2.11.

4 Risk factors

This section 4 describes what the Independent Directors believe to be the principal risks associated with the Scheme. You should note that this section is not an exhaustive list of the risks associated with the Scheme and it should be considered in conjunction with other information disclosed in this Scheme Booklet.

You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding how to vote.

4.1 Risk factors faced by both Premium and WAM

A. General economic conditions

Material adverse changes in general economic conditions may have an adverse impact on the operations and performance of the Merged Entity.

The various general domestic and international economic factors that shareholders in Premium, WAM, and the Merged Entity are exposed to include, but are not limited to:

- economic growth;
- interest rates;
- inflation;
- currency exchange rates;
- employment levels;
- consumer and business sentiment; and
- financial market volatility.

B. Share price movements

An investment in the Merged Entity will be subject to fluctuations in share price which are normal for ASX listed entities. These fluctuations are due to a wide variety of factors, some of which the Merged Entity will seek to mitigate while others are outside the control of the Merged Entity.

C. Listed investment companies

A listed investment company's share price may trade at a premium or discount to net tangible asset backing per share.

The operations and financial performance of listed investment companies are driven by a number of factors, including, but not limited to:

- domestic and international economic growth;
- performance of domestic and international financial markets;
- domestic and international political events; and
- relevant regulation in Australia and overseas.

D. Litigation risk

Exposure to litigation brought by third parties such as investors, regulators, employees or business associates could negatively impact operations and financial performance through increased costs, payment of damages and damage to reputation. The Independent Directors are currently not aware of any impending litigation.

E. Business risk

The profitability and success of both Premium and WAM is highly dependent on the ability of their directors and investment managers to assess business risks and make appropriate investment decisions. No guarantee can be given in respect of the future earnings of Premium or WAM or the earnings and capital appreciation of their investments.

F. Investment risk

Premium and WAM may invest in entities with a limited trading history or small capital base. These investments may pose greater risk than investments in larger capitalised entities or entities in other market sectors. While the development of sound risk management procedures and sound due

diligence can minimise the risks of investment in such companies, the risks are material and significant.

4.2 Risk factors specific to the Scheme

A. Conditions not met

The Scheme is subject to a number of Scheme Conditions which are summarised in section 10.8 and set out in full in clause 3.1 of the Scheme Implementation Agreement. At the date of this Scheme Booklet, Premium is not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. However, there is a possibility that one or more of the Scheme Conditions will not be met or waived and the Scheme will not proceed as a result.

If the Scheme does not proceed, costs in connection with the Scheme of approximately \$590,000 will be borne by Premium.

B. Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Cash Consideration

For Scheme Participants who elect to receive Cash Consideration, the risks that directly relate to the implementation of the Scheme include that the Scheme NTA of Premium may fluctuate prior to implementation which may affect the value of the Cash Consideration:

- (a) a decrease in Premium's Scheme NTA per Premium Share will reduce the value of the Cash Consideration; and
- (b) an increase in Premium's Scheme NTA per Premium Share will increase the value of the Cash Consideration.

C. Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) include:

(a) Integration risks

If the Scheme is implemented, following a transition period, it is envisaged that Wilson Asset Management will provide the investment management services for the assets of the Merged Entity. It will also provide the various accounting, company secretarial and administrative functions required by the Merged Entity. Treasury Group Investment Services will be paid a total of \$200,000 by Wilson Asset Management over a period of three months post implementation as part of this transition period arrangement which is set out in further detail in section 5.6A.

It is possible that the integration of Premium and WAM will be more difficult or take more time than currently anticipated, and could delay the realisation of synergy benefits expected to result from the Scheme. The accounting, company secretarial and administrative costs are fixed, and are not expected to increase. It is therefore expected that the Merged Entity should, following transition, realise the benefits of scale.

(b) Realisation of synergies

The Scheme may deliver cost savings in operating synergies following its implementation. There is a risk that these synergies are not realised within the anticipated timeframe or at all or to their full extent.

Failure to achieve targeted synergies may have an adverse effect on the operations and financial performance and position of the Merged Entity and the value of WAM Shares.

Further information about the potential synergies is detailed in section 7.

(c) Fluctuation of value of Scrip Consideration

Subject to Premium Shareholders electing to receive Scrip Consideration, WAM is likely to issue a significant number of New WAM Shares and New WAM Options. The value of the Scheme Consideration therefore will be dependent on the market value of WAM Shares and WAM Options traded on ASX.

The market price of WAM Shares and WAM Options are subject to fluctuations due to a number of different factors, including but not limited to general economic conditions, movements in the value of underlying assets and the level of their dividends and yields, fluctuations in domestic and international financial markets, movements in domestic interest rates and market expectations. Any fluctuation in price will directly impact the value of the Scrip Consideration to which Scheme Participants will be entitled.

(d) Fluctuation of Scheme NTA affecting the Scrip Consideration

The Scheme NTA of Premium and WAM may fluctuate which may affect the number of New

WAM Shares and New WAM Options to which Scheme Participants will be entitled as Scrip Consideration.

- A decrease in Premium's Scheme NTA per Premium Share relative to that of WAM will result in Scheme Participants being entitled to a smaller number of New WAM Shares and New WAM Options as Scrip Consideration.
- An increase in Premium's Scheme NTA per Premium Share relative to that of WAM will result in Scheme Participants being entitled to a larger number of New WAM Shares and New WAM Options as Scrip Consideration.

The table in section 1.6C sets out, for illustrative purposes only, the number of New WAM Shares and New WAM Options to which each Scheme Participant will be entitled if the Scheme becomes Effective, based on a range of possible Scheme NTA values for each of Premium and WAM.

- (e) Market price of WAM Shares and WAM Options may fluctuate due to the issue of New WAM Shares and New WAM Options

Some Scheme Participants who receive New WAM Shares and New WAM Options may not wish to retain their shareholding and may sell their New WAM Shares and New WAM Options soon after receiving them. This may have an adverse impact on the market price of WAM Shares and WAM Options traded on ASX in the short term.

4.3 Risks specific to the Merged Entity

The risks that are set out in sections 4.1 and 4.2 will also be applicable to the Merged Entity. Risks specific to an investment in the Merged Entity include, but are not limited to:

- (a) The Merged Entity will have a different investment portfolio combination to Premium's current investment portfolio, which may result in a capital/income return risk profile that is different to Premium's current investment and capital/income return risk profile.
- (b) The profitability and success of the Merged Entity is dependent on the earnings and capital appreciation of its investments. No guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments.
- (c) No guarantee can be provided that the Merged Entity will be able to meet its investment objectives as this will depend on the extent to which capital gains are generated and income is derived from the underlying investments and the availability of franking credits.

5 Information on Premium

This section 5 provides information on Premium.

5.1 Background

Premium was incorporated in Victoria on 16 September 2003 and was admitted to the official list of ASX on 27 November 2003 as a listed investment company.

Treasury Group Investment Services is the manager of Premium's portfolio. It selects and monitors specialist boutique investment managers to achieve diversification across investment styles, countries and industries.

5.2 Investment objective and strategy

A. Investment objective

Premium aims to achieve a high, long-term real rate of return for investors, comprising both income and capital growth, while aiming to reduce the risk and quantum of capital loss over the short term.

B. Investment strategy

Premium's portfolio manager, Treasury Group Investment Services, invests in and supports the management of small to medium sized asset management companies. These asset management companies are niche investors with particular expertise in their respective markets. Treasury Group Investment Services appoints specialist managers from this group to invest on behalf of Premium.

Premium's investment approach is based on the risk reducing benefits of diversification. Diversification can provide greater protection against loss because the performance impact of a single investment is lower in a portfolio exposed to different investment manager styles, a cross section of investment markets, and a variety of different industries, than it is in a portfolio with a more narrow set of investments. Overall, diversification should result in the portfolio being less volatile than the broader share-market.

Premium seeks to diversify as follows:

- (a) **Country Diversification** – Premium's portfolio includes companies from across the globe, which broadens the portfolio's opportunities for income and growth.
- (b) **Industry diversification** – Premium's investment managers seek to invest in industries with quality earnings streams and strong prospects.
- (c) **Manager diversification** – Having multiple investment managers means a diverse range of investment styles.

As at the date of this Scheme Booklet, the current investment managers appointed by Treasury Group Investment Services on behalf of Premium are:

- (a) **Orion Asset Management** – Australian growth equity manager;
- (b) **IML Investors Mutual** – Australian value equity manager;
- (c) **Celeste Funds Management** – Australian small cap manager;
- (d) **Global Value Investors** – Global equity manager (income focus, managed by Aubrey Capital Management);
- (e) **TAAM Asia Pacific Investments** – Asian equity manager;
- (f) **Aubrey Capital Management** – Global growth equity manager; and
- (g) **RARE** – Global listed infrastructure manager.

C. Dividend policy

Premium seeks to pay out all investment earnings to Premium Shareholders as dividends over the extended market cycle and set the dividend at a level it believes to be sustainable, after making due allowance for likely future market corrections.

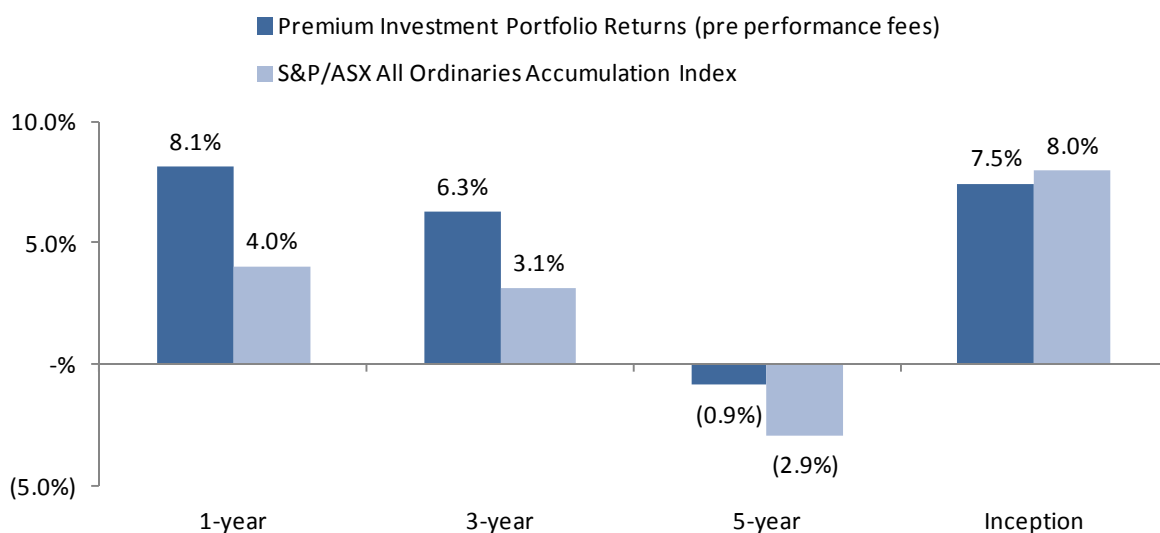
5.3 Premium's investment portfolio

Treasury Group Investment Services has allocated the portfolio across the following Australian unlisted unit trusts:

Australian Unlisted Unit Trusts	Market Value (\$)	Percentage (%)
Orion Australian Share Fund	11,837,404	14.3%
IML Australian Share Fund	21,397,490	25.9%
GVI Global Industrial Share Fund- Hedged	9,085,636	11.0%
GVI Global Industrial Share Fund - Unhedged	4,314,534	5.2%
TAAM New Asia Fund	9,985,155	12.1%
Aubrey Global Conviction Fund	2,057,088	2.5%
RARE Infrastructure Value Fund - Hedged	16,596,354	20.1%
Celeste Australian Small Companies Fund	2,443,724	3.0%
Cash and equivalents	5,035,702	6.1%
Investments held by Premium as at 31 August 2012	82,753,087	100.0%

The chart below summarises Premium's historical investment performance:

Premium annualised investment portfolio performance vs. ASX All Ordinaries Accumulation Index to 31 August 2012⁷



5.4 Directors

The Premium Directors as at the date of this Scheme Booklet are set out below:

Lindsay Mann

Chairman (appointed 5 July 2011)

Experience

Mr Lindsay Mann has 38 years' financial services experience including extensive experience in funds management and corporate governance related to funds.

Qualifications

His previous roles include:

- CEO (Singapore) and Regional Head Asia for First State Investments (the Asian business of Colonial First State Global Asset Management);
- CEO of AXA Investment Managers Hong Kong Limited with responsibility for the Asian region; and
- Managing Director of National Mutual Funds Management NZ.

Mr Lindsay Mann is a Fellow of the Institute of Actuaries of

⁷ Sourced from S&P Capital IQ

Australia and a Graduate Member of the Australian Institute of Company Directors and a member of the Hong Kong Securities Institute.

Other directorships

Current directorships include BRIM Asian Credit Fund (Cayman Islands domiciled hedge fund managed by Singapore based Blue Rice Investment Management) and independent member of the Compliance Committee of Antares Capital Partners Limited, formerly Aviva Investors Australia Limited.

Tom Collins

Director (independent) (appointed 26 Oct 2005)

Experience

Mr Tom Collins has 41 years' experience in the financial services sector, specialising in the financial planning industry. He is currently a Principal at The Tom Collins Consultancy.

Qualifications

His qualifications include being a Fellow of AICD, a Diploma of Financial Planning and Diploma of Business (real estate management).

Other directorships

Mr Tom Collins is currently the Chairman of Selectus Pty Ltd and its subsidiaries (a salary packaging company).

Reubert Hayes

Director (appointed 18 Feb 2009)

Experience

Mr Reubert Hayes has over 44 years in investment management and stockbroking research. He was a founder and CEO of Ausbil Dexia Limited (a specialist wholesale boutique asset management operation) and joint founder and CEO of Barclays Investment Management (Barclays Bank investment operations in Australia).

Qualifications

Mr Reubert Hayes was previously a Member of the ASX and a Research Partner of an institutional specialist stockbroking house for six years. Prior to this he held senior investment roles with AMP and Westpac. He is a Senior Fellow of the Financial Services Institute of Australia and Finance, and a Fellow of the Australian Institute of Company Directors.

Other directorships

His current directorships include Treasury Group, and previous directorships include Emerging Leaders Investment Ltd.

5.5 Manager

Treasury Group Investment Services has been the investment manager for Premium since 2003. It provides Premium with day-to-day management services and investment management services in relation to the funds invested.

Treasury Group Investment Services is a wholly owned subsidiary of Treasury Group.

5.6 Management Agreements

There are two Management Agreements with Treasury Group Investment Services.

A. Investment Management Agreement

Under the Investment Management Agreement, Premium has appointed Treasury Group Investment Services as its agent to invest and manage Premium's portfolio of investments.

If the Scheme is implemented, it is contemplated that services under the Investment Management Agreement may no longer be required by Premium, subject to the provision of transition services for a period after implementation.

The Investment Management Agreement provides that the term of the Investment Management Agreement continues from the date of the agreement (1 July 2009) until it is terminated in accordance with certain defined events. If Premium terminates the Investment Management Agreement other than in accordance with these limited termination events (which do not apply in the current circumstances),

an early termination fee is payable to Treasury Group Investment Services.

Premium is not aware of any circumstances which would entitle it to terminate the Investment Management Agreement either now or in the future.

As Premium did not have any right to terminate the Investment Management Agreement, it was necessary for the Independent Directors to negotiate with Treasury Group Investment Services a right to terminate the Agreement should the Scheme be implemented.

In conducting these negotiations, the Independent Directors had regard to:

- (i) the outstanding term of the Investment Management Agreement referred to above;
- (ii) the termination provisions of the Investment Management Agreement, and in particular, the early termination fee payable to Treasury Group Investment Services⁸
- (iii) the quantum of the management fees which Treasury Group Investment Services is entitled to receive on an annual basis pursuant to the Investment Management Agreement⁹; and
- (iv) the fact that Premium had no immediate right to terminate the Investment Management Agreement.

The Independent Directors of Premium negotiated a fee of \$700,000 with Treasury Group Investment Services, payable if the Scheme is implemented, that not only covered the right for Premium to terminate the Investment Management Agreement, but also to ensure that Treasury Group Investment Services agree to continue to manage the Premium portfolio through an orderly transition period following implementation.

If the Scheme is implemented and in consideration of Premium agreeing to pay the Treasury Group Fee, Treasury Group Investment Services has agreed, among other things, to:

- (a) grant Premium a right to terminate the Investment Management Agreement after the Effective Date on 30 days notice;¹⁰
- (b) fix the total fees payable by Premium to Treasury Group Investment Services under the Investment Management Agreement for the first 3 months after the Effective Date at \$66,667 per month or \$200,000 in aggregate. The Independent Directors of Premium negotiated with WAM's investment manager an agreement that Wilson Asset Management will pay these management fees during the 3 month transition period, making the net cost of the total Treasury Group Fee to Premium \$500,000; and
- (c) if the Investment Management Agreement continues beyond the 3 month transition period, negotiate with Premium a mutually agreeable management fee to apply thereafter.

Wilson Asset Management has also agreed to pay any additional fees that may be payable to Treasury Group Investment Services whilst they continue to provide services to the Merged Entity. This will ensure that shareholders in the Merged Entity do not incur additional costs as a result of the overlap in managers.

The Treasury Group Fee was negotiated on a commercial arms length basis and the Independent Directors of Premium consider it to be fair and reasonable to Premium shareholders having regard to the following:

⁸ The termination fee payable for early termination is twelve times the base fee payable to Treasury Group Investment Services in the second last month of the Investment Management Agreement. The base fee under the Investment Management Agreement is calculated as 0.9% per annum of the value of the Premium portfolio under management and hence the termination fee that would have been payable, based on the portfolio value prior to entry into the Scheme Implementation Agreement, would have been approximately \$743,000.

⁹ Using the same Premium portfolio value used to calculate the termination fee in note 1 above (and assuming this value remained constant for a 12 month period), the notional annual base fee to which Treasury Group Investment Services would have been entitled was approximately \$729,642 (\$60,803 per month).

¹⁰ If Premium terminates the Investment Management Agreement before the end of the 3 month transition period referred to in paragraph 5.6A(a), Premium must pay Treasury Group Investment Services the balance of any management fees that would have been payable to Treasury Group Investment Services under the revised fee structure referred to in paragraph 5.6A(a) above during that 3 month transition period if the Investment Management Agreement had not been terminated. If Premium terminates the Investment Management Agreement after the end of the 3 month transition period, no termination fee is payable to Treasury Group Investment Services.

- (a) the matters referred to in paragraphs (i) to (iv) above;
- (b) the Treasury Group Fee represents a discount to the notional termination fee that would have been payable under the Investment Management Agreement if there had been an early termination of the Investment Management Agreement by Premium;
- (c) the Treasury Group Fee secures services of significant value to Premium to ensure a smooth transition post Scheme Implementation; and
- (d) the Independent Directors were able to negotiate with WAM and Wilson Asset Management to reduce the net amount of the Treasury Group Fee payable by Premium to \$500,000.

B. Management Services Agreement

Under the Management Services Agreement, Treasury Group Investment Services provides accounting, company secretarial, compliance, risk management and marketing co-ordination services. The Premium Directors are responsible for monitoring the performance of Treasury Group Investment Services.

The Management Services Agreement has no specified term and may be terminated by either party at short notice. As set out in the Premium income statement for the year ended 30 June 2012, Premium paid \$204,242 in relation to services provided under the Management Services Agreement.

Treasury Group Investment Services will continue to provide management services to Premium under the Management Services Agreement. After implementation of the Scheme, WAM will review the Management Services Agreement and consider its options. WAM will only be able to make a definitive decision in relation to the Management Services Agreement once it has all the necessary information available to it.

5.7 Premium capital structure and ownership

As at 29 October 2012, there were a total of 101,212,781 ordinary Premium Shares on issue held by 3,264 Premium Shareholders.

The top 20 of these Premium Shareholders in the Share Register held approximately 28.0% of all issued Premium Shares.

Premium does not have any other type of securities on issue.

A. Substantial holder

As at the date immediately before the date of this Scheme Booklet, Premium's sole substantial holder is:

Name	Number of shares held	%
Weiss Asset Management LP	13,490,132	13.3%

B. Top 20 Shareholders of Premium as at 29 October 2012

	Holder of security	Number of shares held	%
1	National Nominees Ltd	10,004,905	9.89%
2	Treasury Group Ltd	4,969,793	4.91%
3	HSBC Custody Nominees (Australia) - A/C 3	3,636,296	3.59%
4	RBC Investor Services Australia Nominees Pty Limited (BKCUST)	3,470,866	3.43%
5	HSBC Custody Nominees (Australia) Limited GSCO ECA	1,130,531	1.12%
6	Sarovian Pty Ltd	1,000,000	0.99%
7	UBS Wealth management Australia Nominees Pty Ltd	407,780	0.40%
8	Mr Douglas Thomas Newham	355,611	0.35%
9	Mylin Investments Pty Limited	350,000	0.35%
10	RBC Investor Services Australia Nominees Pty Limited (NMSMT)	336,968	0.33%
11	Wood Family Foundation Pty Ltd	318,283	0.31%

12	ARIS Nominees Pty Ltd < shreeve super a/c >	300,000	0.30%
13	Trophy Components Pty Ltd	300,000	0.30%
14	HSBC Custody Nominees (Australia) Limited	296,557	0.29%
15	Clayton Church Homes Inc	270,000	0.27%
16	ABN Amro Clearing Sydney Nominees Pty Ltd	248,123	0.25%
17	Mr Ian Kidd Smith + Ms Marie Edwina Smith	243,488	0.24%
18	Mr Jeffrey John Oliver + Mrs Valarie Joy Oliver	234,990	0.23%
19	Lumime Pty Ltd	234,000	0.23%
20	Dr Barry Richardson Figtree	231,812	0.23%
Total Top 20 Premium Shareholders		28,340,003	28.00%

5.8 Premium Directors' intentions

If the Scheme becomes effective, Premium will become a wholly-owned subsidiary of WAM and WAM will appoint its nominees as directors of Premium. WAM will then determine the future direction for Premium.

If the Scheme becomes effective, the Premium Directors intend to resign as directors of Premium on or before the Implementation Date. WAM would then appoint its nominees to the board of Premium. Mr Lindsay Mann will be invited to take a seat on the board of WAM which he intends to take up.

If the Scheme is not implemented, costs in connection with the Scheme of approximately \$590,000 of the total estimated transaction costs of \$1,729,000 will be borne by Premium. The Independent Directors would then consider alternatives, including a significant share buy back, continuing Premium in its current form paying fully franked dividends when possible, and a voluntary winding up of Premium.

A voluntary winding up of Premium would require the approval of Premium Shareholders before it could proceed and would be expected to take a further three months and may incur additional costs of approximately \$1,960,000.

A net profit after tax of at least \$13,925,462 would be required to declare a fully franked dividend that utilised the total current balance of franking credits.

Treasury Group Investment Services would continue to manage the Premium portfolio in the interim period.

5.9 Financial overview of Premium

This section 5.9 sets out summary historical financial information in relation to Premium. This information has been extracted from Premium's audited financial statements for the relevant financial years and does not take into account the effects of the Scheme.

You can get a copy of the complete audited financial information in Premium's annual reports from Premium's website at www.premiuminvestors.com.au. Shareholders without internet access can obtain copies of these reports by contacting Premium.

All amounts disclosed are presented in Australian dollars and rounded to the nearest thousand dollars, except earnings per share which are disclosed in cents.

A. Premium's income statements

Financial Period / Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Revenue	4,961	4,717	5,112
Realised gains/(losses) on financial assets at fair value through profit and loss	(209)	264	18,953
Unrealised gains/(losses) on financial assets at fair value through profit and loss	(6,358)	4,405	(2,995)
Expenses	(1,507)	(1,375)	(2,987)
Profit before income tax expense	(3,113)	8,011	18,083

Income tax benefit	-	25	57
Profit after tax expense	(3,113)	8,036	18,140
Other comprehensive income	-	-	-
Total comprehensive income for the year	(3,113)	8,036	18,140
Basic EPS (cents per share)	(3.08)	8.57	14.37
Diluted EPS (cents per share)	(3.08)	8.57	14.37

B. Premium's balance sheets

Financial Period / Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Cash and equivalents	5,275	152	129
Trade and other receivables	2,940	3,125	1,497
Financial assets	71,389	79,430	75,373
Other current assets	24	70	81
Deferred tax assets	5,508	5,508	5,508
Total assets	85,136	88,285	82,588
Trade and other payables	230	226	581
Total liabilities	230	226	581
Net assets	84,906	88,059	82,007
Contributed equity	111,572	108,249	103,771
Retained earnings	(26,666)	(20,190)	(21,764)
Total equity	84,906	88,059	82,007

C. Premium's statement of cash flows

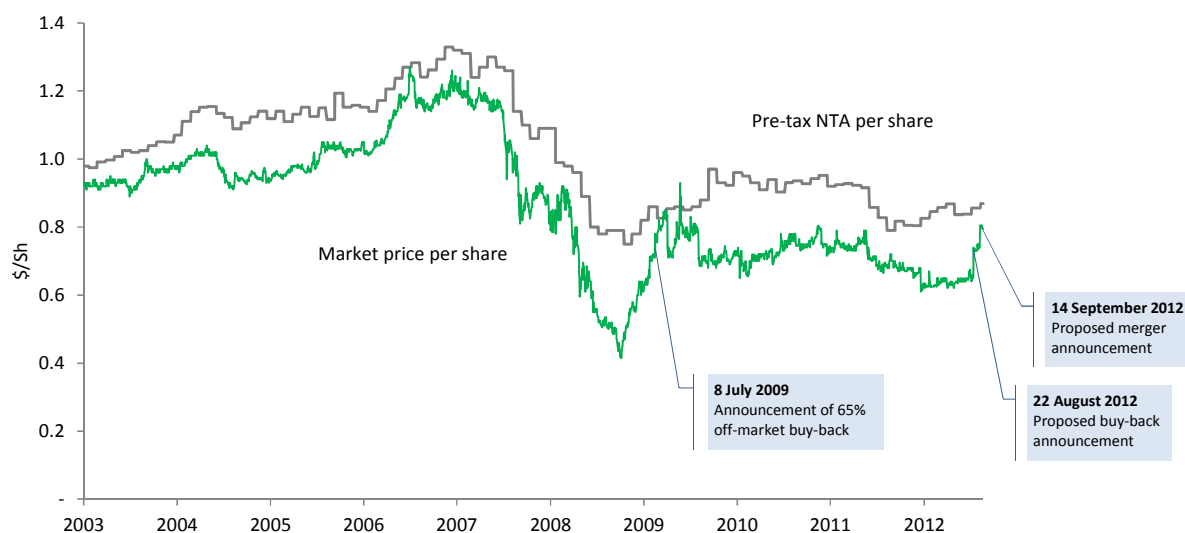
Financial Period / Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Payments to suppliers	(1,457)	(1,756)	(2,729)
Dividends and distributions received	4,440	2,660	3,804
Interest received	377	47	602
Other income received	339	410	24
Income tax paid	-	25	57
Net cash (outflow)/inflow from operating activities	3,699	1,386	1,758
Cash flows from investing activities			
Proceeds from sale of financial assets	19,301	9,559	250,149
Purchase of financial assets	(17,827)	(8,938)	(163,178)
Net cash (outflow)/inflow from investing activities	1,474	621	86,971
Cash flows from financing activities			
Payments for shares bought back	(708)	-	(118,061)
Proceeds from issue of ordinary shares	3,206	2,797	-
Dividend paid	(2,538)	(4,781)	(3,441)
Net cash (outflow)/inflow from financing activities	(40)	(1,984)	(121,502)

Net increase/(decrease) in cash and cash equivalents	5,133	23	(32,773)
Cash and cash equivalents at the beginning of the financial year	152	129	32,902
Effect of exchange rate changes on cash and cash equivalents	(10)	-	-
Cash and cash equivalents at the end of the financial year	5,275	152	129
Non-cash financing activities	825	1,681	1,004

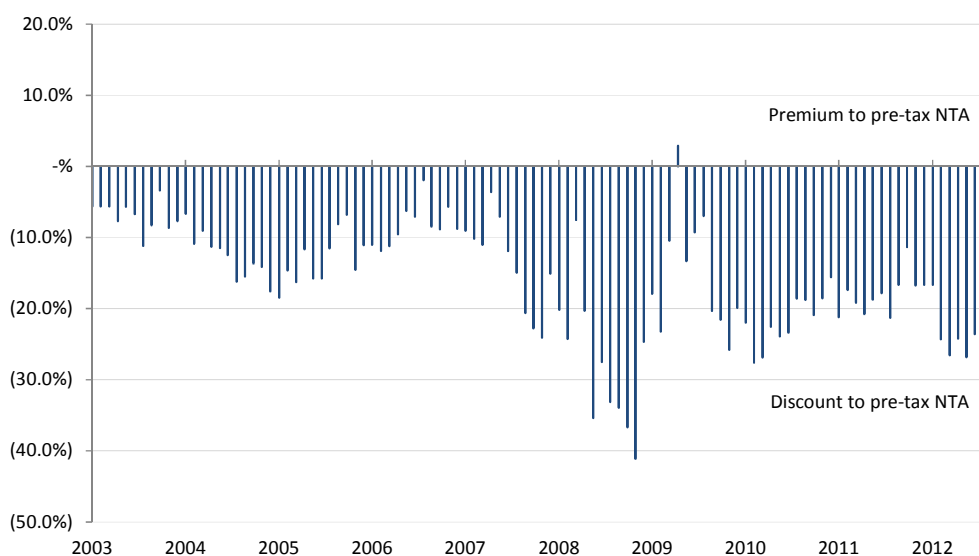
5.10 Premium's recent share price performance¹¹

Premium's share price has continued to trade at a persistent discount to underlying pre-tax net tangible asset backing per share despite extensive capital management initiatives undertaken in 2009 including a 65% off-market buy-back. The discount continued to widen through 2012 prompting the Independent Directors to review the strategic alternatives available to Premium.

Premium Share price performance vs. pre-tax net tangible asset backing per share



Premium Share price premium/(discount) to pre-tax net tangible asset backing per share



¹¹ Share price data sourced from S&P Capital IQ, net tangible assets data sourced from company announcements

In recent weeks, Premium's share price has increased considerably following the announcement of the proposed 75% buy-back (22 August 2012) and the signing of the Scheme Implementation Agreement (14 September 2012).

If the Scheme does not proceed, the Independent Directors believe it is likely that the discount of Premium's share price to pre-tax net tangible asset backing per share may increase to a level similar to where it was before the proposed buy-back and Scheme were announced.

5.11 Franking credits

As at 30 June 2012, Premium had a franking credit balance of \$5,968,055.

As Premium recorded a net loss after tax for the year ended 30 June 2012, the Premium Directors were advised that they could not declare a dividend for the financial year and be certain that franking credits could be attached.

If the Scheme is not implemented, and Premium achieve a net profit after tax for the 6 month period to 31 December 2012, the Premium Directors would look to declare a fully franked dividend in line with the current dividend policy ahead of considering alternative action that may be taken to address the persistent and widening discount of Premium's share price to Premium's net tangible asset backing per share including a significant buy back, and a voluntary winding up of Premium.

A net profit after tax of at least \$13,925,462 would be required to declare a fully franked dividend that utilised the total current balance of franking credits.

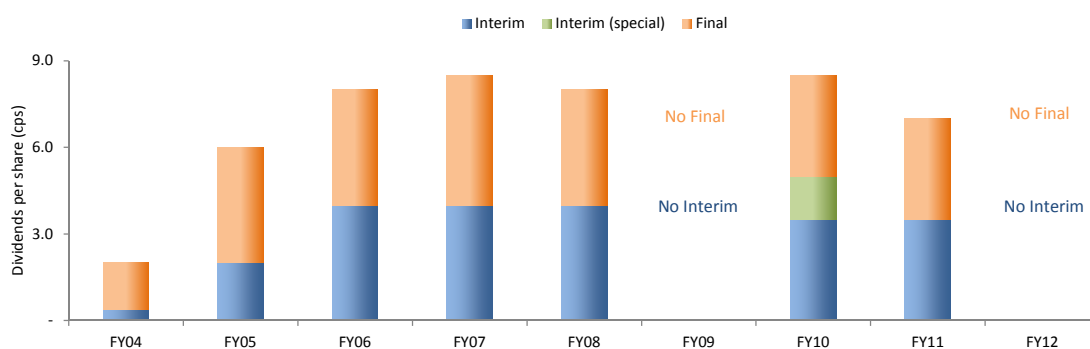
5.12 Premium's dividend history

The Premium Directors have consistently delivered a high dividend yield of fully franked dividends since the inception of Premium, with two notable exceptions:

- (a) The company went through a turbulent period in FY09 which culminated in a 65% equal access buy-back. No dividend was declared for this period.
- (b) The performance of the underlying portfolio in FY12 reflected a period of continued market volatility and Premium recorded a net loss after tax for the year ended 30 June 2012 of \$3.11m. The Premium Directors were advised that it was not possible to declare a dividend for the year and be certain that franking credits could be attached. The Premium Directors therefore decided to not declare a final dividend.

The table below sets out Premium's dividend history over the last five years:

Type	Dividend per Premium Share	Record Date	Payment Date	Franking %
Final	3.5 cents	12-Aug-11	09-Sep-11	100%
Interim	3.5 cents	02-Mar-11	30-Mar-11	100%
Final	3.5 cents	03-Sep-10	22-Sep-10	100%
Interim	1.5 cents	24-Mar-10	15-Apr-10	100%
Interim	3.5 cents	16-Dec-09	28-Jan-10	100%
Final	4.0 cents	10-Sep-08	26-Sep-08	100%
Interim	4.0 cents	06-Mar-08	27-Mar-08	100%
Final	4.5 cents	13-Sep-07	28-Sep-07	100%
Interim	4.0 cents	05-Mar-07	05-Apr-07	100%



5.13 Premium's tax losses

At 30 June 2012 Premium had an unrecognised deferred income tax asset of \$10.0m (2011: \$8.8m), comprising realised tax losses of \$8.7m (2011: \$9.2m) and unrealised tax gains of \$1.3m (2011: \$0.4m losses).

The deferred income tax asset recognised by Premium at balance sheet date was \$5.5m (2011: \$5.5m) which is based on a view taken on the time frame for the generation of future taxable income to utilise these losses.

The amount of recognised deferred income tax assets was determined by the application of accounting standard AASB 112 "Income Taxes" and the ability of Premium to be able to utilise these losses in a reasonable period.

5.14 Further information

Premium is subject to regular reporting and disclosure obligations under the ASX Listing Rules and as a "disclosing entity" under the Corporations Act. These require Premium to announce information that would have a material effect on the price of Premium Shares as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Premium's recent announcements are available from its website at www.premiuminvestors.com.au or from the ASX website www.asx.com.au. Premium will continue to make public announcements as required on these websites after the date of this Scheme Booklet.

Premium is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from Premium's Directors and an audit or review report. Premium also lodges quarterly activity reports with ASX.

Copies of these and other documents lodged with ASIC and ASX may be obtained from or inspected at an ASIC office and are accessible from ASX's website at www.asx.com.au. Copies of these documents will also be made available free of charge on request at any time before the Scheme Meeting to the Registry.

6 Information on WAM

This section 6 provides information on WAM. If the Scheme is implemented, WAM will operate the Premium business and be responsible for Premium's portfolios.

6.1 Background

WAM is a listed investment company admitted to the official list of ASX on 12 August 1999.

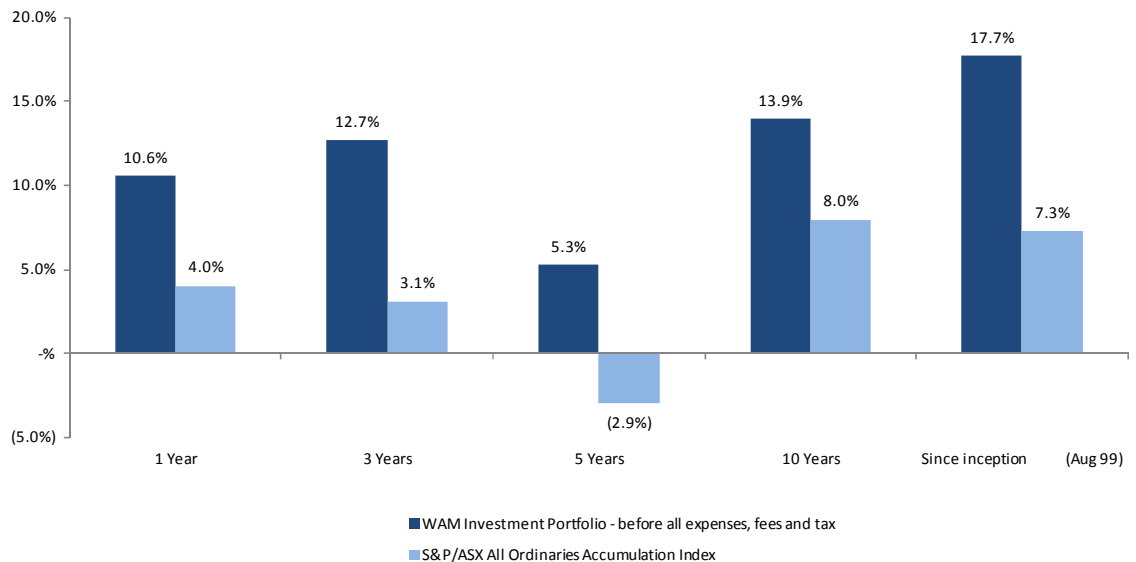
WAM provides investors exposure to a listed investment company with an actively managed diversified portfolio of undervalued growth companies. These are primarily found in the small to mid cap industrial sector. WAM also provides exposure to relative value arbitrage and market mispricing opportunities.

WAM has a stable and clearly articulated investment strategy and since listing in August 1999, has achieved:

- (a) strong and consistent returns over time; and
- (b) a consistent stream of fully franked dividends to shareholders.

The chart below summarises WAM's historical investment performance:

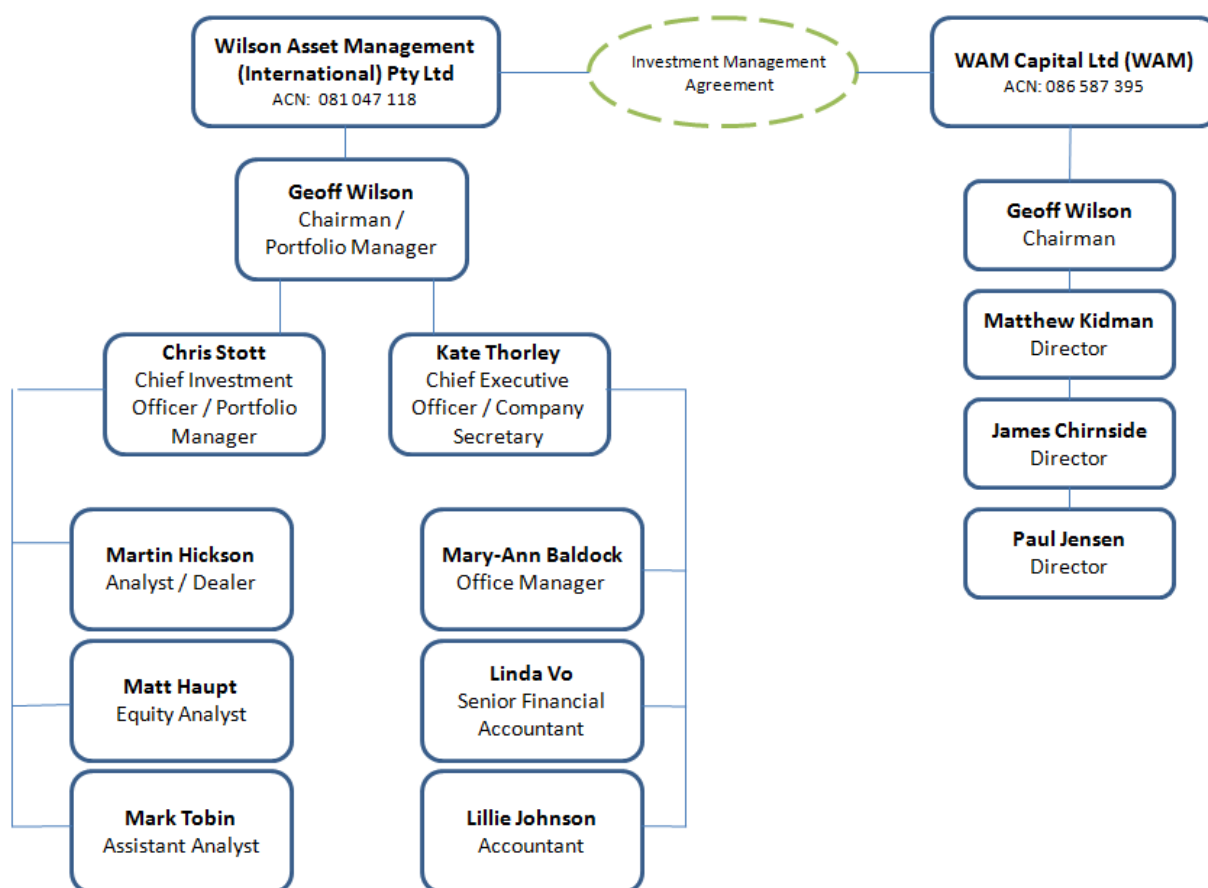
WAM annualised investment portfolio performance vs. ASX All Ordinaries Accumulation Index to 31 August 2012¹²



6.2 Group structure

The group structure for WAM and Wilson Asset Management is illustrated below:

¹² Index data sourced from S&P Capital IQ



6.3 Investment objectives

WAM's investment objectives are to:

- (a) deliver an increasing stream of fully franked dividends;
- (b) provide capital growth; and
- (c) preserve the capital of WAM.

6.4 Investment Strategy

Wilson Asset Management's focus is to invest in growth companies with an emphasis on identifying stocks that are under-researched and undervalued to maximise return, while minimising risk. These companies typically have strong earnings growth, trade on low price to earnings multiples, have an experienced management team, are well positioned in their industry and tend to be small to medium sized industrial companies listed on the ASX.

Wilson Asset Management believes small and medium sized companies outperform their larger peers for a number of reasons:

- small companies tend to grow at a faster rate than their larger peers;
- small companies are more likely to be subject to corporate activity;
- the efficient market hypothesis is not relevant in the smaller companies sector; and
- there is an asymmetry of information between larger companies and small and medium size companies which can provide investment opportunities.

Wilson Asset Management applies its investment strategy through two investment approaches:

- Research driven investing
- Market driven investing

A. Research driven investing

Wilson Asset Management's research driven investing involves extensive research focusing on free cash flow, return on equity and the quality of the business. Each company is then rated with respect to

management, earnings growth potential, valuation and industry position. WAM will invest in a company once it can identify a catalyst or an event that will change the market's valuation of that company. It will then sell once the company reaches Wilson Asset Management's valuation. This process involves over 1,000 company meetings each year.

Investments in mining companies are not favoured in the research driven part of the portfolio due to the volatility of revenue and, in the view of Wilson Asset Management, the unfavourable risk reward equation. This is not the case for the market driven part of the portfolio described below.

B. Market driven investing

Wilson Asset Management's market driven investing takes advantage of short-term relative arbitrages and mis-pricings in the Australian equities market. This part of the portfolio is traded actively. Opportunities are derived from:

- initial public offerings;
- capital raisings;
- block trades;
- oversold positions;
- takeovers;
- shares trading at a discount to their net tangible asset backing per share (including other Listed Investment Companies);
- earnings momentum / surprises;
- short selling; and
- market themes and trends.

C. Portfolio Management

The number of investments in WAM's portfolio and the level of cash holdings vary as new opportunities are identified and then sold when the investment's value has been recognised by the market. If the manager cannot identify acceptable risk/return prospects using its investment processes, it will hold cash until the right opportunities are identified.

The average net cash position held since inception in 1999 has been 33.6%. WAM also has the ability to short sell securities. At any time exposure to these securities and borrowings must not exceed 50% of WAM's net asset value.

D. Permitted Investments

Wilson Asset Management is permitted to undertake investments on behalf of WAM in accordance with the WAM Management Agreement. If proposed investments are not in accordance with the WAM Management Agreement, WAM Board approval is required.

WAM may invest in the following:

- (a) listed securities, being any security quoted on ASX including, without limitation, shares, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security whether listed on ASX or not), and any security of whatsoever nature which Wilson Asset Management expects will be quoted on ASX within a three month period from the date of investment, and any security that has been listed on ASX and subsequently becomes delisted;
- (b) listed securities for the purpose of short selling. At any time the exposure to these securities, the securities referred to in paragraph (c) and WAM's borrowings must not exceed 50% of the net asset value of WAM;
- (c) warrants and options to purchase any investment and warrants and options to sell any investment which is a permitted investment. At any time the exposure to these securities, the securities referred to in paragraph (b) and WAM's borrowings must not exceed 50% of the net asset value of WAM;
- (d) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;

- (e) deposits with any bank or corporation declared to be an authorised dealer in the short-term money market;
- (f) debentures, unsecured notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness and any other evidence of indebtedness issued by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or any governmental organisation, body or instrumentality of Australia, or, if authorised by the WAM Board, a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia; and
- (g) units or other interests in cash management trusts.

6.5 Directors

The WAM Board, as at the date of this Scheme Booklet is set out below.

Geoffrey Wilson	<i>Chairman</i> (since March 1999)
<i>Experience</i>	Geoff has 32 years' experience in the Australian and international securities industry.
<i>Qualifications</i>	He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia.
<i>Other directorships</i>	Geoff is currently Chairman of WAM Research Limited, WAM Active Limited and Australian Stockbrokers Foundation. He is a director of Australian Leaders Fund Limited, Clime Capital Limited, Cadence Capital Limited, Incubator Capital Limited, the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Odyssey House McGrath Foundation and the Australian Children's Music Foundation. He is also a director of investment management companies Wilson Asset Management, MAM Pty Limited, Boutique Asset Management Pty Limited and Boutique Investment Management Pty Limited.
Matthew Kidman	<i>Non-executive director</i> (since March 1999)
<i>Experience</i>	Matthew was a portfolio manager at Wilson Asset Management for 13 years between 1998 and 2011. Prior to that, he was the Business Editor of Sydney Morning Herald with responsibility for company coverage.
<i>Qualifications</i>	He holds degrees in Law and Economics and a Graduate Diploma in Applied Finance.
<i>Other directorships</i>	His current directorships include WAM Research Limited, WAM Active Limited and financial planning group, Centrepoint Alliance Limited.
James Chirnside	<i>Non-executive director (independent)</i> (since February 2003)
<i>Experience</i>	James has 23 years' experience in Australian and emerging markets investment management in Melbourne, London, Hong Kong, and Sydney.
<i>Qualifications</i>	He is currently the Managing Director of Asia Pacific Asset Management, a specialist emerging market investment firm in Sydney. He continues to provide investment advice to a number of Australian domestic investment groups, specifically in Asian equities, resources and healthcare sectors. Prior to this, roles included Fund Manager at Challenger Financial Group (Sydney), Senior Fund Manager for Asia Equity specialist Regent Fund Management (Hong Kong), and Head of Proprietary trading for Asia at County NatWest (London).

Other directorships His current directorships include Cadence Capital Limited, Mercantile Investments Company Limited and Dolomatrix Limited.

Paul Jensen *Non-executive director* (since June 2004)

Experience Paul Jensen has over 25 years of international experience in the funds management and institutional banking sectors.

Qualifications He holds a Bachelor of Commerce and Administration in accounting and commercial law from Victoria University, Wellington, NZ and is a Fellow of the Australian Institute of Company Directors.

Other directorships His current directorships include RHG Limited.

Kate Thorley *Company Secretary*

Experience Kate is CEO of Wilson Asset Management. She has worked in the funds management industry the past 7 years with the Wilson Asset Management Group initially as Financial Accountant and CFO. Prior to this she worked in London and Dublin for over 6 years in the financial services industry.

Qualifications She is a fully qualified CPA and holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment and Graduate Diploma of Applied Corporate Governance with CSA.

Other roles as company secretary Kate is also the Company Secretary of WAM, WAM Active and WAM Research.

6.6 Manager

WAM has appointed Wilson Asset Management to manage its portfolio of investments. Wilson Asset Management is an independently owned boutique investment manager established in 1997 by Geoff Wilson.

Wilson Asset Management operates a funds management business which employs a number of portfolio managers, research analysts, accountants and other administrative staff. The duties that the manager performs in addition to managing the investment portfolio include the provision of financial and administrative support to ensure the maintenance of the corporate and statutory records of WAM, liaison with the ASX with respect to compliance with the ASX Listing Rules, liaison with ASIC with respect to compliance with the Corporations Act, liaison with the share registrar of WAM, investor relations and the provision of information necessary for the maintenance of financial accounts of WAM to be completed.

The members of Wilson Asset Management's investment team are set out below.

Geoff Wilson

Geoff is the Chairman of WAM and a Portfolio Manager. His profile is set out in section 6.5.

Chris Stott

Chris joined Wilson Asset Management in 2006 and has over 10 years' experience in the funds management industry. Chris is employed as the Chief Investment Officer/Portfolio Manager and is responsible for the research and management of the company's portfolios. Previously, Chris was employed at Challenger Financial Services Group for four years in various research and administrative roles specialising in Australian equities. He holds a Bachelor of Business from the University of Technology, Sydney and a Graduate Diploma in Applied Finance and Investment.

Matthew Haupt

Matthew joined Wilson Asset Management in January 2011 as an Equity Analyst focused on the research driven portion of the portfolio. Matthew has over 7 years' experience in the investment industry working both as a Portfolio Manager and Analyst for Australian Executor Trustees (now part of IOOF). Matthew holds a Bachelor of Commerce from the University of Adelaide, a Graduate Diploma in Applied Finance and Investment, and has been awarded his CFA (Chartered Financial Analyst)

designation and is a member of CFA.

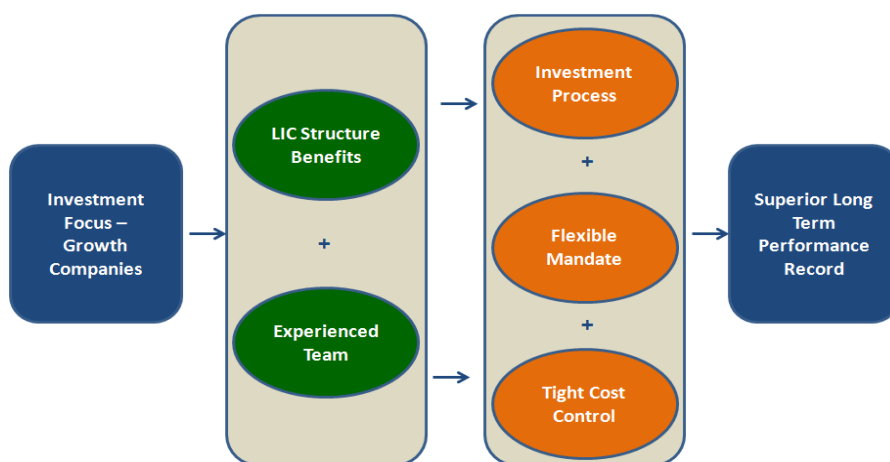
Martin Hickson

Martin joined Wilson Asset Management in March 2010 as an Analyst/Dealer focused on the market driven portion of the portfolio. Prior to this, Martin worked at Challenger Financial Services for 2 years in various roles within the Funds Management division. Martin holds a Bachelor of Business & Computing from the University of Technology, Sydney and is studying the Master of Applied Finance at Kaplan Professional.

Mark Tobin

Mark joined Wilson Asset Management in June 2010 as an Accountant and more recently as an Assistant Analyst. He has 7 years' experience in the funds management industry, where he has held various accounting and administration roles in Dublin, London and Sydney. He holds a Bachelor of Business Studies (Hons) degree from Waterford Institute of Technology and a Masters in Economic Science from University College Cork. He is a fully qualified member of the Association of Chartered Certified Accountants (ACCA) and has an Investment Management Certificate from the UK CFA Society.

A. The Wilson Asset Management business model



B. Wilson Asset Management's history of success

The Wilson Asset Management investment team has over 50 years of collective experience in the Australian share market and has a high degree of street smarts. It has:

- a proprietary research rating process;
- an intensive investee company visitation schedule (1,000+ meetings each year);
- a total focus on managing money;
- a broad coverage of various industry sectors, especially at the small to medium end of the market;
- an extensive network of contacts to provide ideas to the investment team; and
- a flexible investment mandate (ability to hold cash and short sell).

6.7 WAM Management Agreement

Set out below is a summary of the terms of the investment management agreement between WAM and Wilson Asset Management:

A. Powers of the manager

Subject to the Corporations Act, the Listing Rules and any written guidelines issued by WAM, the manager will invest money constituted in or available to the portfolio in making, holding, realising and disposing of investments on behalf of the company. Any investment outside the written guidelines of the WAM Board requires WAM Board approval.

Subject to the above, the manager has absolute and unfettered discretion to manage the portfolio of

investments and to do all things considered necessary or desirable in relation to the portfolio, including, without limitation:

- (a) investigation, negotiation, acquisition, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, either:
 - (i) to convert that investment into some other investment; or
 - (ii) to accept repayment of the capital paid or advance on the investment and any other monies payable in connection with that redemption or repayment and to reinvest any of those monies into the investment;
- (d) retain or sell any shares, debentures or other property received by WAM by way of bonus, or in satisfaction of a dividend in respect of any investments or from amalgamation or reconstruction of any company;
- (e) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights; and
- (f) with the approval of WAM, to make or redeem any mortgage, loan or other security.

B. Monthly valuations

The manager must provide such information regarding the portfolio to WAM to enable WAM to value the portfolio at least monthly.

C. Management Fee

In return for the performance of its duties as WAM's manager, Wilson Asset Management is entitled to a monthly management fee equal to 0.0833% of gross assets of the portfolio calculated on the last Friday of each month, or, where the last Friday of a month is not a Business Day, the Business Day immediately preceding the last Friday of that month (comparable to a fee of 1% per annum of the average value of the portfolio) (**Management Fee**).

Management Fees paid in respect of the financial year ended 30 June 2012 were \$1,897,494 inclusive of GST (2011: \$1,977,110).

D. Performance Fee

The manager is entitled to be paid a fee (**Performance Fee**) in respect of each performance calculation period, subject to the following provisions, of 20% of a base amount where the base amount is calculated in accordance with the following formula:

$$BA = (FV-IV) - IV \times \left[\frac{(FI - II)}{II} \right]$$

Where

BA is the base amount to be used in calculating the Performance Fee outlined above;

FV is the value of the portfolio calculated on the last Business Day of a Performance Calculation Period;

IV is the value of the portfolio calculated on the last Business Day of the preceding Performance Calculation Period;

FI is the level of the All Ordinaries Accumulation Index published by ASX on the last Business Day of that Performance Calculation Period; and

II is the All Ordinaries Accumulation Index published by ASX calculated on the last Business Day of the preceding Performance Calculation Period.

The **Performance Calculation Period** is:

- (a) the period from the first day after the preceding Performance Calculation Period to 30 June of the succeeding year; and
- (b) if the term of the WAM Management Agreement expires on a day other than 30 June, the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period and the date of the WAM Management Agreement is terminated.

The following factors are considered for Wilson Asset Management's Performance Fee,

- (a) If the value of the portfolio calculated on the last Business Day of a Performance Calculation Period is less than the value of the portfolio calculated on the last Business Day of the preceding Performance Calculation Period, no Performance Fee is payable in respect of that Performance Calculation Period.
- (b) If the amount calculated for BA above is a negative number, no Performance Fee is payable in respect of that Performance Calculation Period.
- (c) If the level of the All Ordinaries Accumulation Index as calculated on the last Business Day of a Performance Calculation Period is less than the level as calculated on the last Business Day of the preceding Performance Calculation Period, the base amount will be $FV - IV$.
- (d) Where the ASX or equivalent authority ceases to publish the All Ordinaries Accumulation Index then the published index which most closely resembles it must be used for the purposes of calculation of the Performance Fee.
- (e) If the WAM Management Agreement is terminated on a day other than the last Friday of a month or where the last Friday of a month is not a Business Day, the Business Day immediately preceding the last Friday of that month, the Performance Fee for that Performance Calculation Period will be determined on the last Business Day of the term.
- (f) In calculation of the Performance Fee for a Performance Calculation Period, changes in the value of the portfolio as a result of the issue of securities, capital, share buy-back and dividend distributions by WAM will be disregarded or adjusted for that Performance Calculation Period in a manner determined by WAM's auditor at the conclusion of that Performance Calculation Period.
- (g) WAM must indemnify the manager against any GST payable in respect of any Management Fee or Performance Fee due to the manager.

For the year ended 30 June 2012, a performance fee of \$1,139,258 inclusive of GST was paid to Wilson Asset Management (2011: \$1,546,328).

E. Expenses

WAM is liable for and must pay out of the portfolio or reimburse the manager for the following fees, costs and expenses when properly incurred in connection with the investment and management of the portfolio of WAM or the acquisition, disposal or maintenance of any investment:

- (a) fees payable to any securities exchange, ASIC or other regulatory body;
- (b) all costs, stamp duties, financial institutions duties, bank account debits, tax and legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by WAM or the manager in connection with:
 - (i) the acquisition and negotiation of any investment or proposed investment;
 - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
 - (iii) the receipt of income or other entitlements from the investments of the portfolio;
 - (iv) the engagement of a custodian to hold an investment on behalf of WAM; and
- (c) outgoings in relation to the portfolio of the company such as rates, levies, duties, taxes and insurance premiums.

Notwithstanding the above, Wilson Asset Management is solely responsible for payment of the fees of any investment manager engaged by the manager to assist it in undertaking its duties under the management agreement.

F. Term of Management Agreement

Under the prevailing investment management agreement, Wilson Asset Management is engaged by WAM to manage the investment portfolio. The term of this arrangement is for rolling five year periods, where Wilson Asset Management has the option to extend this term for an unlimited number of five year periods at its sole discretion (subject to early termination rights). The current five year term ends in May 2014, at which time Wilson Asset Management intends exercising its option to extend the term for a another five year period.

6.8 Investment portfolio as at 31 August 2012

WAM's investment portfolio as at 31 August 2012 comprises the following:

Company Name	Code	Market Value \$	% of Gross Portfolio
Financials			
Ask Funding Limited	AKF	369,498.30	0.2%
CBA Perpetual Exc Resale Listed Sec - PERLS IV	CBAPB	6,434,600.00	3.0%
Centrepont Alliance Limited	CAF	506,008.13	0.2%
Century Australia Investments Limited	CYA	2,936,591.40	1.3%
Clime Investment Management Limited	CIW	1,846,726.08	0.8%
Contango Capital Partners Limited	CCQ	2,971,898.30	1.4%
Contango Microcap Limited	CTN	1,111,660.11	0.5%
Emerging Leaders Investments Limited	ELI	4,083,246.66	1.9%
Finbar Group Limited	FRI	1,822,133.08	0.8%
FlexiGroup Limited	FXL	1,963,894.80	0.9%
Hastings High Yield Fund	HHY	581,915.16	0.3%
Homeloans Limited	HOM	721,259.88	0.3%
IMF (Australia) Limited 10.25% Conv Note Dec 2014	IMFG	1,485,113.00	0.7%
ING Private Equity Access Limited	IFE	457,321.80	0.2%
Ingenia Communities Group	INA	3,053,958.81	1.4%
Ironbark Capital Limited	IBC	4,587,082.80	2.1%
Keybridge Capital Limited	KBC	500,974.05	0.2%
Magellan Financial Group Limited	MFG	1,249,344.48	0.6%
Merricks Capital Special Opportunity Fund Limited	MEF	251,254.52	0.1%
Mystate Limited	MYS	1,394,877.00	0.7%
Nufarm 6.94% Perpetual Red Exc First Step-Up Notes	NFNG	244,764.00	0.1%
Peters Macgregor Investments Limited	PET	34,749.00	0.0%
Plan B Group Holdings Limited	PLB	666,659.29	0.3%
Premium Investors Limited	PRV	1,978,844.58	0.9%
RHG Limited	RHG	3,435,135.49	1.6%
Signature Capital Investments Limited	SGI	63,244.23	0.0%
Sunland Group Limited	SDG	2,817,871.52	1.3%
Tidewater Investments Limited	TDI	101,785.42	0.0%
Trafalgar Corporate Group	TGP	971,593.35	0.5%
Wentworth Mutual Limited	WWM	302,595.92	0.1%
		48,946,601.14	22.4%
Industrials			
Alesco Corporation Limited	ALS	6,211,865.51	2.9%
Chandler Macleod Group Limited	CMG	729,295.20	0.3%
Clarius Group Limited	CND	1,048,980.71	0.5%
Clough Limited	CLO	1,722,509.85	0.8%
Coffey International Limited	COF	1,598,974.40	0.7%
Coventry Group Limited	CYG	3,309,886.73	1.5%
Dolomatrix International Limited	DMX	122,702.32	0.1%
Gerard Lighting Group Limited	GLG	1,846,841.50	0.8%
Logicams Limited	LCM	1,116,099.15	0.5%
Lycopodium Limited	LYL	381,022.12	0.2%
Maxitrans Industries Limited	MXI	721,299.75	0.4%
McMillan Shakespeare Limited	MMS	2,187,432.00	1.0%
Seven Group Holdings Limited	SVW	2,064,014.68	1.0%
Skilled Group Limited	SKE	2,644,341.39	1.2%
WHK Group Limited	WHG	1,075,415.73	0.4%
		26,780,681.04	12.3%
Consumer Discretionary			
AP Eagers Limited	APE	479,913.48	0.2%
Automotive Holdings Group Limited	AHE	2,140,080.00	1.0%
Breville Group Limited	BRG	4,254,008.40	2.0%
Convertible Note Concept Sport	BSI	14,700.00	0.0%
Corporate Travel Management Limited	CTD	1,259,364.19	0.6%
Fantastic Holdings Limited	FAN	1,764,022.85	0.8%

Company Name	Code	Market Value \$	% of Gross Portfolio
Consumer Discretionary			
Funtastic Limited	FUN	173,625.27	0.1%
Integrated Legal Holdings Limited	IAW	220,514.76	0.1%
Kathmandu Holdings Limited	KMD	676,746.48	0.3%
Macquarie Radio Limited	MRN	356,159.76	0.1%
Noni B Limited	NBL	868,548.76	0.4%
Webjet Limited	WEB	2,099,433.51	1.0%
		14,307,117.46	6.6%
Information Technology			
Carsales.Com Limited	CRZ	1,989,988.00	0.9%
CSG Limited	CSV	311,550.00	0.1%
Dyesol Limited	DYE	265,196.28	0.1%
iProperty Group Limited	IPP	1,976,497.32	0.9%
Objective Corporation Limited	OCL	19,325.04	0.0%
Reckon Limited	RKN	2,035,605.52	0.9%
UXC Limited	UXC	362,523.04	0.2%
		6,960,685.20	3.1%
Consumer Staples			
Goodman Fielder Limited	GFF	913,770.00	0.4%
Little World Beverages Limited	LWB	2,002,875.00	0.9%
Ridley Corporation Limited	RIC	180,133.70	0.1%
Select Harvests Limited	SHV	1,446,007.50	0.7%
		4,542,786.20	2.1%
Telecommunication Services			
Amcom Telecommunications Limited	AMM	2,155,948.62	1.0%
NEXTDC Limited	NXT	2,198,900.88	1.0%
		4,354,849.50	2.0%
Utilities			
Australian Power and Gas Company Limited	APK	615,719.99	0.3%
Challenger Infrastructure Fund	CIF	2,067,877.70	1.0%
Ethane Pipeline Income Fund	EPX	191,529.60	0.1%
		2,875,127.28	1.4%
Health Care			
1300 Smiles Limited	ONT	1,048,458.95	0.5%
Clover Corporation Limited	CLV	179,808.56	0.1%
Cryosite Limited	CTE	86,568.56	0.0%
REVA Medical Inc.	RVA	384,379.68	0.2%
Vision Eye Institute Limited	VEI	197,931.50	0.1%
		1,897,147.25	0.9%
Materials			
Bisalloy Steel Group Limited	BIS	484,940.40	0.2%
Murchison Metals Limited	MMX	117,058.11	0.1%
Tribune Resources Limited	TBR	86,355.10	0.0%
		688,353.61	0.3%
Energy			
Kina Petroleum Limited	KPL	240,600.15	0.1%
Maverick Drilling And Exploration Limited	MAD	114,450.12	0.1%
		355,050.27	0.2%
Total Long Portfolio		111,708,398.94	51.3%
Total Cash and cash equivalents, income receivable and net outstanding settlements		108,866,669.83	50.1%
Total Short Portfolio		(2,995,555.90)	(1.4%)
Gross Assets		217,579,512.87	

6.9 WAM's capital structure and ownership

As at the date immediately before the date of this Scheme Booklet:

- there were a total of 138,697,794 WAM Shares on issue held by 5,160 shareholders. The top 20 of these WAM shareholders in the share register held approximately 17% of all issued WAM Shares; and
- there were a total of 121,773,922 WAM Options on issue held by 4,143 WAM Option Holders.

A. WAM substantial holder

As at the date immediately before the date of this Scheme Booklet, WAM had no substantial shareholders.

B. Top 20 Shareholders of WAM as at 29 October 2102

Holder of Security	Number of fully paid ordinary shares held	% of issued ordinary capital
Mr Victor John Plummer	4,000,000	2.88%
Entities Associated With Mr Geoffrey Wilson	3,531,094	2.55%
HSBC Custody Nominees (Australia) Limited	2,248,532	1.62%
VBS Investments Pty Limited	2,062,980	1.49%
Mrs Fay Cleo Martin-Weber	1,463,068	1.06%
Marbear Holdings Pty Limited	1,440,300	1.04%
VBS Investments Pty Limited	1,386,437	1.00%
Pineross Pty Limited	904,987	0.65%
Eneber Investment Company Limited	881,000	0.64%
Dr & Mrs English <N English SF No 1 A/C>	797,615	0.58%
Trophy Components Distributors Pty Limited	554,798	0.40%
Mr & Mr Storey <Est Late Thomas Storey A/C>	550,000	0.40%
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	546,072	0.39%
Citicorp Nominees Pty Limited	534,107	0.39%
Lonceta Pty Limited <Hancock Super Fund A/C>	511,544	0.37%
Solana Pty Limited	500,000	0.36%
Investment & Money Management Pty Limited <Super Fund>	474,258	0.34%
Mr & Mrs Heathers <Heathers Family S/F A/C>	429,098	0.31%
AR & MK Mclean Pty Limited <Mclean Family Super Fund A/C>	419,906	0.30%
Charanda Nominee Company Pty Limited <Greycliffe Superfund A/C>	413,085	0.30%
Total Top 20 Largest WAM Share Holders	23,648,881	17.05%

6.10 Financial overview of WAM

This section 6.10 sets out summary historical financial information in relation to WAM. This information has been extracted from WAM's audited financial statements for the relevant financial years and does not take into account the effects of the Scheme.

You can get a copy of the complete audited financial information in WAM's annual reports, available from WAM's website at www.wamfunds.com.au. Shareholders without internet access can obtain copies of these reports by contacting WAM.

All amounts disclosed are presented in Australian dollars and rounded to the nearest thousand dollars, except earnings per share which are disclosed in cents.

A. WAM's income statements

Set out below are WAM's summary income statements for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012. All amounts disclosed are presented in Australian dollars, except earnings per share which are disclosed in cents.

Financial Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Other revenue from operating activities	11,649,293	14,819,200	7,634,210
Realised gains on financial assets	1,356,703	14,583,301	21,308,232
Unrealised (losses)/gains on financial assets	(4,907,123)	95,577	11,519,881
Expenses	(4,469,601)	(4,739,434)	(7,157,567)
Profit before income tax expense	3,629,272	24,758,644	33,304,756

Income tax benefit/(expense)	677,990	(4,405,774)	(8,921,564)
Profit after tax expense	4,307,262	20,352,870	24,383,192
Other comprehensive income	-	-	-
Total comprehensive income for the year	4,307,262	20,352,870	24,383,192
Basic EPS (cents per share)	4.1	19.1	23.3
Diluted EPS (cents per share)	4.1	19.1	23.3

B. WAM's balance sheets

Set out below are WAM's balance sheets as at 30 June 2010, 30 June 2011 and 30 June 2012. All amounts disclosed are presented in Australian dollars.

Financial Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Cash and equivalents	78,494,624	81,676,377	80,666,402
Trade and other receivables	7,674,818	5,741,684	14,272,244
Financial assets	94,819,931	94,175,124	75,079,790
Deferred tax assets	33,222	10,108	2,635,083
Total assets	181,022,595	181,603,293	172,653,519
Trade and other payables	7,132,471	3,791,935	5,685,989
Financial liabilities	2,455,694	799,710	2,860,907
Current tax liabilities	843,315	816,172	-
Deferred tax liabilities	3,371,289	4,849,026	5,359,997
Total liabilities	13,802,769	10,256,843	13,906,893
Net assets	167,219,826	171,346,450	158,746,626
Issued capital	152,974,641	150,330,891	148,702,589
Reserves	16,054,184	20,111,111	4,526,169
Retained earnings	(1,808,999)	904,448	5,517,868
Total equity	167,219,826	171,346,450	158,746,626

C. WAM's statement of cash flows

Set out below are WAM's statements of cash flows for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012. All amounts disclosed are presented in Australian dollars.

Financial Year Ended	30-Jun-12	30-Jun-11	30-Jun-10
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Payments to suppliers	(4,482,041)	(7,464,392)	(3,006,052)
Dividends received	6,511,388	10,018,601	4,582,545
Interest received	4,116,647	4,544,203	2,452,182
Other income received	891,780	339,042	260,321
Income tax paid	(795,718)	(972,394)	(189,980)
Net cash outflow from operating activities	6,242,056	6,465,060	4,099,016
Cash flows from investing activities			
Proceeds from sale of financial assets	339,780,070	328,669,248	317,519,376
Purchase of financial assets	(340,769,993)	(326,371,286)	(286,161,150)

Net cash (outflow)/inflow from investing activities	(989,923)	2,297,962	31,358,226
Cash flows from financing activities			
Dividends paid	(8,502,804)	(7,753,047)	(6,815,454)
Options exercised	68,918	-	-
Net cash used in from financing activities	(8,433,886)	(7,753,047)	(6,815,454)
Net (decrease)/increase in cash and cash equivalents	(3,181,753)	1,009,975	28,641,788
Cash and cash equivalents at the beginning of the financial year	81,676,377	80,666,402	52,024,614
Cash and cash equivalents at the end of the financial year	78,494,624	81,676,377	80,666,402

6.11 Discussion regarding WAM's financial performance

WAM announced its FY2012 results on the 23 July 2012. The operating profit before tax for the year to 30 June 2012 was \$3.6 million (2011: \$24.8 million) and the operating profit after tax was \$4.3 million (2011: \$20.4 million). The after tax profit was boosted by an \$0.7 million income tax benefit resulting from franking credit offsets. The decrease in profit in comparison to the previous year is a reflection of the investment portfolio returning 4.2% compared to 17.9% in FY2011.

Under Australian Accounting Standards, realised gains and losses and dividend income are added to or reduced by the changes in the market value of WAM's investments. This can lead to large variations in reported profits. Therefore, percentage changes in income and profit when compared to previous years are not reflective of underlying performance. In evaluating WAM's performance we look at three key measures:

- *Gross performance – how the manager has performed*

WAM's investment portfolio increased 4.2% for the 12 months to 30 June 2012, while the S&P/ASX All Ordinaries Accumulation Index fell by 7.0% and the S&P/ASX Small Ordinaries Accumulation Index fell 14.6%. This represents an outperformance of 11.2% and 18.8% respectively.¹³

- *Net tangible asset performance after taxes and costs*

Movement in underlying assets after taxes, management fees and all other costs shows the change in the value of the assets that belong to the shareholders over the 12 month period. Corporate tax, being 30%, is the most significant item of difference between the investment portfolio and the net asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. WAM's after tax net tangible asset value, adjusted for dividends, increased 5.2% for the 12 months to 30 June 2012.

- *Share price return*

The share price, adjusted for dividends rose 9.0% for the 12 months to 30 June 2012. This outperformed the net tangible assets performance due to the closing of the discount to net tangible assets over the previous 12 months.

All the above performance numbers were achieved while holding an average of 42.9% in cash during the year.

6.12 WAM's recent share price performance¹⁴

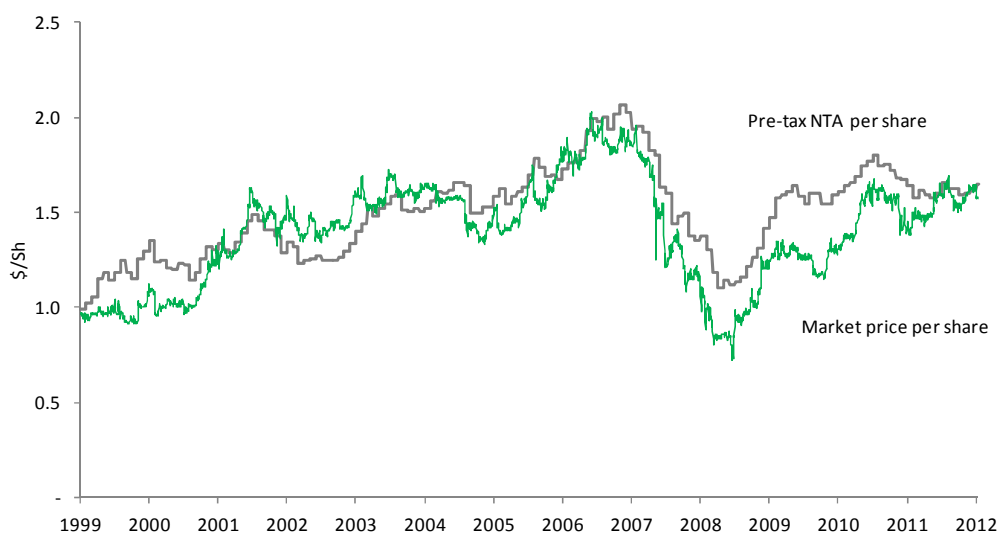
The graphs below shows the WAM Share price performance against WAM's pre-tax net tangible asset

¹³ This is before all costs and is compared to the index which is also before tax and costs.

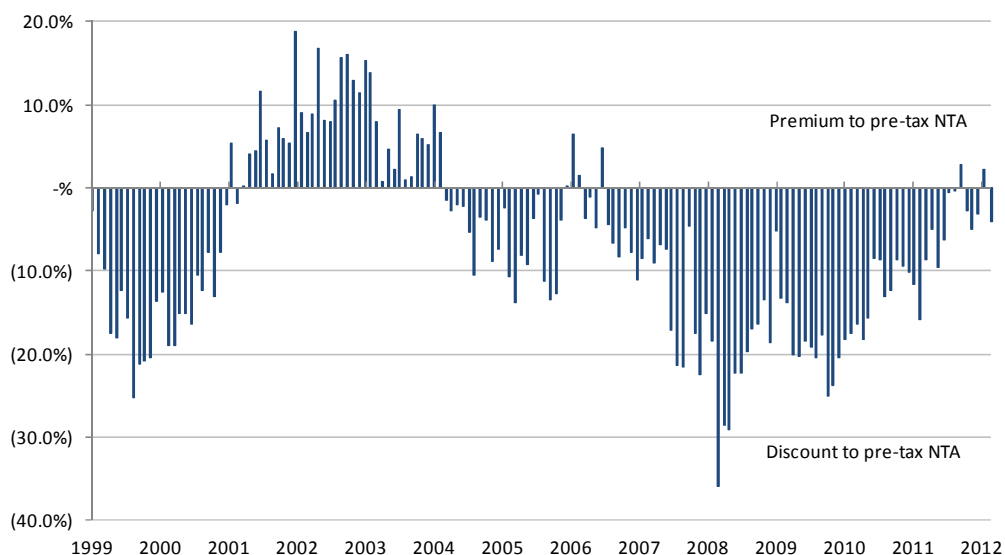
¹⁴ Share price data sourced from S&P Capital IQ

backing per share from inception in August 1999 to 5 October 2012.

WAM Share price performance vs. pre-tax net tangible asset backing per share



WAM Share price premium/(discount) to pre-tax net tangible asset backing per share



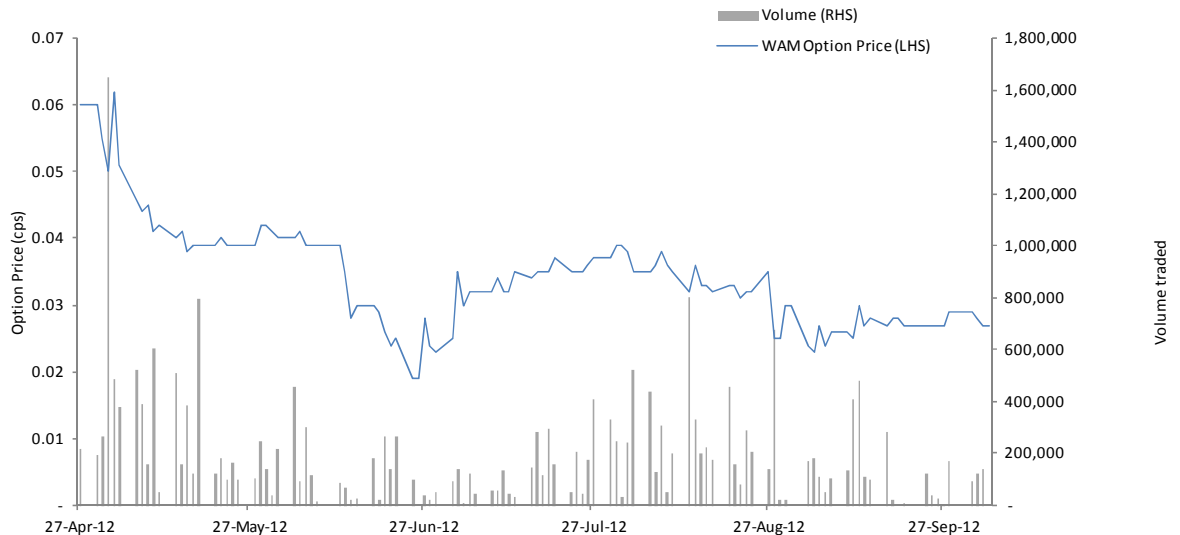
6.13 September 2012 placement

On 19 June 2012 WAM announced its intention to proceed with a placement of WAM Shares representing 15% of the issued capital of WAM together with an attaching WAM Option. This issue was approved by WAM shareholders at a general meeting on 31 July 2012 and WAM issued a prospectus for the placement on 2 August 2012. Due to excess demand, the WAM Board resolved to accept oversubscriptions. As a result, WAM issued 22,885,209 WAM Shares and 22,885,209 WAM Options. Gross proceeds from the issue of WAM Shares were \$36,980,209.

6.14 WAM's recent option price performance¹⁵

The graph below shows the WAM Option price performance and volume from 27 April 2012 to 5 October 2012.

¹⁵ Option price data sourced from S&P Capital IQ



6.15 Franking credits

As at 30 June 2012, WAM had a franking credit balance of \$3,071,530 in its franking account. This provides WAM with the capacity to frank additional dividends up to an amount of \$7,166,903 which equates to approximately 6.7 cents per WAM Share as at 30 June 2012. This is before the payment of the final fully franked dividend of 5.5 cents per share paid on 28 September 2012.

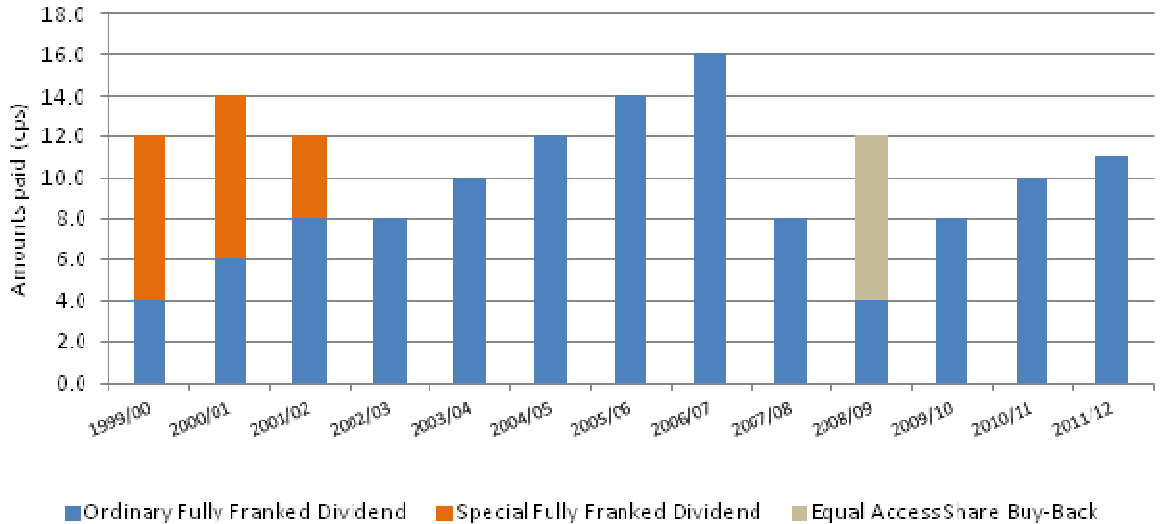
6.16 Dividend policy

The WAM Board is committed to paying an increasing stream of fully franked dividends to shareholders provided WAM has sufficient franking credits and it is within prudent business practices. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

The table below sets out WAM's dividends declared and paid in respect of the last five financial years to 30 June 2012.

Cents per share	Type	% Franked	Date payable	DPR Price
5.5	Final	100%	28-Sep-12	\$1.54
5.5	Interim	100%	23-Mar-12	\$1.54
5.0	Final	100%	15-Sep-11	\$1.38
5.0	Interim	100%	11-Mar-11	\$1.59
4.0	Final	100%	17-Sep-10	\$1.28
4.0	Interim	100%	25-Feb-10	\$1.27
4.0	Final	100%	17-Aug-09	\$1.23
8.0	Interim	100%	11-Mar-08	\$1.39
8.0	Final	100%	26-Oct-07	\$1.82
8.0	Interim	100%	27-Apr-07	\$1.86

The chart below sets out WAM's dividends declared and paid, and the equal access share buy-back made, since listing in 1999.



A WAM shareholder who subscribed for shares on listing in August 1999 at \$1.00 and retained that share would have received 139.0 cents per share in fully franked dividends in respect of that share. This equates to an average annualised fully franked dividend yield of 10.7% per annum.

6.17 Further information

As a company listed on the ASX and a “disclosing entity” under the Corporations Act, WAM is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. WAM’s most recent announcements are available from its website www.wamfunds.com.au and on the ASX website www.asx.com.au. Further announcements concerning WAM will continue to be made available on these websites after the date of this Scheme Booklet.

ASX maintains publicly available information about entities listed on their exchange. Information about WAM is available for inspection at ASX during normal business hours and is available on their website www.asx.com.au.

WAM is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by WAM may be obtained from, or inspected at ASIC offices.

7 Information about the Merged Entity

If the Scheme becomes Effective, Premium and WAM will merge and create a single listed investment company. This section provides information about the Merged Entity.

7.1 The Merged Entity

If the Scheme is implemented, Premium will become a wholly owned subsidiary of WAM. The newly merged group will create a listed investment company with approximately \$300 million of net assets and will have more than 8,300 shareholders assuming all Premium Shareholders elect to receive Scrip Consideration for 100% of their shares. The Merged Entity is expected to provide shareholders with access to greater liquidity in the trading of their shares.

If, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their Premium Shares, the Merged Entity will have approximately \$260 million of net assets.

It is expected that Premium Shareholders who elect to receive Scrip Consideration will have an investment in the Merged Entity which:

- (a) has a stable and clearly articulated investment strategy focused on Australian listed securities and a proven investment manager with an outstanding performance record;
- (b) may provide access to greater liquidity in the trading of their New WAM Shares than has been enjoyed by Premium Shares,
- (c) a share price that currently trades at or near pre-tax net tangible asset backing per share;
- (d) has greater scale which, when combined with WAM's lower cost structure (before performance fees and brokerage) and the removal of duplicated expenses, is likely to result in a lower management expense ratio (before performance fees and brokerage) than is currently incurred by Premium; and
- (e) has a history of paying fully franked dividends to shareholders.

In addition, any costs currently incurred by Premium and duplicated by WAM are expected to be eliminated or reduced. Duplicated costs which the boards of Premium and WAM expect to be reduced once the Scheme is implemented include, but are not limited to:

- directors' and company secretarial fees;
- audit and tax fees;
- share registry fees;
- stock exchange listing fees; and
- general expenses.

The cost savings relate principally to the cessation of Premium operating as a separately listed entity and, therefore, a reduction in the costs of compliance.

As set out in the Premium income statement for the year ended 30 June 2012, Premium paid \$204,242 in relation to services management, accounting, and compliance, a further \$164,000 in ASX and share registry costs, and \$149,590 in directors fees to the current Premium Directors.

The extent to which these anticipated cost savings can be realised depends on the extent to which Premium Shareholders elect to receive Scrip Consideration, with the maximum level of realisation achievable if Premium Shareholders elect to take Scrip Consideration for 100% of their Premium Shares.

These cost savings coupled with the increased size of the portfolio are expected to lead to a reduction in the management expense ratio of the Merged Entity.

It is anticipated that if the Scheme is implemented, the costs of the Scheme will be in the order of \$1,729,000.

7.2 Board and management of the Merged Entity

If the Scheme is implemented the Chairman of Premium, Mr. Lindsay Mann, will be invited to take a seat on the board of directors of WAM, providing continuity of board oversight for Premium Shareholders.

The WAM Board would then comprise:

- Geoff Wilson

- Matthew Kidman
- James Chirnside
- Paul Jensen
- Lindsay Mann

Wilson Asset Management will continue as the investment manager of the Merged Entity.

7.3 WAM's intentions for the Merged Entity

The statements set out in this section 7.3 are statements of current intentions only which may change as new information becomes available or circumstances change. Decisions will only be reached after implementation when all material facts and circumstances are known to the board of the Merged Entity.

Geoff Wilson, the Chairman of WAM, will act as Chairman of the Merged Entity. The activities of the Merged Entity, including the activities of managing Premium's affairs, will be relocated to the offices of Wilson Asset Management.

Treasury Group Investment Services has agreed with Premium, to remain as investment manager of the assets of Premium for a transition period after implementation of the Scheme (should the Scheme be approved). Treasury Group Investment Services will be paid a total of \$200,000 by Wilson Asset Management over a period of three months post implementation as part of this arrangement. This is at no additional cost to shareholders of the Merged Entity. Following this transition period Wilson Asset Management will take on the responsibility of managing all the assets held by the Merged Entity (including those of Premium).

Wilson Asset Management will, after considering and evaluating the assets of Premium, determine any changes in portfolio composition that it considers necessary to achieve WAM's investment objectives.

If the Scheme is approved, the board of the Merged Entity will consider, as soon as practicable, issues such as whether WAM will form a tax consolidated group with Premium and the management of the assets held in Premium. Although the WAM Board expects that all the assets of the Merged Entity will be managed in a similar way to those of WAM, the board of the Merged Entity will only be able to make definitive decisions once it has all the necessary information available to it (including but not limited to the actual number of scrip and cash acceptances).

7.4 Premium employees

Premium has no employees.

7.5 Dividend policy

The WAM Board has a clear dividend policy which states it is committed to paying an increasing stream of fully franked dividends to shareholders provided that WAM has sufficient franking credits and it is within prudent business practices. It must also comply with government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

7.6 Prospects for the merged group

The operation and financial performance of Premium and WAM (as stand-alone entities) within the Merged Entity are subject to various risks, some of which are summarised in this Scheme Booklet and which may be beyond the control of the Merged Entity. As a result, the actual results of the Merged Entity's operations and earnings following implementation of the Scheme and the actual advantages of the Scheme may differ from those that are anticipated or may not be achieved.

7.7 Unaudited pro forma financial information

A. Unaudited pro forma consolidated balance sheet

Set out below is the unaudited pro-forma consolidated balance sheet of WAM after the Scheme prepared on the basis that the Scheme had occurred as at 30 June 2012 and adjusted for transactions relating to the Scheme and significant capital management events that have occurred since 30 June 2012. The pro forma consolidated balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in this section 7.7B.

All amounts disclosed are presented in Australian dollars and are rounded to the nearest thousand dollars.

Two scenarios are presented below based on the election of Premium Shareholders to receive cash or scrip for their shares.

- (a) **100% Scrip:** assumes all Premium Shareholders elect to receive Scrip Consideration for 100% of their Premium Shares.

- (b) **50% Scrip:** assumes that, in aggregate, Premium Shareholders elect to receive Cash Consideration for 50% of their shares, and Scrip Consideration for the remaining 50% of their Premium Shares.

100% Scrip Pro-forma Merged Entity Balance Sheet

Financial period ended 30 June 2012	Notes	Premium	WAM	100% Scrip Pro Forma Adjustments	Merged Entity
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	3	5,275	78,495	41,629	125,399
Trade and other receivables		2,940	7,675	-	10,615
Financial assets		71,389	93,381	-	164,770
Premium Shares held by WAM	4	-	1,439	(1,439)	0
Other Current Assets		24	-	-	24
Deferred tax assets	5	5,508	33	3,400	8,941
Total Assets		85,136	181,023	43,590	309,749
Liabilities					
Trade and other payables		230	7,132	-	7,362
Financial liabilities		-	2,456	-	2,456
Current tax liabilities		-	843	-	843
Deferred tax liabilities	6	-	3,371	3,400	6,771
Total Liabilities		230	13,803	3,400	17,433
Net Assets		84,906	167,220	40,190	292,316
Equity					
Issued capital	7	111,572	152,975	16,557	281,104
Reserves	8	-	16,054	(7,569)	8,485
Retained earnings	9	(26,666)	(1,809)	31,202	2,727
Total Equity		84,906	167,220	40,190	292,316

50% Scrip Pro-forma Merged Entity Balance Sheet

Financial period ended 30 June 2012	Notes	Premium	WAM	50% Scrip Pro Forma Adjustments	Merged Entity
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	3	5,275	78,495	2,795	86,565
Trade and other receivables		2,940	7,675	-	10,615
Financial assets		71,389	93,381	-	164,770
Premium Shares held by WAM	4	-	1,439	(1,439)	0
Other Current Assets		24	-	-	24
Deferred tax assets	5	5,508	33	3,400	8,941
Total Assets		85,136	181,023	4,756	270,914
Liabilities					
Trade and other payables		230	7,132	-	7,362
Financial liabilities		-	2,456	-	2,456
Current tax liabilities		-	843	-	843
Deferred tax liabilities	6	-	3,371	3,400	6,771
Total Liabilities		230	13,803	3,400	17,433
Net Assets		84,906	167,220	1,356	253,482

Equity					
Issued capital	7	111,572	152,975	(22,953)	241,593
Reserves	8	-	16,054	(7,569)	8,485
Retained earnings	9	(26,666)	(1,809)	31,878	3,403
Total Equity		84,906	167,220	1,356	253,482

B. Notes to and forming part of the pro forma financial information

Note 1 Basis of preparation

The pro forma consolidated balance sheet of the Merged Entity has been prepared as if the following proposed transactions had taken place on 30 June 2012:

- net acquisition of 462,247 Premium Shares by WAM on 17 July, 10 August and 22 August 2012 for an implied consideration of \$296,763 using the Premium share price of \$0.64 per share as at 29 June 2012;
- issue of 22,885,209 WAM Shares pursuant to a placement of \$36,980,219 on 31 August 2012;
- payment of the fully franked ordinary final dividend of 5.5 cents per share as declared by the WAM Board on 23 July 2012 (paid on 28 September 2012);
- issue of 1,061,390 WAM Shares pursuant to the dividend reinvestment program at a price of \$1.5404 on 28 September 2012;
- exercise of 7,880,802 WAM Options at a strike price of \$1.60 between 11 July 2012 and 28 September 2012;
- the Scheme was implemented;
- payment of anticipated Scheme transaction costs by Premium of \$1,729,000;
- payment of anticipated Scheme transaction costs by WAM of \$50,000;
- WAM formed a tax consolidated group and transferred Premium's tax losses; and
- Scheme Participants were issued the following number of New WAM Shares (and an equal number of New WAM Options) for their Premium Shares under the two scenarios presented¹⁶:
 - 100% Scrip:** 48,747,000
 - 50% Scrip:** 23,703,000

Note 2 Summary of significant accounting policies

The accounting policies of Premium and WAM are not considered materially different. The significant accounting policies adopted in the preparation of the historical financial information are disclosed in Premium and WAM's 2012 Annual Reports.

Note 3 Cash and cash equivalents

Cash	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium		5,275
WAM		78,495
Total audited balance		83,770
Pro-forma adjustments:	100% Scrip	50% Scrip
WAM purchase of Premium Shares	(297)	(297)
WAM share placement	36,980	36,980
WAM Options exercised post 30 June 2012	12,609	12,609
WAM dividend declared and paid	(5,934)	(5,934)
Payment of anticipated transaction costs	(1,729)	(1,729)
Payment of Cash Consideration	-	(38,835)
Total Pro-forma adjustments	41,629	2,795

¹⁶ Calculated with reference to the 30 June 2012 relative net tangible asset backing per share of Premium and WAM

Total Merged Entity cash and cash equivalents	125,399	86,565
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Note 4 Premium Shares held by WAM

Premium Shares Held by WAM	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium	-	
WAM	1,439	
Total audited balance	1,439	
Pro-forma adjustments:	100% Scrip	50% Scrip
Premium Shares acquired by WAM post 30 June 2012	297	297
Premium Shares acquired by WAM through Scheme	76,905	76,229
Elimination on consolidation of Premium Shares held by WAM	(78,641)	(77,965)
Total Pro-forma adjustments	(1,439)	(1,439)
Total Merged Entity Premium Shares held by WAM	-	-

Note 5 Deferred tax assets

Deferred Tax Assets	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium	5,508	
WAM	33	
Total audited balance	5,541	
Pro-forma adjustments:	100% Scrip	50% Scrip
Deferred tax asset arising on formation of tax consolidated group	3,400	3,400
Total Pro-forma adjustments	3,400	3,400
Total Merged Entity Deferred Tax Assets	8,941	8,941

Note 6 Deferred tax liabilities

Deferred Tax Liabilities	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium	-	
WAM	3,371	
Total audited balance	3,371	
Pro-forma adjustments:	100% Scrip	50% Scrip
Deferred tax liability arising on formation of tax consolidated group	3,400	3,400
Total Pro-forma adjustments	3,400	3,400
Total Merged Entity Deferred Tax Liabilities	6,771	6,771

Note 7 Issued capital

Issued Capital	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		

Premium	111,572	
WAM	152,975	
Total audited balance	264,547	
Pro-forma adjustments:	100% Scrip	50% Scrip
WAM Shares issued (placement)	36,980	36,980
WAM Shares issued (dividend reinvestment program)	1,635	1,635
WAM Options exercised post 30 June 2012	12,609	12,609
New WAM Shares issued Scrip Consideration	76,905	37,394
Consolidation elimination of Premium Issued Capital	(111,572)	(111,572)
Total Pro-forma adjustments	16,557	(22,953)
Total Merged Entity Issued Capital	281,104	241,593

Note 8 Reserves

Reserves	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium	-	
WAM	16,054	
Total audited balance	16,054	
Pro-forma adjustments:	100% Scrip	50% Scrip
WAM dividend declared and paid	(5,934)	(5,934)
WAM Shares issued (dividend reinvestment program)	(1,635)	(1,635)
Total Pro-forma adjustments	(7,569)	(7,569)
Total Merged Entity Reserves	8,485	8,485

Note 9 Retained earnings

Retained Earnings	Merged Entity	
	\$'000	
Balance as per 30 June 2012 audited accounts:		
Premium	(26,666)	
WAM	(1,809)	
Total audited balance	(28,475)	
Pro-forma adjustments:	100% Scrip	50% Scrip
Payment of anticipated transaction costs	(1,729)	(1,729)
Bargain on purchase	4,536	5,212
Consolidation elimination of Premium Retained Earnings	28,395	28,395
Total Pro-forma adjustments	31,202	31,878
Total Merged Entity Retained Earnings	2,727	3,403

8 Information about the New WAM Shares and New WAM Options

Premium Shareholders that elect to receive Scrip Consideration will be issued New WAM Shares and New WAM Options. This section provides you with information about the New WAM Shares and New WAM Options.

8.1 ASX listing

WAM will apply for official quotation on ASX of all New WAM Shares (ASX:WAM) and New WAM Options (ASX:WAMO) that will be issued as Scrip Consideration.

New WAM Shares will rank equally with all existing WAM Shares.

New WAM Options will rank equally with all existing WAM Options.

Transaction confirmation statements will be dispatched within 5 Business Days of the Implementation Date.

8.2 New WAM Shares

This section summarises the key provisions of WAM's company constitution in relation to rights attaching to WAM Shares, and which will apply to the New WAM Shares. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities attaching to WAM Shares.

Full details of the rights attaching to WAM Shares are set out in the WAM Constitution, which can be obtained through ASIC or from the Company Secretary of WAM.

A. Voting

At a general meeting of WAM on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every WAM Share held.

B. Dividends

The New WAM Shares will rank equally with all other issued WAM Shares and will participate in WAM dividends declared by WAM. Subject to the rights of holders of WAM Shares of any special preferential or qualified rights attaching to them, dividends may be paid to the holders of WAM Shares in proportion to the amounts paid up on the WAM Shares at the date of declaration of the dividend. The directors may pay WAM shareholders any final or interim dividends as in their judgement the position of WAM justifies.

C. Winding up

WAM shareholders holding WAM Shares have no further liability to make payments to WAM in the event of WAM being wound up.

D. Transfer of securities

Generally, WAM Shares are freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The directors of WAM may decline to register any transfer of WAM Shares, but only where permitted to do so under the WAM Constitution, the Corporations Act or the Listing Rules. The current WAM Constitution permits the directors to decline to register any transfer of WAM Shares while WAM is admitted to the official list of the ASX in a number of additional circumstances which relate to partly paid WAM Shares and WAM Shares over which the company has a lien.

E. Sale of non-marketable holdings

WAM may take steps in respect of non-marketable holdings of WAM Shares to effect an orderly sale of those WAM Shares in the event that holders do not take steps to retain their holdings.

WAM may only take steps to eliminate non-marketable holdings in accordance with the WAM Constitution and the Listing Rules.

F. Future increases, alteration and reduction of capital

The allotment and issue of securities is under the control of the WAM Board. Subject to restrictions on the allotment of securities to related parties, the Listing Rules, the WAM Constitution and the Corporations Act, the WAM Board may allot, issue or otherwise dispose of new securities on such terms and conditions as they decide.

WAM in general meeting may convert its securities into a larger or smaller number of securities, and subject to the Corporations Act and the Listing Rules, WAM may reduce its share capital and buy-back

WAM Shares.

G. Variation of rights

WAM may only modify or vary the rights attaching to any class of WAM Shares with the consent in writing of the holders of at least 75% of the issued WAM Shares of the class or the sanction of a special resolution passed at a meeting of the holders of the issued WAM Shares of that class.

8.3 Recent price of WAM Shares

The latest recorded sale price before the date of this Scheme Booklet was \$1.61.

The highest and lowest recorded sale price during the three months immediately before the date of this Scheme Booklet was \$1.65 and \$1.55 respectively.

The sale price for the WAM Shares immediately before announcement of the Scheme on 14 September 2012 was \$1.64.

8.4 New WAM Options

The terms and conditions of the New WAM Options will be the same as the existing WAM Options and are as follows:

A. Register

WAM maintains a register of WAM Option Holders in accordance with the Corporations Act.

B. Transfer/Transmission

A WAM Option may be transferred in any manner approved by the ASX.

C. Exercise

A WAM Option may be exercised by delivery to WAM of a duly completed notice of exercise of WAM Options, signed by the registered holder of the WAM Option, together with payment to WAM of \$1.60 per WAM Option being exercised and the relevant option certificate. A blank notice of exercise of WAM Options will be provided to WAM Option Holders at the same time as WAM Option holding statements are despatched.

A WAM Option may be exercised on any Business Day from the date of grant to 31 July 2013 (inclusive), but not thereafter.

A notice of exercise of WAM Options is only effective when WAM has received the full amount of the exercise price in cash or cleared funds.

D. Dividend entitlement

WAM Options do not carry any dividend entitlement until they are exercised. WAM Shares issued on exercise of WAM Options rank equally with other issued WAM Shares on and from this date.

E. Participating rights

A WAM Option Holder may only participate in new issues of securities to holders of ordinary shares in WAM if the option has been exercised and WAM Shares allotted in respect of the WAM Option before the record date for determining entitlements to the issue. WAM must give at least 7 Business Days notice to WAM Option Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

If, between the date of issue and the date of exercise of a WAM Option, WAM makes one or more rights issues (being a pro rata issue of ordinary shares in the capital of WAM that is not a bonus issue), the exercise price of WAM Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = \frac{OE - E [P - (S + D)]}{(N + 1)}$$

where:

- NE is the new exercise price of the WAM Option;
- OE is the old exercise price of the WAM Option;
- E is the number of underlying ordinary shares into which one WAM Option is exercisable;
- P is the average closing sale price per ordinary share (weighted by reference to volume) recorded on ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

- S is the subscription price for an ordinary share under the rights issue;
- D is the dividend due but not yet paid on each ordinary share at the relevant time; and
- N is the number of ordinary shares that must be held to entitle holders to receive a new ordinary share in the rights issue.

If there is a bonus issue to WAM shareholders, the number of ordinary shares over which the WAM Option is exercisable will be increased by the number of ordinary shares which the holder of the WAM Option would have received if the WAM Option had been exercised before the record date for the bonus issue.

F. Reconstructions and alteration of capital

Any adjustment to the number of outstanding WAM Options and the exercise price under a re-organisation of WAM's share capital must be made in accordance with the Listing Rules.

G. ASX Listing

WAM must apply for quotation of WAM Shares issued on exercise of the WAM Options on the ASX in accordance with the Listing Rules. WAM Shares so issued will rank equally with other issued ordinary shares of WAM.

8.5 Recent price of WAM Options

The latest recorded sale price before the date of this Scheme Booklet was \$0.03.

The highest and lowest recorded sale price during the three months immediately before the date of this Scheme Booklet was \$0.04 and \$0.022 respectively.

The sale price for the WAM Options immediately before announcement of the Scheme on 14 September 2012 was \$0.027.

9 Taxation considerations

This section 9 provides a general overview of the Australian income tax, Goods and Services Tax and Stamp Duty consequences for you if the Scheme proceeds.

The overview provided in this section 9 does not take into account your specific circumstances and is not intended to be exhaustive, or a substitute for, or to constitute, specific taxation advice.

This section 9 is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Scheme Booklet.

The application of the taxation legislation may vary according to your individual circumstances. As such, you are advised to obtain professional taxation advice that takes into account your specific circumstances before deciding how to vote in relation to the Scheme.

9.1 Introduction

This section provides a summary of the Australian income tax, Goods and Services Tax (GST) and Stamp Duty consequences for Premium Shareholders as a result of the Scheme.

This section is not intended to provide an exhaustive or definitive statement as to all of the possible tax outcomes for Premium Shareholders. Specifically, this section summarises the likely Australian tax implications for Premium Shareholders who participate in the Scheme and dispose of their Premium Shares to WAM.

The information contained in this section is directed towards Australian resident and Foreign Resident Premium Shareholders who hold their Premium Shares on capital account for income tax purposes.

This section does not consider the Australian tax consequences for Premium Shareholders who:

- hold their Premium Shares on revenue account or as trading stock;
- are Australian tax residents that hold their Premium Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- 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 provisions in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Premium Shares; or
- acquired their Premium Shares through an employee share scheme.

The information contained in this section 9 is based on the tax law at the date of the Scheme Booklet. The tax consequences outlined in this section may alter if there is a change in the tax law after the date of the Scheme Booklet.

The information contained in this section 9 is general in nature and should not be relied upon by Premium Shareholders as tax advice. This section is not intended as an authoritative or complete statement of the tax law applicable to the circumstances of every Premium Shareholder. Premium Shareholders should obtain their own independent professional advice in relation to the tax consequences arising under the Scheme.

This section should be read with the remainder of the Scheme Booklet.

9.2 Australia Income Tax Implications

A. Disposal of Premium Shares – Australian Tax Residents

In the event the Scheme is approved, WAM will acquire 100% of the issued capital of Premium.

The Australian income tax implications relevant for Premium Shareholders who dispose of their Premium Shares under the Scheme and who are Australian residents for tax purposes are outlined below.

(a) Capital gains tax (CGT) event

CGT event A1¹⁷ should occur for Premium Shareholders when they dispose of their Premium Shares to WAM under the Scheme. The CGT event should happen on the Implementation Date, being the date on which WAM acquires the Premium Shares under the Scheme.

Subject to the availability of CGT roll-over relief (discussed below), Premium Shareholders should make a capital gain from the CGT event if the capital proceeds from the disposal of their Premium Shares exceed their cost base. Alternatively, Premium Shareholders should make a capital loss if capital proceeds are less than the reduced cost base of the shares.

The capital proceeds received on the disposal of the Premium Shares should be:

- the amount of cash received in exchange for the Premium Shares; and
- the market value of property received in the form of WAM Shares and WAM Options in exchange for the Premium Shares.

The cost base (or reduced cost base) of the Premium Shares disposed should generally be the amount paid to acquire the Premium Shares plus incidental costs of ownership (i.e. acquisition costs and other costs relating to the holding and disposal of the Premium Shares, provided the costs have not previously been claimed as a tax deduction).

The cost base and reduced cost base of each Premium Share will depend on the individual circumstances of each Premium Shareholder.

The amount of cash and the number of New WAM Shares and New WAM Options that a Premium Shareholder will receive under the Scheme may differ depending on whether the Premium Shareholder elects to receive Cash Consideration, Scrip Consideration, or a combination of both Cash Consideration and Scrip Consideration. This Election will affect the extent to which CGT roll-over relief (discussed below) is available to a Premium Shareholder for the disposal of their Premium Shares.

(b) **CGT discount**

Premium Shareholders who are individuals, trusts or complying superannuation funds should be able to apply the CGT discount where they have held their Premium Shares for at least 12 months (excluding the date of acquisition and disposal) before their disposal under the Scheme.

The CGT discount rules should, broadly, enable the Premium Shareholders to reduce any capital gain on the disposal of the Premium Shares (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and by 33 1/3% for complying superannuation funds.

The CGT discount is not available to Premium Shareholders that are companies.

(c) **Capital losses**

A capital loss will arise where the capital proceeds from the disposal of the Premium Shares are less than the reduced cost base of the Premium Shares.

A capital loss may be used to offset capital gains derived by the Premium Shareholders in the current year or may be carried forward and offset against capital gains derived in future income years. Specific loss recoupment rules apply to companies that may restrict their ability to utilise capital losses in future years. Premium Shareholders should seek their own independent tax advice in relation to the operation of these rules.

B. Disposal of Premium Shares – Foreign Residents

The Australian income tax consequences relevant for Premium Shareholders who dispose of their Premium Shares under the Scheme and that are foreign residents for tax purposes are outlined below.

Premium Shareholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their Premium Shares. This is on the basis that Premium does not hold any direct or indirect Australian real property interests (i.e. Premium does not hold any Australian land or greater than 10% of the shares in any company which owns Australian land).

Foreign resident Premium Shareholders should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

C. Scrip for Scrip Roll-Over Relief

Premium Shareholders who would otherwise make a capital gain in respect of the disposal of their Premium Shares may choose to obtain scrip for scrip roll-over relief (if eligible) to the extent their Premium Shares are exchanged for New WAM Shares. Scrip for scrip roll-over relief is not available in

¹⁷ “CGT event A1” refers to a disposal of a CGT asset under section 104-10 of the *Income Tax Assessment Act 1997* (Cth).

relation to any capital gains arising from the receipt of the WAM Options or the Cash Consideration (please refer below for further details).

(a) Eligibility for scrip for scrip roll-over relief

There are a number of conditions which must be satisfied in order for scrip for scrip roll-over relief to be obtained. Roll-over relief is broadly available where a shareholder exchanges shares in an original entity (Premium) for shares in a replacement entity (WAM) and the following conditions are satisfied:

- *The acquiring company (WAM) must become the owner of 80% or more of voting shares in the original entity (Premium).*

This condition should be satisfied on the basis that WAM is acquiring 100% of the voting shares in Premium.

- *In the case of a Scheme of Arrangement, the arrangement must be approved by a Court order.*

This condition should be satisfied on the basis that the Scheme will only proceed if a Court order is granted.

- *The Premium Shares must not be pre-CGT assets.*

This condition should be satisfied on the basis that Premium was listed on the Australian Securities Exchange in November 2003 and, therefore, should not have any pre-CGT shares on issue.

- *Apart from the roll-over relief, Premium Shareholders must make a capital gain from the arrangement.*

The satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis. Only shareholders who make a capital gain from the Scheme (prior to the application of any roll-over relief) will be eligible to choose to obtain a roll-over relief.

- *The Premium Shareholder must choose to obtain roll-over relief.*

As above, the satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis.

- *In circumstances where WAM and Premium are not dealing at arm's length and neither entity had at least 300 members or were members of the same linked group just before the arrangement started, the market value of the proceeds received by Premium Shareholders must be at least substantially the same as the market value of their Premium Shares and the WAM Shares must carry the same rights and obligations as those attached to the Premium Shares.*

On the basis that Premium and WAM have greater than 300 members and are not members of the same linked group, this condition should not be applicable.

Based on the above, it is expected that the conditions for the choosing of roll-over relief should be satisfied in relation to the Scheme (subject to Premium Shareholders realising a capital gain in relation to the Scheme and electing to choose roll-over relief).

(b) Income tax consequences of choosing scrip for scrip roll-over relief

The income tax consequences of choosing scrip for scrip roll-over relief include capital gains and cost base consequences, as discussed below.

(i) Capital gains consequences

A choice to obtain scrip for scrip roll-over relief allows the Premium Shareholder to disregard a capital gain made on the disposal of a Premium Share under the Scheme to the extent that the proceeds from the disposal of a Premium Share relate to the receipt of a WAM Share (but not a WAM Option or cash).

To the extent that a Premium Shareholder receives only Scrip Consideration and chooses scrip for scrip roll-over relief in relation to the WAM Shares received, any capital gain arising in relation to the receipt of the WAM Shares should be disregarded. However, a capital gain may still arise in relation to the receipt of the WAM Options.

To the extent that a Premium Shareholder receives only Cash Consideration, scrip for scrip roll-over relief is not available in respect of any capital gain arising.

To the extent that a Premium Shareholder receives a combination of Scrip Consideration and Cash

Consideration, any capital gain arising in respect of the WAM Shares (but not the WAM Options) should be disregarded where scrip for scrip roll-over relief is chosen. In these circumstances, a capital gain may still arise in relation to the Cash Consideration and the WAM Options.

Specifically, in circumstances where a combination of Scrip Consideration and Cash Consideration is received, the capital gain attributable to the Cash Consideration and to the WAM Options may be calculated as follows:

Table 1: Gain or loss on Cash Consideration and WAM Options	
Component	Calculation
Cash Consideration	Value of Cash Consideration Received less Cost Base in PRV Shares Attributable to the Cash Consideration (from Table 2)
WAM Options	Value of WAM Options Received less Cost Base in PRV Shares Attributable to the WAM Options (from Table 2)

In completing the above calculation, the first element of the cost base of the Premium Shares attributable to the Cash Consideration and to the WAM Options may be calculated as follows (please note, a reference in Table 2 to the "Total Consideration" is a reference to the Cash Consideration and the Scrip Consideration, including both the WAM Shares and the WAM Options):

Table 2: PRV Shares attributable to Cash Consideration and WAM Options	
Component	Calculation
Cash Consideration	Cost base of PRV shares $\times \frac{\text{Value of Cash Consideration}}{\text{Value of Total Consideration}}$
WAM Options	Cost base of PRV shares $\times \frac{\text{Value of WAM Options}}{\text{Value of Total Consideration}}$

No roll-over relief is available where the disposal of Premium Shares results in a capital loss.

(ii) Cost base or reduced cost base consequences

If a Premium Shareholder chooses Scrip Consideration, different rules apply to the determination of the first element of the cost base or reduced cost base of the WAM Shares and the WAM Options.

In relation to the WAM Shares, the first element of the Premium Shareholder's cost base or reduced cost base in the WAM Shares where scrip roll-over relief is chosen is equal to the portion of the cost base and reduced cost base of the Premium Shares which are transferred to WAM in exchange for the receipt of the WAM Shares. As such, the cost base of the New WAM Shares may be calculated as follows:

Table 3: Cost base of WAM Shares	
Cost base / reduced cost base of PRV shares	$\times \frac{\text{Value of WAM Shares}}{\text{Value of Total Consideration (scrip only)}}$

As no roll-over relief is available in relation to the receipt by Premium Shareholders of the WAM Options, the first element of the cost base or reduced cost base of the WAM Options is calculated as the market value of that portion of the Premium Shares transferred to WAM in exchange for the WAM Options. As such, the cost base of the New WAM Options may be calculated as follows:

Table 4: Cost base of WAM Options	
Value of PRV Shares	$\times \frac{\text{Value of WAM Options}}{\text{Value of Total Consideration (scrip only)}}$

If a Premium Shareholder receives only Cash Consideration, the scrip for scrip roll-over relief cost base and reduced cost base rules are not relevant.

If a Premium Shareholder receives a combination of Share Consideration and Cash Consideration, the first element of the cost base or reduced cost base of each WAM Share and WAM Option may be calculated using the methodology outlined above in Tables 3 and 4. In these circumstances, the

“Value of Total Consideration” would also include the Cash Consideration received.

(c) Income Tax Consequences if scrip for scrip roll-over relief is not, or cannot, be chosen

Premium Shareholders who are Australian residents and are not eligible to choose scrip for scrip roll-over relief (including in circumstances where a capital loss arises in respect of the disposal of their Premium Shares), or do not elect to choose scrip for scrip roll-over relief, should calculate a capital gain or loss from the disposal of their Premium Shares as outlined in Section 9.2A(a) above. That is, Premium Shareholders should make a capital gain if the capital proceeds from the disposal of their Premium Shares exceed their cost base. This capital gain should be treated as assessable and may be reduced by the CGT discount in certain circumstances. If the capital proceeds are less than the reduced cost base of the Premium Shares, they should make a capital loss.

In these circumstances, the first element of the cost base, and reduced cost base, of the replacement WAM Shares and WAM Options received as consideration for the disposal of the Premium Shares should be calculated using the methodology set out in Table 4 titled ‘Cost base of WAM Options’ (i.e. the first element of cost base should be calculated by reference to the market value of the Premium Shares transferred to acquire the WAM Shares and WAM Options).

D. Treatment WAM Options

To the extent that Premium Shareholders do not elect to exercise the WAM Options, the Premium Shareholders should recognise a capital loss upon the expiry of the options equal to the Premium Shareholder’s reduced cost base in relation to the options.

To the extent that Premium Shareholders elect to exercise the WAM Options, the first element of the Premium Shareholder’s cost base in the New WAM Shares issued as a result of the exercise of the options should be equal to the Premium Shareholder’s existing cost base in the options plus the amount paid to WAM to acquire the New WAM Shares.

9.3 Stamp Duty

No stamp duty should be payable by the Premium Shareholders in respect of the disposal of their Premium Shares.

No duty should be payable in respect of the Premium Shareholders’ acquisition of New WAM Shares under the Scheme on the basis that:

- WAM is currently, and will remain after the Scheme, a listed company;
- if all Premium Shareholders elect to take up their full entitlement of WAM Shares, the Scheme should result in Premium Shareholders acquiring approximately 28% of all the issued shares in WAM; and
- after the completion of the Scheme, no single shareholder or group of associated shareholders should have acquired (through the Scheme and/or any associated transactions) an interest of 90% or more in WAM.

The determination of whether the exercise of the WAM Options at a later point in time will trigger a stamp duty liability will need to be determined at the time the options are exercised. Separate stamp duty advice should be sought prior to the exercise of the WAM Options by Premium Shareholders.

9.4 GST

No GST should be payable by Premium Shareholders in respect of the disposal of the Premium Shares, the acquisition of the New WAM Shares or the acquisition of New WAM Options under the Scheme, regardless of whether the Premium Shareholder is registered for GST. Further, no GST should be payable in relation to the subsequent exercise by Premium Shareholders of the WAM Options.

Premium Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme and to determine what input tax credits, if any, they are entitled to claim for the GST included in the costs that they may incur in relation to the Scheme.

9.5 Implications to Australian Tax Residents of Holding WAM Shares

Australian tax residents are generally required to include as assessable income for the relevant year income derived from all sources within and outside of Australia. The Australian income tax consequences relevant for Premium Shareholders who are Australian tax residents and who hold WAM Shares are outlined below.

A. Receipt of dividends

Dividends paid from profits of WAM should be included in the assessable income of the Australian tax

resident shareholder for the income year in which the dividend payment is received.

B. Disposal of shares

The disposal of WAM Shares by an Australian tax resident that holds the shares on capital account should be subject to Australian CGT.

Shareholders should make a capital gain where the capital proceeds received from the disposal of the WAM Shares exceed their cost base. Shareholders should make a capital loss where the capital proceeds received are less than the reduced cost base of the shares.

Net capital gains made by the Australian tax resident should be treated as assessable income, and the tax payable will be dependent on the nature of the shareholder.

10 Implementation of the Scheme

If the Scheme becomes Effective, the Premium Shares will be transferred to WAM, Premium will be a wholly owned subsidiary of WAM, and each Scheme Participant will be entitled to the Scheme Consideration. This section describes the implementation of the Scheme.

10.1 People who are affected by the Scheme

If the Scheme becomes Effective, it will bind all Premium Shareholders, including those who voted against the Scheme and those who did not vote at all.

10.2 Effect of the Scheme becoming Effective

If the Scheme becomes Effective:

- (a) Scheme Participants can elect to receive either Scrip Consideration, Cash Consideration or a combination of both by using the Election Form;¹⁸
- (b) all Premium Shares will be transferred to WAM, which will result in Premium becoming a wholly-owned subsidiary of WAM; and
- (c) Premium will then be removed from the official list of ASX and Premium Shares will cease to be quoted by ASX.

10.3 Payment of Scheme Consideration

The Scheme Consideration is comprised of Scrip Consideration, Cash Consideration or a combination of both, depending on the Election made by the Scheme Participant.

A. Scrip Consideration

Each of Premium and WAM will calculate its own Scheme NTA on the Calculation Date, being the Second Court Date. Premium and WAM will provide the Scheme NTA calculation to the other for certification by the auditor for the other party. This certification will be completed within 5 Business Days of delivery of the Scheme NTA information.

It is anticipated that the precise Scheme Consideration to be paid will be known and announced by the Record Date for the Scheme, expected to be 7.00pm on Thursday 20 December 2012.

New WAM Shares and New WAM Options to be issued under the Scheme will be issued to Scheme Participants (other than Ineligible Foreign Shareholders) on the Implementation Date. Normal T+3 settlement trading of New WAM Shares and New WAM Options is expected to commence on Wednesday, 2 January 2013.

Ineligible Foreign Shareholders can elect to receive Scrip Consideration however the New WAM Shares and New WAM Options that would otherwise be issued to them will be dealt with in the manner described in section 2.11.

B. Cash Consideration

Scheme Participants who elect to receive the Cash Consideration can elect to receive their Cash Consideration as a cheque or via EFT. Only Scheme Participants that have notified the Registry of their EFT details before the Record Date can receive Cash Consideration by EFT. The Cash Consideration will be distributed within 5 Business Days after the Implementation Date.

The general taxation implications of the Scheme on Scheme Participants are discussed in section 9.

10.4 If the Scheme does not proceed

Each of the Independent Directors recommends that Premium Shareholders vote in favour of the Scheme in the absence of a superior proposal for the reasons set out in section 1.2.

However, if the Scheme is not implemented:

- (a) Premium Shareholders will retain their direct interests in Premium Shares and continue to collectively control Premium;

¹⁸ If Ineligible Foreign Shareholders choose to receive Scrip Consideration, the New WAM Shares and New WAM Options that would otherwise be issued to them will be dealt with in the manner described in section 2.11. Ineligible Foreign Shareholders will be distributed Cash Consideration in the same manner as other Premium Shareholders.

- (b) the benefits of the Scheme will not be realised;
- (c) Premium would remain an independent listed investment company;
- (d) Premium will continue to operate under the Premium Directors and be managed by Treasury Group Investment Services;
- (e) the rights of Premium Shareholders will remain unchanged; and
- (f) costs in connection with the Scheme of approximately \$590,000 will be borne by Premium.

The Independent Directors would then consider alternatives, including a significant share buy-back, continuing Premium in its current form paying fully franked dividends when possible, or a voluntary winding up of Premium. A voluntary winding up of Premium would require the approval of Premium Shareholders before it could proceed and would be expected to take a further 3 months and may incur additional costs of up to \$1,960,000.

A net profit after tax of at least \$13,925,462 would be required to declare a fully franked dividend that utilised the total current balance of franking credits.

There are no break fees payable by Premium to WAM (or vice versa) if the Scheme does not proceed.

10.5 Steps in implementing the Scheme

Premium and WAM have executed the Scheme Implementation Agreement under which Premium agreed to propose the Scheme to Premium Shareholders. A copy of the Scheme Implementation Agreement is reproduced in annexure C. The Scheme is reproduced in annexure D.

WAM has executed the Deed Poll in favour of Scheme Participants under which WAM covenants to perform certain obligations imposed on it under the Scheme Implementation Agreement and the Scheme, including to provide to each Scheme Participant the Scheme Consideration to which the Scheme Participant is entitled under the terms of the Scheme. A copy of the Deed Poll is set out in Schedule 3 of the Scheme Implementation Agreement, which is reproduced in annexure C to this Scheme Booklet.

The Court has ordered that Premium convene the Scheme Meeting scheduled to be held at 10.30am Monday 10 December 2012 at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000 for the purpose of Premium Shareholders voting on the Scheme Resolution.

The order of the Court to convene the Scheme Meeting is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

10.6 Scheme Resolution

On Monday 10 December 2012, Premium Shareholders other than WAM¹⁹ are scheduled to vote at the Scheme Meeting on the following Scheme Resolution:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Premium Investors Limited and the holders of its fully paid ordinary shares, the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification by the Federal Court of Australia).”

If:

- (a) the Scheme Resolution is approved by the requisite majorities at the Scheme Meeting; and
- (b) the Scheme Conditions (other than approval of the Court) have each been satisfied or, if applicable, waived in accordance with the Scheme Implementation Agreement,

then Premium will apply to the Court for orders approving the Scheme. It is expected that the Court hearing to approve the Scheme will be held on Wednesday 12 December 2012.

10.7 Effect of Court approval

Each Premium Shareholder has the right to appear at Court at the application by Premium for orders approving the Scheme. The Court has an overriding discretion whether or not to approve the Scheme, even if the Scheme is approved by the requisite majorities at the Scheme Meeting.

If Court orders approving the Scheme are obtained, Premium and WAM have agreed that they will take, or procure the taking of, the steps required for the Scheme to be implemented, including:

¹⁹ WAM, and any entity holding Premium Shares controlled by WAM, are excluded from voting at the Scheme Meeting.

- (a) Premium will lodge with ASIC an office copy of the Court orders approving the Scheme under section 411(10) of the Corporations Act. The Scheme will become Effective on the date on which an office copy of the Court orders is lodged with ASIC. It is expected that this will occur on or about Thursday 13 December 2012.
- (b) Once the Scheme becomes Effective:
 - (i) no dealings in Premium Shares will be permitted after the Effective Date, although the process to register dealings that occurred on or before the Effective Date will continue until the Record Date, which is anticipated to be 7.00pm on Thursday 20 December 2012;
 - (ii) Premium and WAM will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Agreement, the Scheme and the Deed Poll;
 - (iii) Scheme Participants will be bound by, and have the benefit under, the Scheme;
 - (iv) all the Premium Shares will be transferred to WAM without any further action by any Scheme Participant on the Implementation Date; and
 - (v) on the Implementation Date, Premium will enter the name of WAM into the Share Register in respect of the Premium Shares.

Upon completion of the steps set out above, WAM will hold all of the Premium Shares.

10.8 Scheme Conditions

If the Scheme Conditions referred to below are not satisfied or, where applicable, waived in accordance with the Scheme Implementation Agreement, the Scheme will not become Effective.

Implementation of the Scheme is subject to the satisfaction or waiver of a number of conditions precedent including:

- (a) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (b) **Scheme Meeting approval:** Premium Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (c) **No Premium Material Adverse Change:** no Premium Material Adverse Change occurs before the Second Court Date, including any event that would prevent or delay Premium's ability to consummate the Scheme;
- (d) **No WAM Material Adverse Change:** no WAM Material Adverse Change occurs, before the Second Court Date, including any event that would prevent or delay WAM's ability to consummate the Scheme;
- (e) **No Premium Prescribed Occurrence:** no Premium Prescribed Occurrence occurs before the Second Court Date, including changes in the structure of Premium's share capital, Premium acquiring or disposing assets for more than \$200,000 or entering or terminating any contract involving revenue or expenditure of more than \$200,000 (without WAM's consent);
- (f) **No WAM Prescribed Occurrence:** no WAM Prescribed Occurrence occurs before the Second Court Date including WAM ceasing to carry on its business as it is currently conducted;
- (g) **No breach of Premium warranty:** WAM is satisfied that none of the Premium warranties is incorrect before the Second Court Date; and
- (h) **No breach of WAM warranty:** Premium is satisfied that none of the WAM warranties is incorrect before the Second Court Date.

10.9 Status of Scheme Conditions

As at the date of this Scheme Booklet, Premium and WAM are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied or (if applicable) waived. An update of the status of the Scheme Conditions will be provided at the Scheme Meeting.

10.10 Warranties by Scheme Participants

The Scheme provides that each Scheme Participant is deemed to have warranted to WAM that:

- (a) all their Premium Shares (including any rights attaching to those shares) which are transferred to WAM under the Scheme will, at the date of transfer, be fully paid and free from all encumbrances of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and

- (b) they have full power and capacity to sell and to transfer their Premium Shares together with any rights attaching to such Premium Shares to WAM.

10.11 Termination

The Scheme Implementation Agreement can be terminated by either Premium or WAM if a condition precedent is not satisfied by the end date of 1 February 2013, the other party is in material breach of the agreement or a Court or Government Agency has taken action to restrain or prohibit the Scheme. As at the date of this Scheme Booklet, Premium and WAM are not aware of any reason that the Scheme Implementation Agreement would be terminated.

These termination rights are set out in full in clause 10 of the Scheme Implementation Agreement.

10.12 Determination of Scheme Participants

A. Dealings on or before the Record Date

For the purpose of calculating entitlements under the Scheme, any dealing in Premium Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHESSE, the transferee is registered in the Share Register as the holder of the relevant Premium Shares on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the Registry.

B. Dealings after the Record Date

For the purposes of determining the entitlement to Scheme Consideration, Premium will, until the Scheme Consideration has been provided, maintain the Share Register in its form as at the Record Date. The Share Register in this form will solely determine entitlements to Scheme Consideration.

From the Record Date:

- (a) all statements of holding in respect of Premium Shares cease to have effect as documents of title in respect of such Premium Shares; and
- (b) each entry on the Share Register will cease to be of any effect except as evidence of entitlement to Scheme Consideration in respect of the Premium Shares relating to that entry.

10.13 Creditors of Premium

The Independent Directors consider that the Scheme, if implemented, should not materially prejudice Premium's ability to pay its creditors as it involves the acquisition of the Premium Shares rather than Premium's underlying assets. No material new liability (other than transaction costs) is expected to be incurred by Premium as a consequence of the implementation of the Scheme.

10.14 Delisting Premium

On a date after the Implementation Date to be determined by WAM, Premium will apply:

- (a) for termination of the official quotation of Premium Shares on ASX; and
- (b) to have itself removed from the official list of ASX.

11 Additional information

This section 11 provides you with additional information required for the purposes of section 412(1) of the Corporations Act.

11.1 Equity interests of Premium Directors

Premium Directors are eligible to vote their shares on the Scheme Resolution and elect to receive the Scrip Consideration or Cash Consideration (or a combination of both) under the Scheme on the same terms as you.

The table below sets out the Premium Directors' interest in Premium as at the date of this Scheme Booklet:

Director	Premium Shares
Reubert Hayes	225,000
Tom Collins	112,068
Lindsay Mann	85,558

As at the date of this Scheme Booklet, no Premium Director has a relevant interest in WAM.

11.2 Equity interests of WAM directors

As at the date of this Scheme Booklet, the current WAM directors held the following interests in WAM Shares and WAM Options:

	WAM Shares	WAM Options
Geoffrey Wilson	3,531,094	3,531,094
Matthew Kidman	248,118	195,564
Paul Jensen	112,655	108,772
James Chirnside	27,786	-

As at the date of this Scheme Booklet, no WAM director has a relevant interest in Premium.

11.3 Interests of WAM in Premium Shares

WAM has an interest in 2,710,746 Premium Shares. These shares are held through a custodian.

The table below sets out the trades that WAM has made in Premium Shares during the four months up to the date of this Scheme Booklet:

Date	Number of Shares	Total Bought / (Sold)	
		Value per Share (\$)	Total Consideration (\$)
17-Jul-12	(46,970)	0.660	(31,000)
10-Aug-12	(22,761)	0.675	(15,364)
22-Aug-12	531,978	0.677	359,936
Total	462,247		313,572

11.4 Interests of Wilson Asset Management in Premium Shares

As at the date of this Scheme Booklet, Wilson Asset Management manages the investments of three entities that hold an interest in Premium:

	Premium Shares
WAM	2,710,746
WAM Active Limited	513,688
Wilson Asset Management Equity Fund	246,432

Total	3,470,866 (3.43%)
--------------	--------------------------

11.5 Agreements or arrangements with Premium Directors

A. Mr Reubert Hayes

Mr Reubert Hayes has been a director of Treasury Group since 22 February 2007. Given his role in Treasury Group, Mr Reubert Hayes is not considered by the Independent Directors to be an Independent Director.

B. Management Agreement

If the Scheme is approved, Treasury Group Investment Services will be paid the Treasury Group Fee. Further information about this arrangement is set out in section 5.6.

C. Appointment of Mr Lindsay Mann to the WAM Board

If the Scheme becomes effective, Mr Lindsay Mann will be appointed to the WAM Board. Despite this appointment, the Premium Directors consider Mr Lindsay Mann to be independent because:

- he is a non-executive Premium Director, and has never been an executive of either Premium or WAM;
- he is not a substantial shareholder, or otherwise associated with a substantial shareholder, of either Premium or WAM;
- he has never been a material professional adviser or consultant to Premium or WAM;
- he is not a material supplier or customer of Premium or WAM; and
- he does not have any material contractual relationship with Premium or WAM other than as a non-executive Premium Director.

The seat on the WAM Board was considered by the Independent Directors only in relation to the benefit that it would bring to Premium Shareholders by providing continuity of management. The Premium Directors do not consider that it would materially interfere with Mr Lindsay Mann's independent exercise of judgement in relation to assessing the Scheme and determining whether it is in the best interests of Premium Shareholders, in the absence of a superior proposal.

11.6 Other benefits to Premium Directors

The Premium Directors and the Company Secretary of Premium will not be receiving any compensation for loss of office in relation to the Scheme.

Other than as disclosed elsewhere in this Scheme Booklet, the Scheme will not affect the Premium Directors any differently to the effect on the like interests of Premium Shareholders.

11.7 Material changes to the financial position of Premium

The financial position of Premium has improved since 30 June 2012, being the date of the balance sheet which was included in the Premium 2012 Annual Report, as a result of improvement in markets in which funds are invested. These improvements have been disclosed via the publishing of monthly net tangible asset per share data.

11.8 Material contracts

The only contracts material to Premium's business are the Management Agreements, described in section 5.6.

11.9 Scheme costs

The total transaction costs of the Scheme are estimated to be approximately \$1,729,000.

11.10 Foreign selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Premium disclaims all liabilities to such persons. If you are a Premium Shareholder who is a nominee, trustee or custodian, you are advised to seek independent advice as to how you should proceed.

No action has been taken to register or qualify this Scheme Booklet, the Scheme or the New WAM Shares or the New WAM Options, or otherwise permit a public offering of the New WAM Shares or the New WAM Options, in any jurisdiction outside of Australia.

11.11 Lodgement of this Scheme Booklet

This Scheme Booklet was given to ASIC on Friday 12 October 2012 in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

11.12 Consents and disclaimers of advisers

Each of the parties named in this section 11.12 as consenting parties:

- (a) has given and has not, before lodgement of this Scheme Booklet with Court, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;
- (b) has given and has not, before the lodgement of this Scheme Booklet with Court, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this section 11.12, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- (c) does not make, or purport to make, any statement in this Scheme Booklet other than those statements referred to in this section 11.12 in respect of that person's name (and as consented to by that person); and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Booklet.

Role	Consenting Party	Statements
Acquiring entity	WAM Capital Limited	WAM Information
Australian taxation adviser	Ernst & Young	Australian taxation considerations in section 9
Independent Expert	Lonergan Edwards and Associates	Independent Expert's Report in annexure A
Investigating Accountant	Moore Stephens	Investigating Accountant's Report in annexure B
Auditor for WAM	Moore Stephens	
Auditor for Premium	Ernst & Young	
Registry	Computershare Investor Services Pty Limited	
Strategic advisers	Allier Capital Pty Ltd	
Australian legal adviser	Corrs Chambers Westgarth	

11.13 Disclosure of fees and benefits received by certain persons

No amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given for services provided by any person referred to in section 11.12 in connection with the formation or promotion of Premium or the offer of New WAM Shares or New WAM Options under the Scheme.

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are those persons listed in section 11.12.

11.14 Documents available

An electronic version of this Scheme Booklet is available for viewing and downloading online at Premium's website <http://www.premiuminvestors.com.au>.

Further information about WAM is available at WAM's website <http://www.wamfunds.com.au>.

11.15 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme being information that is within the knowledge of any Premium Director, or any director of any related body corporate of Premium, which has not previously been disclosed to Premium Shareholders.

11.16 Supplementary information

Premium will issue a supplementary document to this Scheme Booklet if it becomes aware of any of

the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Effective Date:

- (a) a material statement in this Scheme Booklet is or becomes false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Premium may circulate and publish any supplementary document by:

- (a) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (b) posting the supplementary document on Premium's website; or
- (c) making an announcement to the ASX.

12 Glossary of terms

12.1 Definitions

In this Scheme Booklet (including the annexures), unless the context requires otherwise:

ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
Business Day	means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.
Calculation Date	means the date on which Premium and WAM calculate the Scheme Consideration entitlement, which will be the Second Court Date of the Scheme.
Cash Consideration	means an amount equal to the Premium pre-tax net tangible asset backing per share, less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme, for each Premium Share.
CHESS	means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd (ACN 008 504 532).
Corporations Act	means the Corporations Act 2001 (Cth).
Court	means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Premium and WAM.
Deed Poll	means the deed poll by WAM in favour of the Scheme Participants.
Effective	means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
EFT	means electronic funds transfer.
Election	means an election of Scheme Consideration to receive: <ul style="list-style-type: none">• Cash Consideration; or• Scrip Consideration; or• a combination of the above.
Election Form	means the personalised form to be completed by each Premium Shareholder to record its Election accompanying this Scheme Booklet.
Explanatory Statement	means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this Scheme, included in this Scheme Booklet.
Foreign Resident	means a person who is not a resident of Australia for the purposes of the Income Tax Assessment Act 1936 (Cth).
Government Agency	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.
Implementation Date	means the fifth Business Day after the Record Date or such other date as Premium and WAM agree in writing.
Independent Directors	means Mr Lindsay Mann and Mr Tom Collins. Given his role as a director of Treasury Group, Mr Reubert Hayes is not considered by the Premium Directors to be independent.
Independent Expert	means Lonergan Edwards & Associates.

Independent Expert's Report	means the report prepared by the Independent Expert, providing an opinion as to whether the Scheme is in the best interests of Premium Shareholders, included in annexure A.
Investigating Accountant's Report	means the report prepared by Moore Stephens, included in annexure B.
Ineligible Foreign Shareholder	means a Scheme Participant whose address on Premium's share register as at the Record Date is a place outside Australia and its external territories and New Zealand, unless Premium and WAM agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with New WAM Shares and New WAM Options when this Scheme becomes Effective.
Investment Management Agreement	means the Investment Management Agreement between Premium and Treasury Group Investment Services dated on or about 1 July 2009, as amended.
Listing Rules	means the Listing Rules of the Australian Securities Exchange.
Management Agreements	means the Investment Management Agreement and the Management Services Agreement together.
Management Services Agreement	means the Management Services Agreement between Premium and Treasury Group Investment Services dated 6 August 2007, as amended.
Merged Entity	means the merged entity of WAM and Premium that will exist after implementation of the Scheme.
New WAM Option	means a WAM Option to be issued pursuant to the Scheme to Scheme Participants that receive Scrip Consideration.
New WAM Share	means a WAM Share to be issued pursuant to the Scheme to Scheme Participants that receive Scrip Consideration.
Nominee	means a nominee who will hold Scrip Consideration for the benefit of Ineligible Foreign Shareholders and arrange for the subsequent sale and distribution of net sale proceeds.
NTA Formula	is the ratio for determining the Scrip Consideration calculated in accordance with section 1.6.
Premium	means Premium Investors Limited ACN 106 259 885.
Premium Directors	means the board of directors of Premium.
Premium Information	means the information set out in section 5.
Premium Material Adverse Change	has the meaning given in the Scheme Implementation Agreement.
Premium Prescribed Occurrence	has the meaning given in the Scheme Implementation Agreement.
Premium Share	means a fully paid ordinary share in the capital of Premium.
Premium Shareholder	means a person who is registered in the Share Register as the holder of a Premium Share.
Proxy Form	means the personalised form for appointing a proxy accompanying this Scheme Booklet.
Record Date	means 7.00pm (Sydney time) on the fifth Business Day after the Effective Date.
Registry	means Computershare Investor Services Pty Limited of 452 Johnston Street, Abbotsford, Victoria, 3067.
Regulatory Approvals	has the meaning given in clause 3.1 of the Scheme Implementation Agreement.
Related Bodies Corporate	means has the meaning given in the Corporations Act.
Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between Premium and the Scheme Participants, included in annexure D.

Scheme Booklet	means this document.
Scheme Conditions	means the conditions precedent summarised in section 10.8 and set out in clause 3.1 of the Scheme Implementation Agreement.
Scheme Consideration	means, depending on the Election or deemed Election made by a Scheme Participant, for each Premium Share: (a) the Cash Consideration; (b) the Scrip Consideration; or (c) a combination of Cash Consideration and Scrip Consideration.
Scheme Implementation Agreement	means the scheme implementation agreement between Premium and WAM dated 14 September 2012 as amended, and set out in annexure C.
Scheme Meeting	means the meeting of Premium Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme NTA	means the pre-tax net tangible asset backing per share less deferred tax assets and transaction costs associated with implementing the Scheme.
Scheme Participant	means each Premium Shareholder (other than WAM and any entity holding Premium Shares on behalf of WAM) as at the Record Date.
Scheme Resolution	means the resolution that Premium Shareholders are asked to vote on at the Scheme Meeting, set out in section 10.6.
Scrip Consideration	for each Premium Share means: (a) the number of New WAM Shares determined by the NTA Formula; and (b) the number of New WAM Options determined by the NTA Formula.
Second Court Date	means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard, or if the hearing is adjourned for any reason, the first day on which the adjourned application is heard.
Share Register	means the register of members of Premium.
Shareholder Information Line	means: <ul style="list-style-type: none"> • 1800 087 348 (in Australia); or • +61 3 9415 4000 (outside Australia), Monday to Friday between 8.30am and 7.00pm (Sydney time).
Treasury Group	means Treasury Group Limited ACN 006 708 792.
Treasury Group Fee	means \$700,000 payable to Treasury Group Investment Services (or a Related Body Corporate). Further information about this payment is set out in section 5.6A.
Treasury Group Investment Services	means Treasury Group Investment Services Limited ACN 099 932 920.
WAM	means WAM Capital Limited ACN 086 587 395.
WAM Board	means the board of directors of WAM.
WAM Constitution	means the constitution of WAM as amended.
WAM Information	means the information set out in section 6, section 7 and section 8.
WAM Management Agreement	means the management agreement between WAM and Wilson Asset Management, described in section 6.7.
WAM Material Adverse Change	has the meaning given in the Scheme Implementation Agreement.
WAM Option	means the WAM options that are traded on ASX under the code WAMO, and which will include the New WAM Options.
WAM Option Holder	means a holder of WAM Options.

WAM Prescribed Occurrence	has the meaning given in the Scheme Implementation Agreement.
WAM Share	means an ordinary fully paid share in WAM.
Wilson Asset Management	means Wilson Asset Management (International) Pty Limited ACN 081 047 118.

12.2 Interpretation

In this Scheme Booklet (including the annexures) unless the context otherwise requires:

- (a) A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.
- (b) Except where otherwise stated, all references to times in this Scheme Booklet are references to Sydney time.
- (c) All references to "\$", "dollar" and "cent" are references to Australian currency, unless stated otherwise.
- (d) Words and phrases not otherwise defined in this Scheme Booklet (excluding the annexures) have the same meaning (if any) as is given to them by the Corporations Act.
- (e) The singular includes the plural and vice versa. A reference to a person includes a reference to a corporation.
- (f) Headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet.
- (g) A reference to a section is to a section in this Scheme Booklet unless stated otherwise.

The Independent Directors
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11 October 2012

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Subject: Proposed merger with WAM Capital Limited

Dear Independent Directors

Introduction

- 1 On 14 September 2012 Premium Investors Ltd (PRV) and WAM Capital Limited (WAM) announced that they had entered into a Scheme Implementation Agreement (the Agreement) to effect the merger of the two listed investment companies¹.
- 2 The proposed merger is to be implemented by a scheme of arrangement between PRV and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme is implemented, PRV shareholders will be able to elect either:
 - (a) to receive cash consideration for up to 100% of their PRV shares (the Cash Consideration). The Cash Consideration paid to each PRV shareholder who elects to receive the Cash Consideration will be calculated by reference to the pre-tax net tangible asset (NTA) backing per share of PRV, determined in the same manner as per PRV's monthly NTA backing per share announcements to the Australian Securities Exchange (ASX), less any deferred tax assets carried on the balance sheet and less any transaction costs associated with implementing the Scheme; or
 - (b) to exchange up to 100% of their PRV shares for shares in WAM (the Scrip Consideration). The number of new WAM shares to be issued to each PRV shareholder who elects to receive the Scrip Consideration (the New WAM Shares) will be calculated by reference to the relative pre-tax NTA backing per share of each company, determined in the same manner as per each company's monthly NTA backing per share announcements to the ASX, less in the case of PRV any deferred tax assets carried on the balance sheet and less any transaction costs associated with implementing the Scheme. PRV shareholders who elect to receive the Scrip Consideration will also be issued one WAM option for each New WAM Share that they are issued (the WAM Option); or
 - (c) a combination of the above.

¹ Where appropriate, references in this report to WAM subsequent to the proposed merger with PRV are described as the Merged Entity.

- 4 The formula to determine the exchange ratio is outlined in Section I of our report. Based on the most recently reported NTA backing per share for each company (as at 31 August 2012), and taking into account estimated transaction costs, each PRV shareholder would receive approximately one New WAM Share for every two PRV shares they hold.
- 5 In addition, as noted above, each PRV shareholder who elects to receive the Scrip Consideration will also be issued one WAM Option for each New WAM Share that they are issued. The WAM Options have a strike price of \$1.60 per option and will be exercisable at any time up to 31 July 2013.
- 6 The Scheme is subject to the Court convening a meeting of PRV shareholders. Under the *Corporations Act 2001 (Cth)* (Corporations Act), the Scheme is approved by PRV shareholders if a resolution in favour of the Scheme is passed by a majority of PRV shareholders present (in person or by proxy) and voting at the Scheme meeting, and by 75% of the votes cast on the resolution. If this occurs a second Court hearing will be held to approve the Scheme, which if approved, will become binding on all PRV shareholders who hold PRV shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

Purpose of report

- 7 The Independent Directors recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of PRV shareholders (in the absence of a superior proposal). Accordingly, the Independent Directors of PRV have requested that Lonergan Edwards & Associates Limited (LEA) prepare an Independent Expert's Report (IER) for the benefit of PRV shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Scheme Booklet to be sent to PRV shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of PRV shareholders.
- 8 LEA is independent of PRV and WAM and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 9 We have separately considered the Cash Consideration and the Scrip Consideration. We have concluded that each of the Cash Consideration and the Scrip Consideration are fair and reasonable.
- 10 As noted above, under the Scheme PRV shareholders may elect to receive either the Cash Consideration or the Scrip Consideration. We have therefore concluded that the Scheme is fair and reasonable and in the best interests of PRV shareholders, in the absence of a superior proposal.
- 11 We set out below the reasons for these opinions.

Cash Consideration

Assessment of fairness

12 Pursuant to Regulatory Guide 111 – *Content of expert reports* (RG 111), an offer is “fair” if:

“The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.”

13 This comparison as it applies to the Cash Consideration (based on the reported NTA as at 31 August 2012) is shown below:

Comparison of Cash Consideration to assessed value of PRV shares based on values as at 31 August 2012		
	Low cents	High cents
Cash Consideration per share ^{(1), (3)}	79.8	79.8
Assessed value per PRV share ^{(1), (2)}	79.2	79.9
Extent to which the Cash Consideration exceeds our assessed value per PRV share ⁽¹⁾	0.6	(0.1)

Note:

- 1 Based on pro-forma NTA as at 31 August 2012.
- 2 Refer paragraph 131.
- 3 Refer paragraph 134.

14 As the proposed Cash Consideration per share is consistent with our assessed value per share of PRV on a 100% controlling interest basis, in our opinion, the proposed Cash Consideration is fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

15 Pursuant to RG 111, a proposal is reasonable if it is fair. Consequently, the Cash Consideration is also reasonable.

16 In considering whether the Cash Consideration is reasonable we also note that:

- (a) the Cash Consideration is based on the reported NTA per share of PRV (less any deferred tax assets and adjusted for transaction costs associated with the Scheme) whereas PRV shares have consistently traded below the comparative reported NTA per share of the company in the last 12 months
- (b) the Cash Consideration provides PRV shareholders with the opportunity to sell a significant volume of PRV shares without depressing the market price.

Conclusion

- 17 Based on the above, we have concluded that the Cash Consideration is fair and reasonable to PRV shareholders.
- 18 Accordingly, we consider the Cash Consideration component of the Scheme to be in the best interests of those PRV shareholders seeking to realise their investment in the company, in the absence of a superior proposal.

Scrip Consideration

Assessment of fairness

- 19 Pursuant to RG 111 the Scheme is “fair” if the value of the Scrip Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scrip Consideration to value of PRV based on values as at 31 August 2012⁽¹⁾		
	Low	High
	cents per share	cents per share
Value of Scrip Consideration ^{(1), (2)}	77.5	80.7
Assessed value per PRV share ^{(1), (3)}	79.2	79.9
Extent to which the Scrip Consideration exceeds / (is less than) the value of PRV shares ⁽¹⁾	(1.7)	0.8

Note:

- 1 Based on pro-forma NTA as at 31 August 2012 (adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012).
- 2 Refer paragraph 148.
- 3 Refer paragraph 131.

- 20 As the value of the Scrip Consideration is broadly consistent with our assessed valuation range for PRV shares on a 100% controlling interest basis, in our opinion the Scrip Consideration is fair to PRV shareholders when assessed based on the guidelines set out in RG 111.
- 21 PRV shareholders should be aware that, at the low end of our assessed valuation ranges the value of the Scrip Consideration is slightly below our assessed value of PRV shares on a 100% controlling interest basis and accordingly would not be fair. However:
- (a) such a comparison ignores the fact that the value of the Scrip Consideration exceeds the value of PRV at the high end of our assessed valuation ranges
 - (b) in any event, the Scrip Consideration would still be reasonable for the reasons stated in paragraph 27
 - (c) as set out in Section I of our report, the actual exchange ratio (and hence the value of the Scrip Consideration) will depend on the relative pre-tax NTA of each company on the Second Court Date.

- 22 As noted above, our assessment is based on the NTA of both PRV and WAM as at 31 August 2012². In addition, the above assessment reflects a value of the WAM Options (offered as consideration under the scrip alternative) in the range of 2.2 cents to 4.0 cents per option.
- 23 Changes in the pre-tax NTA of PRV and/or WAM may affect both the value of the Scrip Consideration and the value of 100% of the shares in PRV. Accordingly we have undertaken a sensitivity analysis to changes in the underlying NTA of both companies. We have had regard to the scenarios where the WAM and PRV NTA values both fall by 10% or both rise by 10% (given the positive correlation between the listed investment companies)³. This sensitivity analysis indicates that the assumed changes in the pre-tax NTA of either company do not change our opinion on the Scheme. This conclusion is consistent with the fact that the exchange ratio is adjusted for movements in the pre-tax NTA of both companies⁴.

Other qualitative factors

- 24 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if a transaction is “fair and reasonable” it must also be “in the best interests” of shareholders, in the absence of a superior proposal.
- 25 Consequently, in our opinion, the Scrip Consideration is also reasonable and accordingly the Scrip Consideration component of the Scheme is in the best interests of PRV shareholders in the absence of a superior proposal.
- 26 In assessing whether the Scrip Consideration component of the Scheme is reasonable and in the best interests of PRV shareholders LEA has also considered the likely advantages and disadvantages of the Scrip Consideration component of the Scheme, as set out below.

Advantages

- 27 The Scrip Consideration component of the Scheme has the following benefits for PRV shareholders:
- (a) PRV shares have consistently traded below the reported pre-tax NTA per share of the company in the last 12 months (prior to the announcement of both the Scheme and the proposed off-market share buy-back subsequently cancelled). PRV shareholders accepting the Scrip Consideration will receive WAM shares that (in recent times) have traded at or near the company’s pre-tax NTA per share
 - (b) PRV shareholders will obtain exposure to a fund that has generated a return of 17.5% per annum since inception (a performance record that has exceeded its performance benchmark by some 10% per annum)

² Adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012.

³ As the underlying investment portfolios of both PRV and WAM are exposed to the same broad market sectors, we would expect movements in the NTA values of the two companies to be in the same direction, albeit the extent of movements may differ.

⁴ PRV shareholders should note that in the event of a significant reduction in the NTA of WAM (for example of around 10%) it is likely that there will be a corresponding decline in the WAM share price. In such circumstances, given the fixed exercise price of the WAM options of \$1.60, it is likely that the trading price of the WAM Options will be nominal and there may be a very limited market demand for the securities.

- (c) the management expense ratio of the Merged Entity should reduce as a result of the elimination of duplicated expenses and increased size of assets under management
- (d) the Merged Entity will create an investment company with approximately \$300 million⁵ of net assets and is anticipated to provide PRV shareholders with access to greater liquidity than the historical trading in PRV shares
- (e) WAM has an established track record of paying fully franked dividends to shareholders
- (f) the new Merged Entity may be better able to realise the value of PRV's deferred tax assets and utilise the available franking credits
- (g) PRV shareholders accepting the Scrip Consideration may be eligible for capital gains tax (CGT) rollover relief.

Disadvantages

28 PRV shareholders who elect to receive the Scrip Consideration should note that:

- (a) WAM currently pays base management fees equal to 1.0% of assets under management, whereas PRV currently pays corresponding fees of 0.9% of assets under management
- (b) in circumstances where performance fees are payable, the level of performance fees payable by the Merged Entity may be greater than would be the case under the existing PRV management agreement (refer sections III and IV of this report)
- (c) the transaction exchange ratio is based on pre-tax NTA and accordingly PRV shareholders collectively will effectively be diluting their exposure to PRV's deferred tax asset in respect of realised and unrealised losses on the PRV investment portfolio. In contrast WAM has a deferred tax liability in respect of unrealised investment gains⁶.

Conclusion

29 Given the above analysis we consider the Scrip Consideration component of the Scheme to be fair and reasonable and in the best interests of PRV shareholders in the absence of a superior proposal.

General

30 In preparing this report we have considered the interests of PRV shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

31 The impact of approving the Scheme on the tax position of PRV shareholders depends on the individual circumstances of each investor. PRV shareholders should read Section 9 of the Scheme Booklet (Taxation Implications for shareholders) and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.

⁵ Assuming full take up of the Scrip Consideration by PRV shareholders.

⁶ We have assessed the combined value of PRV's franking credits and tax losses (deferred tax asset) on a standalone basis at a value of nil to \$500,000. However, it is likely that the value of these franking credits and tax losses will have a greater value to shareholders in the Merged Entity.

- 32 The ultimate decision whether to approve the acquisition of shares by WAM under the Scheme should be based on each PRV shareholder's assessment of their own circumstances. If PRV shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that PRV shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

Table of contents

Section	Page
I Key terms of the Scheme	10
Terms	10
Conditions	11
Resolution	12
II Scope of our report	13
Purpose	13
Basis of assessment	13
Limitations and reliance on information	14
III Profile of Premium Investors Limited	16
Overview	16
Investment Management Agreement	16
Financial position	16
Investments	17
Tax assets	17
Share capital	18
Share price performance	18
Reported NTA	19
IV Profile of WAM (pre-merger)	21
Overview	21
Portfolio	21
Investment Management Agreement	23
Financial position	24
Share capital	24
Share price performance	25
Option price performance	27
V Valuation of PRV	29
Valuation approaches	29
Tax losses (tax assets)	30
Franking credits	30
Realisation costs	32
Value per share	32
VI Value of Cash Consideration	33
VII Value of Scrip Consideration	34
Methodology	34
WAM shares	34

Section		Page
	Likely trading price of WAM options	37
	Value of Scrip Consideration	37
VIII	Evaluation of the Scheme - Cash Consideration	38
	Summary of opinion	38
	Assessment of fairness	38
	Assessment of reasonableness	38
	Conclusion	39
IX	Evaluation of the Scheme – Scrip Consideration	40
	Summary of opinion	40
	Assessment of the Scrip Consideration component of the Scheme	40
	Other qualitative factors	41
	Conclusion	42

Appendices

- A** **Financial Services Guide**
- B** **Qualifications, declarations and consents**
- C** **Glossary**

I Key terms of the Scheme

Terms

- 33 On 14 September 2012 Premium Investors Limited (PRV) and WAM Capital Limited (WAM) announced that they had entered into a Scheme Implementation Agreement (the Agreement) to merge the two listed investment companies by way of a scheme of arrangement (the Scheme).
- 34 If the Scheme is implemented, PRV shareholders will be able to elect either:
- (a) to receive cash consideration for up to 100% of their PRV shares (the Cash Consideration). The Cash Consideration paid to each PRV shareholder who elects to receive the Cash Consideration will be calculated by reference to the pre-tax net tangible asset (NTA) backing per share of PRV, determined in the same manner as per PRV's monthly NTA backing per share announcements to the ASX, less any deferred tax assets carried on the balance sheet and less any transaction costs associated with implementing the Scheme; or
 - (b) to exchange up to 100% of their PRV shares for shares in WAM (the Scrip Consideration). The number of new WAM shares to be issued to each PRV shareholder who elects to receive the Scrip Consideration (the New WAM Shares) will be calculated by reference to the relative pre-tax NTA backing per share of each company, determined in the same manner as per each company's monthly NTA backing per share announcements to the ASX, less in the case of PRV any deferred tax assets carried on the balance sheet and less any transaction costs associated with implementing the Scheme. PRV shareholders who elect to receive the Scrip Consideration will also be issued one WAM option for each New WAM Share that they are issued (the WAM Option); or
 - (c) a combination of the above.
- 35 The number of New WAM Shares to be issued to each PRV shareholder who elects to receive the Scrip Consideration will be calculated using the following formula:

$$\text{NewWAM} = \text{PRVShares} \times \left(\frac{\text{PRVNTA}}{\text{WAMNTA}} \right)$$

Where:

- (a) NewWAM means the number of New WAM Shares to be issued to each PRV shareholder
- (b) PRVShares means the number of PRV shares held by the eligible PRV shareholder as at the Scheme Record Date that are elected for the Scrip Consideration
- (c) PRVNTA means the pre-tax NTA backing of PRV per PRV share (less deferred tax assets carried on the balance sheet and transaction costs)
- (d) WAMNTA means the pre-tax NTA backing of WAM per WAM share.

- 36 In addition, WAM will also issue one option in respect of each New WAM Share issued to PRV shareholders who elect to receive the Scrip Consideration.
- 37 Based on the most recently reported NTA⁷ for PRV and WAM at the date of this report, the exchange ratio would be approximately one New WAM Share for every two PRV shares, as calculated below:

Assumptions	PRV	WAM
Pre-tax NTA per share as at 31 August 2012	86.9	164.6
September capital management:		
Impact of options exercised in September 2012	-	(0.2)
Impact of dividend paid in September 2012	-	(5.5)
Pre-tax NTA per share adjusted for September capital management	86.9	158.9
Less: PRV deferred tax asset per share	(5.4)	-
Less: transaction costs per share	(1.7)	-
Adjusted pre-tax NTA per share	79.8	158.9
Implied exchange ratio	0.501	-

Note:

Rounding differences exist.

- 38 PRV shareholders should note that the actual exchange ratio will depend on the relative pre-tax NTA of each company on the Second Court Date, and will therefore likely differ from the calculation above.

Conditions

- 39 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between PRV and WAM:
- (a) approval of the Scheme by PRV shareholders by the requisite majorities under the *Corporations Act 2001 (Cth)* (Corporations Act) at the Scheme meeting
 - (b) no PRV Material Adverse Change occurs in respect of PRV on or before 8.00 am on the Second Court Date, including any event that would prevent or delay PRV's ability to consummate the Scheme
 - (c) no WAM Material Adverse Change occurs in respect of WAM on or before 8.00 am on the Second Court Date, including any event that would prevent or delay WAM's ability to consummate the Scheme
 - (d) no PRV Prescribed Occurrence occurs in respect of PRV on or before 8.00 am on the Second Court Date, including changes in the structure of PRV's share capital, PRV acquiring or disposing of assets for more than \$200,000 or entering or terminating any contract involving revenue or expenditure of more than \$200,000 (without WAM's consent)

⁷ The NTA figures are as at 31 August 2012.

- (e) no WAM Prescribed Occurrence occurs in respect of WAM on or before 8.00 am on the Second Court Date, including WAM ceasing to carry on its business as it is currently conducted
 - (f) WAM being satisfied that none of the PRV warranties are incorrect before the Second Court Date
 - (g) PRV being satisfied that none of the WAM warranties are incorrect before the Second Court Date
 - (h) the independent directors of PRV unanimously recommending that PRV shareholders vote in favour of the Scheme.
- 40 In addition PRV has agreed that up until the earlier of the effective date of the Scheme or the termination thereof it will not:
- (a) solicit, invite, encourage or initiate any competing transaction
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction
 - (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction
 - (d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.
- 41 The exclusivity obligations do not apply if PRV has complied with the various obligations set out in the Agreement and the PRV Independent Directors determine:
- (a) the proposed competing transaction is a superior proposal or the steps which the PRV Independent Directors propose to take may reasonably be expected to lead to a competing transaction which is a superior proposal⁸; and
 - (b) based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.
- 42 Further detail on the above conditions is set out in the Scheme Booklet.

Resolution

- 43 PRV shareholders will be asked to vote on the Scheme in accordance with the Scheme resolution contained in the relevant notice of meeting accompanying the Scheme Booklet.
- 44 If the Scheme resolution is passed by the requisite majorities, PRV must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with the Australian Securities & Investments Commission (ASIC) and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all PRV shareholders who hold PRV shares at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

⁸ Subject to any potential breach of fiduciary duties, PRV must notify WAM if it receives a superior competing proposal and give WAM three business days to match that competing proposal.

II Scope of our report

Purpose

- 45 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to s411 of the Corporations Act.
- 46 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 47 WAM currently holds 2.71 million PRV shares (representing 2.68% of the issued capital of PRV) and has no representation on the PRV Board. Accordingly there is no regulatory requirement for an Independent Expert's Report (IER). However, the PRV Independent Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of PRV shareholders (in the absence of a superior proposal).
- 48 Furthermore, as the Scheme (if approved and implemented) will result in 100% of the securities in PRV being held by WAM, RG 111 requires that an independent expert provides an opinion on whether the consideration payable under the Scheme is fair and reasonable to the shareholders of PRV.
- 49 The Independent Directors of PRV have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in PRV by WAM under the Scheme is fair and reasonable and in the best interests of PRV shareholders and the reasons for that opinion.
- 50 This report has been prepared by LEA for the benefit of PRV shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Scheme Booklet to be sent to PRV shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of PRV shareholders.
- 51 The ultimate decision whether to approve the Scheme should be based on each PRV shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 52 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.

- 53 RG 111 distinguishes “fair” from “reasonable” and considers:
- (a) the Scheme to be “fair” if the value of the Scheme consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company
 - (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 54 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 55 In our opinion, if the Scheme is fair and reasonable under RG 111 it must also be in the best interests of PRV shareholders.
- 56 Our report will therefore consider:
- (a) the market value of 100% of the shares in PRV
 - (b) the value of the consideration offered by WAM, including both the Cash Consideration and the Scrip Consideration
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the likely listed market price of WAM shares and WAM options subsequent to the transaction and the impact of the Scheme on the listed market value of the shareholdings held by PRV shareholders
 - (e) the likely impact of the Scheme on PRV shareholders future dividend income
 - (f) the relative NTA positions of PRV shareholders before and after implementation of the Scheme
 - (g) the advantages and disadvantages of the Scheme from the perspective of PRV shareholders
 - (h) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 57 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

- 58 Our report is also based upon financial and other information provided by PRV and WAM and their respective advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 59 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of PRV shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 60 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.
- 61 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 62 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of Premium Investors Limited

Overview

- 63 PRV is a listed investment company whose shares have been listed on the ASX since November 2003. PRV operates on the principle of pooled investment and specialises in the management of Australian and overseas marketable securities.
- 64 PRV was founded by Treasury Group Limited in 2003 to give small investors access to boutique investment managers. PRV's investment manager, Treasury Group Investment Services Limited (TIS), adopts a "manage the manager" approach to investment. TIS selects and monitors specialist boutique investment managers to achieve diversification across investment styles, countries and industries. PRV does not borrow to invest.

Investment Management Agreement

- 65 Under the prevailing investment management arrangements TIS is engaged by PRV to manage the investment portfolio and provide the day to day management of the company. The arrangements are in place until 2028 (subject to early termination rights) and services are provided pursuant to two contracts:
- (a) Investment Management Agreement – the key provisions of which are:
- (i) base management fees are payable at the rate of 0.9% per annum of the market capitalisation of the investment portfolio at the end of each month, adjusted for cashflows during the month on a time weighted basis
 - (ii) performance fees are payable severally to TIS and any investment manager appointed by TIS at the rate of 10% of the outperformance of the five year government bond rate plus 3%
 - (iii) a termination fee is payable (in prescribed circumstances) to TIS equal to one year's base fee
- (b) Management Services Agreement – under which TIS provides PRV with selected business support services.

- 66 Subsequent to June 2010 PRV has gained its investment exposure via investments into managed investment schemes rather than directly held securities. Under these arrangements TIS has continued to receive its share of 0.4% per annum of the base management fee. The balance of the base management fee of 0.5% per annum is earned by the underlying fund managers in managing the portfolio assets (and is implicit in the unit price of each scheme).

Financial position

- 67 The financial position of PRV as at 30 June 2011 and 2012 is set out below:

PRV – statement of financial position		
	Audited 30 Jun 11 \$000	Audited 30 Jun 12 \$000
Cash and cash equivalents	152	5,275
Trade and other receivables ⁽¹⁾	3,125	2,940
Financial assets at fair value	79,430	71,389
Other current assets	70	24

PRV – statement of financial position		
	Audited 30 Jun 11 \$000	Audited 30 Jun 12 \$000
Deferred tax asset	5,508	5,508
Total assets	88,285	85,136
Trade and other payables ⁽²⁾	226	230
Total liabilities	226	230
Net assets	88,059	84,906
Contributed equity	108,249	111,572
Retained earnings	(20,190)	(26,666)
Total equity	88,059	84,906

Note:

- 1 Comprises dividends, interest and outstanding settlements receivable.
- 2 Comprises outstanding settlements payable and other creditors and accruals.

- 68 The reduction of \$3.2 million in net assets in FY12 reflects the net effect of:
- (a) the reported loss for the year of \$3.1 million (principally attributable to unrealised losses on the investment portfolio)
 - (b) dividends paid in respect of FY11 of \$3.4 million
 - (c) net capital raisings of \$3.3 million.

Investments

- 69 As at 31 August 2012 the investment portfolio of PRV comprised:

PRV – investment portfolio	
	\$000
Orion Australian Share Fund	11,837
IML Australian Share Fund	21,397
GVI Global Industrial Share Fund	9,086
GVI Global Industrial Share Fund – Unhedged	4,315
TAAM New Asia Fund	9,985
Aubrey Global Conviction Fund	2,057
RARE Infrastructure Value Fund – Hedged	16,596
Celeste Australian Small Companies Fund	2,444
	77,717

Tax assets

- 70 As noted above, the reported net assets of PRV as at 30 June 2012 include a deferred tax asset of \$5.5 million in respect of realised revenue losses on the investment portfolio. The deferred tax asset recognised is based on a view taken by PRV on the timeframe for the generation of future taxable income to utilise these losses.

- 71 In addition, PRV had an unrecognised deferred tax asset of \$10.0 million, comprising realised tax losses of \$8.7 million and unrealised tax losses of \$1.3 million.
- 72 The potential recoupment of these tax losses in future periods is in part inherently constrained by the size of the investment portfolio, and will implicitly be dependent on future gains on the investment portfolio, which in turn will be a function of factors including:
- (a) the investment performance of the underlying portfolio managers; and
 - (b) positive (upward) movements in security markets generally, both in Australia and overseas.

Share capital

- 73 PRV currently has 101.21 million shares on issue⁹. No options or other equity securities have been issued by PRV.
- 74 On 22 August 2012 PRV announced a proposed off-market buy-back of up to 75% of the ordinary shares on issue, subject to approval by PRV shareholders. Pursuant to the announcement of the Scheme the proposed buy-back has been cancelled.

Share price performance

- 75 The price of PRV shares from 1 July 2010 to 21 August 2012¹⁰ is summarised in the table below:

PRV – share price history				
	High \$	Low \$	Close \$	Monthly volume ⁽¹⁾ 000
Quarter ended				
September 2010	0.74	0.69	0.74	1,261
December 2010	0.79	0.73	0.75	992
March 2011	0.81	0.72	0.74	1,686
June 2011	0.80	0.73	0.75	1,883
Month				
July 2011	0.79	0.74	0.76	1,182
August 2011	0.79	0.70	0.71	2,321
September 2011	0.72	0.67	0.69	956
October 2011	0.72	0.67	0.72	803
November 2011	0.72	0.67	0.67	629
December 2011	0.70	0.67	0.68	571
January 2012	0.70	0.65	0.66	1,300
February 2012	0.68	0.61	0.62	1,859
March 2012	0.67	0.63	0.63	1,234
April 2012	0.67	0.63	0.65	1,065
May 2012	0.67	0.62	0.64	2,061
June 2012	0.66	0.62	0.64	2,166
July 2012	0.66	0.64	0.65	815
August 2012 ⁽²⁾	0.68	0.64	0.66	597

⁹ A total of 880,349 shares were bought back and cancelled pursuant to the equal access share buyback announced in February 2012.

¹⁰ Day prior to the buy-back announcement on 22 August 2012.

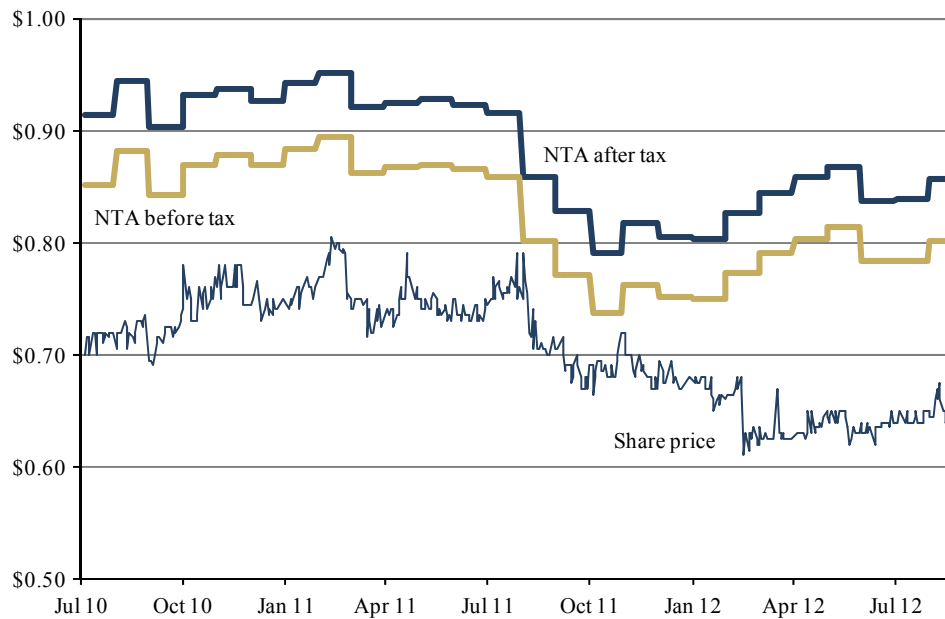
Note:

- 1 Monthly volumes for the “Quarter ended” represent average monthly volumes.
- 2 1 August 2012 to 21 August 2012 (day prior to the buy-back announcement).

Source: Bloomberg.

- 76 The following graph illustrates the movement in the PRV share price from 1 July 2010 to 21 August 2012, as compared to the reported NTA per share for the period:

PRV – share price history compared to NTA
1 July 2010 to 21 August 2012



Source: Bloomberg and PRV NTA monthly reports.

- 77 As noted above the PRV share price has consistently traded at a significant discount to the reported NTA per share over the previous two years.

Reported NTA

- 78 Consistent with its obligations as a listed investment company PRV reports its monthly NTA per share data to the ASX. The latest reported NTA per share, as at 31 August 2012, is summarised below:

PRV – adjusted NTA		
	Before tax	After tax
	Cents per share	Cents per share
Reported NTA	86.9	86.9
Less:		
Deferred tax asset on balance sheet	(5.4)	-
NTA adjusted for deferred tax asset	81.5	86.9

- 79 As noted the reported NTA per share before tax has been calculated after including the estimated recoverable future income tax benefit of \$5.5 million attributable to realised tax losses as at 30 June 2012. This benefit is equivalent to 5.4 cents per PRV share. The adjusted NTA excluding this benefit was 81.5 cents per share.

Liquidity in PRV shares

- 80 The liquidity in PRV shares based on trading on the ASX over the 12 month period preceding the announcement of the PRV buy back on 22 August 2012 is set out below:

PRV – liquidity of shares			
Period length	Start date	Value \$	Volume
3 months	22 May 2012	2,556,154	3,994,391
6 months	22 February 2012	5,308,421	8,306,650
1 year	22 August 2011	9,472,101	14,460,195

Source: Bloomberg.

- 81 As indicated above, in the 12 month period prior to the announcement of the buy back the total value of PRV shares traded was approximately \$9.5 million. This value of shares traded is lower than the value of WAM shares traded over the same period¹¹.

¹¹ In our opinion, the value of shares traded is a more reliable indicator of liquidity than the volume of shares traded as it is not distorted by the number of shares on issue and market price of the shares.

IV Profile of WAM (pre-merger)

Overview

- 82 WAM is an actively managed listed investment company with a diversified portfolio of undervalued growth companies, generally focused on Australian listed securities in the small to medium industrial sector. WAM also engages in relative value arbitrage and market mispricing opportunities to enhance portfolio return. Key investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital.
- 83 Since inception, the WAM investment portfolio has outperformed the Australian share market as represented by the S&P / ASX All Ordinaries Accumulation Index. The investment performance¹² (stated before expenses, fees and taxes) is set out in the table below:

WAM – investment performance					
	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Performance as at 31 Aug 12	%	% p.a.	% p.a.	% p.a.	Aug 99 % p.a.
WAM	+10.6	+12.7	+5.3	+13.9	+17.7
Index ⁽¹⁾	+4.0	+3.1	-2.9	+8.0	+7.3
Outperformance	+6.6	+9.6	+8.2	+5.9	+10.4

Note:

1 S&P / ASX All Ordinaries Accumulation Index.

- 84 This investment return has enabled WAM to pay an average annualised fully-franked dividend yield of 10.7% per annum (calculated by reference to WAM's initial public offering price of \$1.00 per share) over the 13 year period since listing in 1999.
- 85 WAM's investment manager, Wilson Asset Management (International) Pty Ltd (WAMPL) is an independently-owned boutique investment manager established in 1997 by Geoff Wilson and is based in Sydney¹³.

Portfolio

- 86 As at 31 August 2012, listed securities made up 50.6% of the WAM portfolio, with fixed interest and cash making up the remaining 49.4%, as set out below:

WAM – investment portfolio as at 31 August 2012	
Investment type	\$m
Listed equities	111.7
Fixed interest and cash	108.8
Short portfolio	(3.0)
Total	217.5

¹² LEA notes that past performance is not a reliable indicator of future performance.

¹³ WAMPL is also the investment manager of one unlisted wholesale fund, Wilson Asset Management Equity Fund. WAMPL owns 20% of Boutique Asset Management Pty Ltd (BAM) and Geoff Wilson has an interest in the remaining 80%. BAM is the investment manager of two other listed investment companies WAM Research Limited and WAM Active Limited.

87 WAM's 20 largest listed investments (in its long portfolio) as at 31 August 2012 are set out below.

WAM – top 20 investments		
	Market value \$000	Market value as a % of gross assets
CBA Perpetual Exc Resale Listed Sec – PERLS IV	6,434,600	3.0
Alesco Corporation Limited	6,211,866	2.9
Ironbark Capital Limited	4,587,083	2.1
Breville Group Limited	4,254,008	2.0
Emerging Leaders Investments Limited	4,083,247	1.9
RHG Limited	3,435,135	1.6
Coventry Group Limited	3,309,887	1.5
Ingenia Communities Group	3,053,959	1.4
Contango Capital Partners Limited	2,971,898	1.4
Century Australia Investment Limited	2,936,591	1.4
Sunland Group Limited	2,817,872	1.3
Skilled Group Limited	2,644,341	1.2
NEXTDC Limited	2,198,901	1.0
McMillan Shakespeare Limited	2,187,432	1.0
Amcom Telecommunications Limited	2,155,949	1.0
Automotive Holdings Group Limited	2,140,080	1.0
Webjet Limited	2,099,434	1.0
Challenger Infrastructure Fund	2,067,878	1.0
Seven Group Holdings Limited	2,064,015	0.9
Reckon Limited	2,035,606	0.9
	63,689,782	29.3

Note:

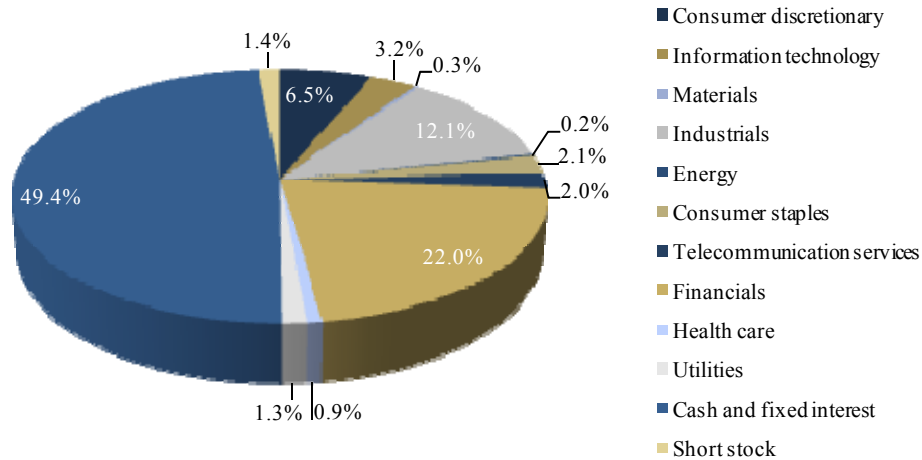
Rounding differences may exist.

Source: WAM NTA Backing announcement dated 11 September 2012.

88 WAM's investment portfolio as at 31 August 2012 also included 2.71 million PRV shares at a market value of \$1.73 million. This holding comprised less than 1% of the total investment portfolio of WAM.

89 The following chart sets out the composition of WAM's listed investment portfolio (by sector) as at 31 August 2012:

WAM – composition of listed investment portfolio



Source: WAM.

Investment Management Agreement

- 90 Under the prevailing investment management arrangements WAMPL is engaged by WAM to manage the investment portfolio. The term of these arrangements is for rolling five year periods, where WAMPL has the option to extend this term for an unlimited number of five year periods at its sole discretion (subject to early termination rights). The current five year term ends in May 2014, at which time WAMPL intends exercising its option to extend the term for a another five year period.
- 91 The WAMPL investment management agreement provides for:
- (a) the investment performance benchmark to be set as the S&P / ASX All Ordinaries Accumulation Index
 - (b) a base management fee of 1.0% per annum of gross assets, payable monthly
 - (c) performance fees of 20% (payable annually in arrears) of either:
 - (i) where the benchmark has increased over the period, the out performance of the portfolio against the benchmark
 - (ii) where the benchmark has decreased over the period, the increase in value of the portfolio.
- 92 No performance fee is payable in respect of any performance period where the portfolio has decreased in value over the period.
- 93 WAMPL also provides monthly company secretarial, accounting and financial reporting services to WAM on commercial terms.

Financial position

94 The financial position of WAM as at 30 June 2011 and 2012 is set out below:

WAM – statement of financial position		
	Actual 30 Jun 11 \$000	Actual 30 Jun 12 \$000
Cash and cash equivalents ⁽¹⁾	81,676	78,495
Trade and other receivables	5,742	7,675
Financial assets ⁽²⁾	94,175	94,820
Deferred tax asset	10	33
Total assets	181,603	181,023
Trade and other payables	3,792	7,132
Financial liabilities ⁽³⁾	800	2,456
Current tax liabilities	816	843
Deferred tax liabilities	4,849	3,371
Total liabilities	10,257	13,803
Net assets	171,346	167,220
Contributed equity	150,331	152,975
Reserves	20,111	16,054
Retained earnings	904	(1,809)
Total equity	171,346	167,220

Note:

- 1 Includes cash as collateral for borrowed stock.
- 2 Listed investments are valued at their last traded market price on the ASX. Of the total financial assets as at 30 June 2012, \$90.5 million (2011 – \$93.6 million) were listed. The balance represents unlisted investments valued at either fair value or cost.
- 3 Represents borrowed stock carried at last sale price. WAM provides cash collateral backing of 105% of the fair value of borrowed stock to the stock lender. The level of borrowed stock plus other borrowings cannot exceed 50% of the net asset value of WAM.

Deferred tax liabilities

95 WAM is a share trader and holds its investments as trading stock for income tax purposes. The deferred tax liability primarily represents the income tax payable on gross unrealised gains of the investment portfolio at the reporting date.

Share capital

96 As at 18 September 2012 WAM had 131.97 million fully paid ordinary shares on issue¹⁴.

¹⁴ Shares on issue include 22.89 million shares issued pursuant to the recent share placement.

- 97 On 2 April 2012, the Board announced a one for one bonus issue of options to acquire ordinary shares in WAM. The options have an exercise price of \$1.60 per share and can be exercised at any time on or before 31 July 2013. The options trade on the ASX under the code WAMO. There are currently 121.78 million options outstanding¹⁵.
- 98 As at 18 September 2012 there were no substantial shareholders with a greater than 5% interest in WAM.

Share price performance

Discount to NTA

- 99 The price of WAM shares as at the end of each month relative to its pre-tax NTA backing per share over the period 1 July 2010 to 31 August 2012 is summarised below:

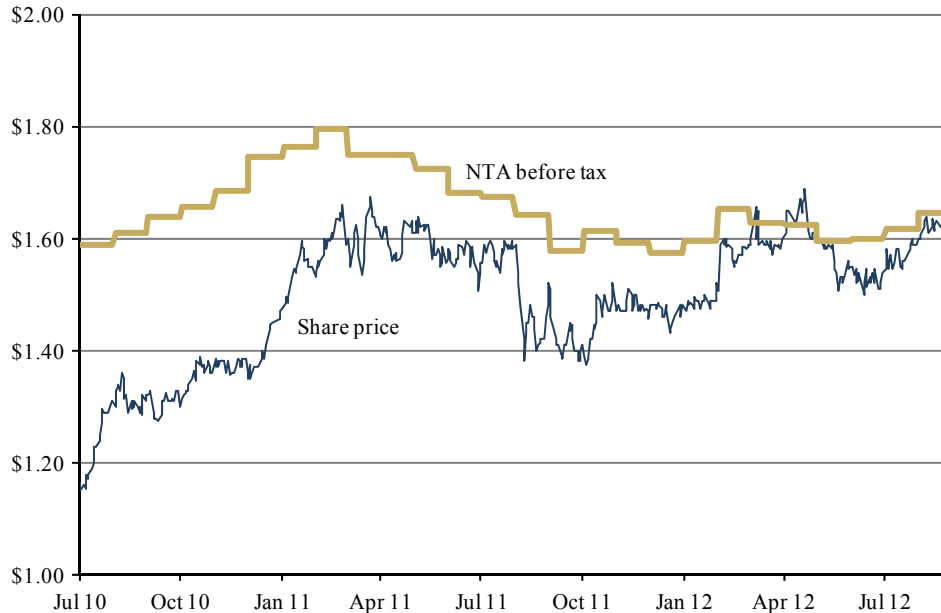
WAM – share price relative to NTA backing			
As at	Share price	Pre-tax NTA	Premium/
	\$	backing	(Discount) to NTA
		\$/share	%
31 July 2010	1.31	1.5883	(17.5)
31 August 2010	1.32	1.6094	(18.0)
30 September 2010	1.3	1.6375	(20.6)
31 October 2010	1.36	1.6578	(18.0)
30 November 2010	1.36	1.6861	(19.3)
31 December 2010	1.475	1.7463	(15.5)
31 January 2011	1.53	1.7647	(13.3)
28 February 2011	1.59	1.7959	(11.5)
31 March 2011	1.605	1.7477	(8.2)
30 April 2011	1.61	1.7506	(8.0)
31 May 2011	1.565	1.7231	(9.2)
30 June 2011	1.555	1.6811	(7.5)
31 July 2011	1.58	1.6740	(5.6)
31 August 2011	1.52	1.6432	(7.5)
30 September 2011	1.41	1.5768	(10.6)
31 October 2011	1.475	1.6148	(8.7)
30 November 2011	1.455	1.5914	(8.6)
31 December 2011	1.48	1.5727	(5.9)
31 January 2012	1.52	1.5955	(4.7)
29 February 2012	1.59	1.6531	(3.8)
31 March 2012	1.6	1.6261	(1.6)
30 April 2012	1.61	1.6250	(0.9)
31 May 2012	1.55	1.5951	(2.8)
30 June 2012	1.54	1.5993	(3.7)
31 July 2012	1.6	1.6159	(1.0)
31 August 2012	1.605	1.6464	(2.5)

Source: Bloomberg and respective WAM NTA announcements.

¹⁵ We note that under the Scrip Consideration accepting PRV shareholders will receive one WAM option for every WAM share received.

100 The following graph illustrates the movement in the WAM share price relative to its pre-tax NTA backing over the same period:

WAM – share price history compared to NTA backing



Source: Bloomberg and respective WAM NTA announcements.

- 101 As shown above, the share price of WAM has mostly traded below its reported pre-tax NTA. This discount can partly be attributed to the deferred tax liability discussed in paragraph 95 above. While the pre-tax NTA does not take into account the deferred tax liability, the market price of WAM shares is likely to reflect some allowance for the present value of this liability.
- 102 The discount to pre-tax NTA has reduced over time from the discount prevailing as at 1 July 2010. Since 31 March 2011 WAM shares have generally traded at levels that reflect a discount of between 1% and 11% to pre-tax NTA. We understand that the level of discount observed before 31 March 2011 was largely attributed by WAM management to negative market sentiment prevailing after the global financial crisis (GFC)¹⁶.
- 103 Further, based on discussions with WAM management, we understand that the discount and/or premium to NTA of LICs may also be affected by dividend yield, fund performance and quality of shareholder communication. Changes in the Corporations Act in June 2010 which allow companies to pay a dividend on a solvency basis may have also assisted in reducing the discount.
- 104 In more recent times (i.e. between 29 February and 31 August 2012), WAM shares have traded in the range of a 0.9% to 3.8% discount to pre-tax NTA (ignoring dates where there is no reported NTA).

¹⁶ Based on observed share market trading newer listed investment companies tend to trade at steeper discounts during bear markets and close this gap (and at times trade at a premium) during bull markets.

Liquidity and trading range in WAM shares

105 The liquidity in WAM shares based on trading on the ASX over the 12 month period to 28 September 2012 is set out below:

WAM – liquidity of shares						
Period	Start date	End date	High \$	Low \$	Value \$000	Volume 000
From ex-dividend date	17 Sep12	28 Sep 12	1.585	1.550	1,320	839
To last cum-dividend date	1 Sep 12	14 Sep 12	1.650 ⁽¹⁾	1.610 ⁽²⁾	1,854	1,136
3 months	1 Jul 12	28 Sep 12	1.650	1.535	6,464	4,024
6 months	1 Apr 12	28 Sep 12	1.690	1.500	11,658	7,301
1 year	1 Oct11	28 Sep 12	1.690	1.375	20,809	13,314

Note:

- 1 Cum-dividend price. Comparable to a \$1.595 ex-dividend price.
- 2 Cum-dividend price. Comparable to a \$1.555 ex-dividend price.

Source: Bloomberg.

106 As indicated, in the 12 month period prior to 28 September 2012, the total value of WAM shares traded was approximately \$20.8 million. Whilst low compared to the market capitalisation of WAM, the value of WAM shares traded is higher than the value of PRV shares traded during the same 12 month period¹⁷.

Option price performance

107 Pursuant to the Scheme, shareholders in PRV who elect to receive the Scrip Consideration will also receive one WAM option for each WAM share received. We note that these options will be identical to WAM options currently listed on the ASX under the ticker WAMO.

Liquidity and trading range in WAM options

108 The price and liquidity of the WAM options over the one week, one month and three month periods to 28 September 2012 are summarised below:

WAM options – price performance and liquidity					
Period length	Start date	Low \$	High \$	Volume 000	As a % of options outstanding ⁽¹⁾
1 week	24 September 2012	0.027	0.029	373	0.3
1 month	1 September 2012	0.022	0.030	2,361	1.9
3 months	1 July 2012	0.022	0.040	10,229	8.4

Note:

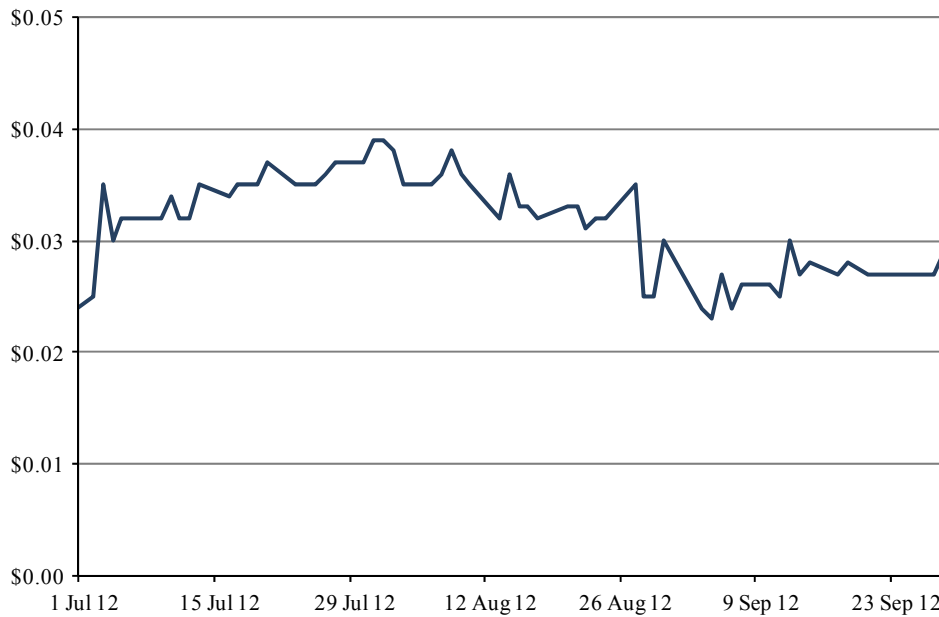
- 1 Based on 121.78 million options outstanding.

Source: Bloomberg.

¹⁷ In our opinion, the value of shares traded is a more reliable indicator of liquidity than the volume of shares traded as it is not distorted by the number of shares on issue and market price of the shares.

- 109 As indicated above, during the three month period to 28 September 2012 the total volume of WAM options traded was approximately 10.2 million, which represented 8.4% of the current options outstanding. We consider this a reasonable level of liquidity for the purpose of assessing a likely trading range for the WAM options.
- 110 The following graph illustrates the movement in the WAM option price¹⁸ over the three month period to 28 September 2012:

WAM – option price history



Source: Bloomberg.

- 111 As shown above, WAM options have generally traded within a price range of 2.2 cents to 4.0 cents per option in the period 1 July 2012 to the end of September 2012.

¹⁸ Last traded price on a given day.

V Valuation of PRV

Valuation approaches

- 112 PRV is an investment company with the management of its portfolio contracted out to third parties. As at 31 August 2012 the investment portfolio comprised eight separate funds. Given the nature of PRV we do not consider it appropriate to adopt valuation methodologies such as the DCF or capitalisation of earnings methods, as future earnings and cash flows are unable to be reliably forecast to any reasonable extent. For the purpose of our report we have therefore assessed the value of 100% of the equity in PRV adopting the orderly realisation of assets approach. Using this methodology the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.
- 113 The valuation of the PRV investment portfolio has been made by reference to the respective unit prices of the funds in which PRV has invested (consistent with the approach adopted by PRV for financial reporting purposes)¹⁹.
- 114 In the circumstances of PRV therefore the reported NTA, less deferred tax assets, effectively reflects the market value of the NTA of the company.
- 115 We note however that in seeking to distribute such value to PRV shareholders certain costs would be unavoidably incurred, particularly in the context of any voluntary liquidation of the company²⁰.
- 116 In assessing the value of PRV we have also considered what a "willing but not anxious" purchaser might be prepared to pay for 100% of the equity in PRV (as required by ASIC RG111).
- 117 Given the current nature of the net assets of PRV (in particular the investment portfolio), we note that an investor could achieve a comparable investment position without acquiring the company, thereby avoiding:
- (a) incurring the costs and time associated with the acquisition process
 - (b) implicitly taking on board the inherent risk of undisclosed liabilities associated with the acquisition of companies generally
 - (c) the public company costs, listing fees etc. currently being incurred by PRV
 - (d) the management fees currently incurred from utilising a fund of funds manager, or alternatively the costs that would be incurred in terminating the existing Investment Management Agreement.
- 118 In the circumstances of PRV therefore we consider the economic rationale behind any acquisition of the company would be either the potential to recoup some or all of the tax losses and/or utilise some or all of the existing franking credits.

¹⁹ Since the PRV investment portfolio is comprised of interests held in funds it will be the quoted market prices of the listed securities (where applicable) held in those funds that ultimately determine the value of the PRV investment portfolio.

²⁰ In the case of PRV it is possible that some of these costs could be offset by interest income earned over the period of the liquidation, assuming an early realisation of the investment portfolio into cash.

Tax losses (tax assets)

- 119 In considering the potential to recoup the tax losses we note that pursuant to an acquisition of 100% of the equity of PRV the ownership of the company would implicitly change and that the “continuity of ownership” test would fail²¹. We have therefore considered the potential for PRV to meet the “same business” test.
- 120 We understand that the scope of the “same business” test is intended to be limited and has been applied accordingly by the Australian Taxation Office (ATO). Factors that would be considered in assessing the satisfaction of the same business test include the name of the company, changes in the directors and/or management of the company and changes in the company’s assets. Therefore, if a third party acquired PRV and either de-listed the company, changed its investment mandate and/or increased the scale of the company’s activities²², there is also a significant risk that the same business test will not be satisfied to enable a recoupment of the prior year income tax losses carried forward.
- 121 The value attaching to any potential recoupment of the tax losses would provide an additional return to a willing but not anxious purchaser contemplating an acquisition of PRV (over and above the potential investment returns that could be achieved in any event). Given the inherent risks above, in our opinion, a willing but not anxious purchaser would:
- (a) not pay away any of the potential return from the recoupment of tax losses in an offer price for the PRV shares (or at the very most pay away a nominal amount in the context of the transaction value)
 - (b) likely price the shares at a discount to NTA to compensate for the costs, risks and time associated with an acquisition of PRV²³.

Franking credits

- 122 As at 30 June 2012, PRV had franking credits of some \$6.0 million. As this is reasonably significant relative to PRV’s market capitalisation we have considered the value of these franking credits to both existing shareholders of PRV and to a potential acquirer of the company when forming an opinion as to overall value.
- 123 When assessing the value of franking credits it should be noted that:
- (a) companies cannot directly benefit from franking credits and only their Australian resident shareholders may benefit from franking credits²⁴
 - (b) Australian resident shareholders must hold the shares in a company for 45 days²⁵ (subject to certain exemptions) to claim the benefit of franking credits

²¹ The ability of a company to recoup prior year tax losses is primarily dependent on being able to meet either the substantial continuity of ownership test, or alternatively the same business test.

²² As noted in paragraph 72, in the absence of a significant increase in business scale the ability of PRV to recoup tax losses is constrained.

²³ It would be less risky to invest directly in a portfolio of listed shares.

²⁴ Withholding tax is not required to be deducted from fully franked dividends paid to non-resident shareholders. This represents a timing benefit to non-resident shareholders provided the non-resident shareholder is able to claim a credit for the withholding tax paid.

²⁵ 90 days in connection with preference share dividends.

- (c) franking credits only have a value once distributed
- (d) the tax impost from receiving a fully franked dividend is not fully offset by the franking credit for those individual shareholders on a marginal tax rate greater than 30%
- (e) individual investors on a marginal tax rate of 46.5% who have held an investment for more than one year would prefer to receive a \$10 capital gain than a \$10 fully franked dividend (as the after tax value of the \$10 capital gain is greater due to capital gains tax concessions on investments held for more than 12 months)
- (f) purchasers of 100% of the company may have excess franking credits anyway (or be unable to use them) and would therefore not be prepared to pay a significant value for them.

124 In practice, a company's ability to distribute franking credits is a function of, firstly, its ability to pay a dividend and, secondly, its ability to frank that dividend.

Ability to pay a dividend

125 Following recent changes to the Corporations Act, a company can now pay a dividend if all the following conditions are satisfied:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of this dividend
- (b) payment of the dividend is fair and reasonable to the company's shareholders as a whole
- (c) payment of the dividend does not materially prejudice the company's ability to pay its creditors.

126 In addition to the above a company also needs to have available cash reserves and/or borrowing capacity to pay the dividend²⁶. In this regard we note that PRV has significant available funding capacity to pay a dividend, given the marketable nature of its investment portfolio.

Ability to frank dividends

127 In most circumstances dividends can only be franked when they are paid out of accounting profits (or retained earnings). However, PRV incurred a loss in FY12 and had negative retained earnings as at 30 June 2012. Accordingly, we note that PRV made the following statement in its ASX announcement dated 22 August 2012:

"Your Board was advised that it was not possible to declare a dividend from the profit achieved in the second half of the year and be certain that franking credits could be attached. The Board therefore decided not to declare a dividend."

²⁶ Recent public rulings by the ATO indicate that any special dividend funded by a purchaser of the company will be treated as capital proceeds for tax purposes (rather than as a dividend).

- 128 Based on a franking credit balance of \$6.0 million, prima facie PRV would need to generate profits of around \$14.0 million to be able to distribute all the existing franking credits. Thus, at best, the franking credits could only be distributed to existing PRV shareholders over time as profits permit. In the meantime it is unlikely that a purchaser would pay any significant additional value for the franking credits for the reasons outlined above (e.g. they have excess franking credits anyway and may not be able to use them).
- 129 In conclusion we believe the value of PRV's franking credits and tax losses is low, and have adopted a value of \$nil to \$500,000 for the purpose of our report.

Realisation costs

- 130 In assessing the value of 100% of the equity in PRV we have also allowed for:
- (a) transaction costs incurred on the (notional) realisation of the investment portfolio of 0.2% to 0.3% (consistent with the exit fees payable in order to liquidate PRV's current investments)
 - (b) the termination fees that would be payable under both the Investment Management Agreement and the Management Services Agreement, estimated in total at \$0.8 million²⁷
 - (c) corporate advisory, legal and other related costs associated with the recent strategic review of approximately \$0.9 million²⁸
 - (d) other incidental liquidation costs incurred in the range of \$0.2 million to \$0.3 million.

Value per share

- 131 Based on the above, we have assessed the value of 100% of the equity in PRV in the range of 79.2 cents to 79.9 cents per share, as follows:

PRV – value	Low \$m	High \$m
Net assets as reported (31 August 2012)	87.9	87.9
Deferred tax asset	(5.5)	(5.5)
Portfolio realisation costs	(0.2)	(0.1)
Management agreement termination fees	(0.8)	(0.8)
Allowance for corporate advisory, legal and other related costs	(0.9)	(0.9)
Allowance for other costs of liquidation	(0.3)	(0.2)
Value of franking credits / tax losses	-	0.5
Assessed value	80.2	80.9
Shares on issue (m)	101.2	101.2
Value per share	\$0.792	\$0.799

²⁷ A purchaser of 100% of the equity in PRV would allow for this liability. In the alternative scenario where the existing agreements were retained the liability in respect of capitalised future management costs would be greater.

²⁸ These are costs for which PRV is liable which have not been reflected in the NTA as at 31 August 2012.

VI Value of Cash Consideration

- 132 As noted above, the proposed Cash Consideration is to be the NTA backing per PRV share, less the value of the deferred tax asset on the balance sheet and transaction costs associated with implementing the Scheme. This calculation will be performed at the Second Court Date.
- 133 For illustrative purposes for this report we have adopted the reported pre-tax NTA as at 31 August 2012, adjusted to exclude the value of the deferred tax asset on the balance sheet.
- 134 As at 31 August 2012 therefore the Cash Consideration would have been 79.8 cents per share, calculated as follows:

Cash consideration per share based on reported NTA as at 31 August 2012	
	\$m
Reported NTA	87.9
Less deferred tax assets	(5.5)
Adjusted NTA	82.4
Less transaction costs:	
Amount payable to TIS by PRV	(0.5)
Other transaction costs ⁽¹⁾	(1.2)
Total Cash Consideration	80.7
Shares on issue (m)	101.2
Cash Consideration per share (cents)	79.8

Note:

- 1 This includes corporate advisory, legal and other related costs associated with the recent strategic review which are not reflected in the reported NTA.
Rounding differences exist.

VII Value of Scrip Consideration

Methodology

- 135 As set out in Section I of this report if PRV shareholders elect to receive the Scrip Consideration under the Scheme, in respect of each PRV share they will receive:
- (a) a WAM share based on the exchange ratio determined; plus
 - (b) one WAM option for each WAM share received.
- 136 To assess the value of the Scrip Consideration it is necessary therefore to estimate the listed market price of WAM shares and WAM options assuming a successful completion of the Scheme. Given the investment company nature of WAM we do not consider it appropriate to adopt alternative valuation methodologies such as the DCF or capitalisation of earnings methods, as future earnings and cash flows are unable to be reliably forecast to any reasonable extent.
- 137 In our opinion, the listed market prices of WAM shares and options should be used as a basis of determination because the value of the Scrip Consideration should be the amount that PRV shareholders could reasonably expect to realise if they accepted the Scrip Consideration under the Scheme and sold their WAM shares and/or options either immediately or in the short term.
- 138 This is because a decision to hold WAM shares and/or options beyond the short term is a separate investment decision which would be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. It is also not possible to accurately predict future share price movements.

WAM shares

- 139 In order to assess the likely trading price of WAM shares subsequent to completion of the Scheme, we have had regard to the pro-forma NTA of WAM (post merger) and the discount at which WAM shares have recently traded relative to its pre-tax NTA.
- 140 In our opinion this approach is more relevant than considering the actual share price trading range in the period up to 31 August 2012 because it results in the values for both PRV and WAM being assessed on consistent bases (i.e. using the NTA backing for both companies as at 31 August 2012)²⁹.

Pre-tax NTA (assuming 100% scrip take up)

- 141 We set out below the pro-forma pre-tax NTA of the Merged Entity assuming implementation of the merger as at 31 August 2012 with all PRV shareholders electing to receive the Scrip Consideration. For the purpose of this calculation it should be noted that listed investments are valued at their last traded market price³⁰.

²⁹ In contrast the use of the actual share price trading range for WAM shares prior to 31 August 2012 will reflect the NTA backing at different dates and will therefore not result in a “like for like” comparison.

³⁰ In addition, WAM has a small number of unlisted investments which are valued by WAM at cost or fair value. The difference between market value and carrying value is not material in the context of the Merged Entity value.

Pro-forma pre-tax NTA as at 31 August 2012⁽¹⁾ assuming 100% scrip take up			
	PRV \$m	WAM \$m	Merged Entity \$m
Pre-tax NTA	82.4	177.5	259.9
Cash from placement	-	37.0	37.0
Cash from option exercises	-	11.1	11.1
Dividend paid	-	(5.9)	(5.9)
Value of PRV shares held by WAM ⁽²⁾	-	(2.0)	(2.0)
Adjusted pre-tax NTA	82.4	217.7	300.1
Transaction related costs	(1.7)	(0.1) ⁽⁵⁾	(1.8)
Pro-forma pre-tax NTA	80.7	217.6	298.3
Shares on issue assuming cancellation of cross-shareholding ⁽³⁾ (million)	98.5	138.7	n/a
Exchange ratio ⁽⁴⁾	0.501	-	n/a
Shares in Merged Entity (million)	49.3	138.7	188.0
Pre-tax NTA per share			<u><u>\$1.586</u></u>

Note:

- 1 Adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012.
 - 2 In calculating the value of PRV shares held by WAM, we have adopted the PRV share price of \$0.73 as at 31 August 2012 to be consistent with the NTA valuation.
 - 3 As at 30 September 2012. We note that WAM's holding in PRV as at 30 September 2012 was 2,710,746 shares which we have assumed will be cancelled if the Scheme is implemented.
 - 4 Refer paragraph 37.
 - 5 LEA estimate of the costs that WAM will incur in relation to the Scheme.
- Rounding differences may exist. n/a – not applicable.

Pre-tax NTA (assuming 50% scrip take up)

142 We set out below the pro-forma pre-tax NTA of the Merged Entity assuming implementation of the merger as at 31 August 2012, with 50% of PRV shareholders electing to receive the Scrip Consideration and 50% electing to receive the Cash Consideration. For the purpose of this calculation it should be noted that listed investments are valued at their last traded market price³¹.

Pro-forma pre-tax NTA as at 31 August 2012⁽¹⁾ assuming 50% scrip take up			
	PRV \$m	WAM \$m	Merged entity \$m
Pre-tax NTA	82.4	177.5	259.9
Cash from placement	-	37.0	37.0
Cash from option exercises	-	11.1	11.1
Dividend paid	-	(5.9)	(5.9)
Value of PRV shares held by WAM ⁽²⁾	-	(2.0)	(2.0)
Adjusted pre-tax NTA	82.4	217.6	300.1
Transaction related costs	(1.7)	(0.1) ⁽⁶⁾	(1.8)
Cash paid to shareholders electing Cash Consideration			(39.3) ⁽³⁾
Pro-forma pre-tax NTA			259.0

³¹ In addition, WAM has a small number of unlisted investments which are valued by WAM at cost or fair value. The difference between market value and carrying value is not material in the context of the Merged Entity value.

Pro-forma pre-tax NTA as at 31 August 2012 ⁽¹⁾ assuming 50% scrip take up			
	PRV \$m	WAM \$m	Merged entity \$m
Shares on issue assuming cancellation of cross-shareholding ⁽⁴⁾ (million)	98.5	138.7	n/a
Shares elected for Scrip Consideration (million)	49.3	-	n/a
Exchange ratio ⁽⁵⁾	0.501	-	n/a
Shares in Merged Entity (million)	24.7	138.7	163.4
Pre-tax NTA per share			\$1.585

Note:

- 1 Adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012.
 - 2 In calculating the value of PRV shares held by WAM, we have adopted the PRV share price of \$0.73 as at 31 August 2012 to be consistent with the NTA valuation.
 - 3 Calculated as 50% x 98.5 million shares x \$0.798 cash per share.
 - 4 As at 30 September 2012. We note that WAM's holding in PRV as at 30 September 2012 was 2,710,746 shares (which we assumed will be cancelled).
 - 5 Refer paragraph 37.
 - 6 LEA estimate of the costs that WAM will incur in relation to the Scheme.
- Rounding differences may exist. n/a – not applicable.

143 We note that under both scenarios the pre-tax NTA of the Merged Entity (on a pro-forma basis) is primarily consistent. Accordingly for the purposes of our report we have adopted the pro-forma pre-tax NTA for the Merged Entity of \$1.585 per share.

Likely trading price of WAM shares subsequent to completion of the Scheme

144 As noted in Section IV WAM shares have generally traded at a discount of between 0.9% and 3.8% to its pre-tax NTA in more recent periods. Based on the pro-forma pre-tax NTA of the Merged Entity as at 31 August 2012 this implies a likely trading price for WAM shares of between \$1.525 and \$1.571, as shown below:

Likely trading price		
	Low \$ per share	High \$ per share
Pro-forma pre-tax NTA of Merged Entity as at 31 August 2012 ⁽¹⁾	1.585	1.585
Less discount (0.9% to 3.8%)	(0.060)	(0.014)
Likely trading range⁽²⁾	\$1.525	\$1.571

Note:

- 1 Adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012.
- 2 Based on pro-forma NTA as at 31 August 2012 (adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012).

145 We note that this trading range is broadly consistent with recent trading in WAM shares in the period 1 September 2012 to 28 September 2012 (after adjusting for the dividend during cum-dividend trading) as set out in paragraph 105 above.

Likely trading price of WAM options

- 146 In considering a likely trading price of the WAM options we have had regard to the trading range of the options for the period 1 July 2012 to 28 September 2012 (inclusive of the trading range for WAM shares referenced above) as set out in paragraph 108 above³².
- 147 For the purpose of our report we have adopted the low and high traded price during this period, being 2.2 cents and 4.0 cents respectively³³.

Value of Scrip Consideration

- 148 Based on the above, for the purpose of our report, we have assessed the value of the Scrip Consideration at \$0.775 to \$0.807 per PRV share as follows:

Value of Scrip Consideration based on pro-forma pre-tax NTA as at 31 August 2012 ⁽¹⁾		
	Low \$ per share	High \$ per share
Likely trading range of WAM shares	1.525	1.571
Likely trading range of WAM options	0.022	0.040
Total	1.547	1.611
Exchange ratio	0.501	0.501
Value of Scrip Consideration	\$0.775	\$0.807

Note:

- 1 Based on pro-forma NTA as at 31 August 2012 (adjusted for changes in cash and issued capital due to option exercises, dividends and share placements by WAM to 28 September 2012).

³² We note that the trading range of the WAM share price during this 3 month period was generally equal to or less than the trading range in the one month to 28 September 2012 (see paragraph 105), however we have relied on the longer trading period due to inadequate WAM option liquidity available in the month to 28 September 2012.

³³ PRV shareholders should note that in the event of a significant reduction in the NTA of WAM (for example of around 10%) it is likely that there will be a corresponding decline in the WAM share price. In such circumstances, given the fixed exercise price of the WAM options of \$1.60, it is likely that the trading price of the WAM options will be nominal and there may be a very limited market demand for the securities.

VIII Evaluation of the Scheme - Cash Consideration

Summary of opinion

149 LEA has concluded that the Cash Consideration is fair and reasonable to PRV shareholders. We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

150 Pursuant to RG 111, an offer is “fair” if:

“The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.”

151 This comparison as it applies to the Cash Consideration (based on the reported NTA as at 31 August 2012) is shown below:

Comparison of Cash Consideration to assessed value of PRV shares based on values as at 31 August 2012		
	Low cents	High cents
Cash Consideration per share ^{(1), (3)}	79.8	79.8
Assessed value per PRV share ^{(1), (2)}	79.2	79.9
Extent to which the Cash Consideration exceeds our assessed value per PRV share ⁽¹⁾	0.6	(0.1)

Note:

- 1 Based on pro-forma NTA as at 31 August 2012.
- 2 Refer paragraph 131.
- 3 Refer paragraph 134.

152 As the proposed Cash Consideration per share is consistent with our assessed value per share of PRV on a 100% controlling interest basis, in our opinion, the proposed Cash Consideration is fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

153 Pursuant to RG 111, a proposal is reasonable if it is fair. Consequently the Cash Consideration is also reasonable.

154 In considering whether the Cash Consideration is reasonable we also note that:

- (a) the Cash Consideration is based on the reported NTA per share of PRV (adjusted for transaction costs associated with the Scheme), whereas PRV shares have consistently traded below the comparative reported NTA per share of the company in the last 12 months
- (b) the Cash Consideration provides PRV shareholders with the opportunity to sell a significant volume of PRV shares without depressing the market price.

Conclusion

- 155 Based on the above, we have concluded that the proposed Cash Consideration is fair and reasonable to PRV shareholders.
- 156 Accordingly, we consider the Cash Consideration component of the Scheme to be in the best interests of those PRV shareholders seeking to realise their investment in the company, in the absence of a superior proposal.

IX Evaluation of the Scheme – Scrip Consideration

Summary of opinion

- 157 LEA has concluded that the proposed Scrip Consideration is fair and reasonable to PRV shareholders and that the Scrip Consideration component of the Scheme is in the best interests of PRV shareholders in the absence of a superior proposal.
- 158 We have formed this opinion for the reasons set out below.

Assessment of the Scrip Consideration component of the Scheme

Fairness

- 159 Pursuant to RG 111 the Scheme is “fair” if the value of the Scrip Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scrip Consideration to value of PRV based on values as at 31 August 2012 ⁽¹⁾		
	Low	High
	cents per share	cents per share
Value of Scrip Consideration ^{(1), (2)}	77.5	80.7
Assessed value per PRV share ^{(1), (3)}	79.2	79.9
Extent to which the Scrip Consideration exceeds / (is less than) the value of PRV shares ⁽¹⁾	(1.7)	0.8

Note:

- 1 Based on pro-forma NTA as at 31 August 2012 (adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012 where applicable).
- 2 Refer paragraph 148.
- 3 Refer paragraph 131.

- 160 As the value of the Scrip Consideration is broadly consistent with our assessed valuation range for PRV shares on a 100% controlling interest basis, in our opinion the Scrip Consideration is fair to PRV shareholders when assessed based on the guidelines set out in RG 111.
- 161 PRV shareholders should be aware that, at the low end of our assessed valuation ranges the value of the Scrip Consideration is slightly below our assessed value of PRV shares on a 100% controlling interest basis and accordingly would not be fair. However:
- (a) such a comparison ignores the fact that the value of the Scrip Consideration exceeds the value of PRV at the high end of our assessed valuation ranges
 - (b) in any event, the Scrip Consideration would still be reasonable for the reasons stated in paragraph 167
 - (c) as set out in Section I of our report, the actual exchange ratio (and hence the value of the Scrip Consideration) will depend on the relative pre-tax NTA of each company on the Second Court Date.

- 162 As noted above, our assessment is based on the NTA of both PRV and WAM as at 31 August 2012³⁴. In addition, the above assessment reflects a value of the WAM options in the range of 2.2 cents to 4.0 cents per option.
- 163 Changes in the pre-tax NTA of PRV and/or WAM may affect both the value of the Scrip Consideration and the value of 100% of the shares in PRV. Accordingly we have undertaken a sensitivity analysis to changes in the underlying NTA of both companies. We have had regard to the scenarios where the WAM and PRV NTA values both fall by 10% or both rise by 10% (given the positive correlation between the listed investment companies)³⁵. This sensitivity analysis indicates that the assumed changes in the pre-tax NTA of either company do not change our opinion on the Scheme. This conclusion is consistent with the fact that the exchange ratio is adjusted for movements in the pre-tax NTA of both companies³⁶.

Other qualitative factors

- 164 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if a transaction is “fair and reasonable” it must also be “in the best interests” of shareholders, in the absence of a superior proposal.
- 165 Consequently, in our opinion, the Scrip Consideration is also reasonable and accordingly the Scrip Consideration component of the Scheme is in the best interests of PRV shareholders in the absence of a superior proposal.
- 166 In assessing whether the Scrip Consideration component of the Scheme is reasonable and in the best interests of PRV shareholders LEA has also considered the likely advantages and disadvantages of the Scrip Consideration component of the Scheme, as set out below.

Advantages

- 167 The Scrip Consideration component of the Scheme has the following benefits for PRV shareholders:
- (a) PRV shares have consistently traded below the reported pre-tax NTA per share of the company in the last 12 months (prior to the announcement of both the Scheme and the proposed off-market share buy-back subsequently cancelled). PRV shareholders accepting the Scrip Consideration will receive WAM shares that (in recent times) have traded at or near the company’s pre-tax NTA per share
 - (b) PRV shareholders will obtain exposure to a fund that has generated a return of 17.5% per annum since inception (a performance record that has exceeded its performance benchmark by some 10% per annum)
 - (c) the management expense ratio of the Merged Entity should reduce as a result of the elimination of duplicated expenses and increased size of assets under management

³⁴ Adjusted for changes in cash and issued capital due to option exercises, dividends paid and share placement by WAM to 28 September 2012.

³⁵ As the underlying investment portfolios of both PRV and WAM are exposed to the same broad market sectors, we would expect related movements in the NTA values of the two companies to be in the same direction, albeit the extent of movements may differ.

³⁶ PRV shareholders should note that in the event of a significant reduction in the NTA of WAM (for example of around 10%) it is likely that there will be a corresponding decline in the WAM share price. In such circumstances, given the fixed exercise price of the WAM options of \$1.60, it is likely that the trading price of the WAM options will be nominal and there may be a very limited market demand for the securities.

- (d) the Merged Entity will create an investment company with approximately \$300 million³⁷ of net assets and is anticipated to provide PRV shareholders with access to greater liquidity than the historical trading in PRV shares
- (e) WAM has an established track record of paying fully franked dividends to shareholders
- (f) the new Merged Entity may be better able to realise the value of PRV's deferred tax assets and utilise the available franking credits
- (g) PRV shareholders accepting the Scrip Consideration may be eligible for CGT rollover relief.

Disadvantages

168 PRV shareholders who elect to receive the Scrip Consideration should also note that:

- (a) WAM currently pays base management fees equal to 1.0% of assets under management, whereas PRV currently pays comparable fees of 0.9% of assets under management
- (b) in circumstances where performance fees are payable, the level of performance fees payable by the Merged Entity may be greater than would be the case under the existing PRV management agreement (refer sections III and IV)
- (c) the transaction exchange ratio is based on pre-tax NTA and accordingly PRV shareholders collectively will effectively be diluting their exposure to PRV's deferred tax asset in respect of realised and unrealised losses on the PRV investment portfolio. In contrast WAM has a deferred tax liability in respect of unrealised investment gains³⁸.

Conclusion

169 Given the above analysis we consider the Scrip Consideration component of the Scheme to be fair and reasonable and in the best interests of PRV shareholders in the absence of a superior proposal.

³⁷ Assuming full take up of the Scrip Consideration by PRV shareholders.

³⁸ We note we have assessed the combined value of PRV's franking credits and tax losses (deferred tax asset) at a value of nil to \$500,000. However, we note that the value of the franking credits and tax losses may have greater value to shareholders in the Merged Entity.

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to PRV shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fixed fee of \$58,500 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 independent expert's reports to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 18 years and 26 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Independent Directors of PRV to accompany the Scheme Booklet to be sent to PRV shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of PRV shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA was commissioned by PRV to prepare an IER in connection with a proposed share buyback in July 2009. LEA has had no prior business or professional relationship with WAM prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, PRV agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of PRV which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Glossary

Term	Meaning
Agreement	Scheme Implementation Agreement
AIFRS	Australian equivalents to International Financial Reporting Standards
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BAM	Boutique Asset Management Pty Ltd
Cash Consideration	The cash consideration under the Scheme
CGT	Capital gains tax
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
New WAM Shares	New WAM shares to be issued to each PRV shareholder who elects to receive the Scrip Consideration
NTA	Net tangible assets
PRV	Premium Investors Limited
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	The scheme of arrangement
Scrip Consideration	The scrip consideration under the Scheme
TIS	Treasury Group Investment Services Limited
WAM	WAM Capital Limited
WAM Option	Options received by PRV shareholders who elect to receive the Scrip Consideration
WAMPL	Wilson Asset Management (International) Pty Ltd

24 October 2012

The Directors
Premium Investors Limited
Level 14, 39 Martin Place
Sydney NSW 2000

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

INTRODUCTION

We have prepared this Investigating Accountant's Report ("Report") on the pro-forma financial information of the Merged Group for inclusion in the Scheme Booklet. The Scheme Booklet will outline the proposed merger of WAM Capital Limited ("WAM") and Premium Investors Limited ("Premium" or "the Company") by way of a Scheme of Arrangement ("the Scheme"). The Scheme Booklet will be sent to all Premium Shareholders to assist them in deciding whether to accept or reject the Scheme.

Expressions defined in the Scheme Booklet have the same meaning in this Report.

BACKGROUND

Profile of Premium

Premium listed on the Australian Stock Exchange ("ASX") in November 2003 and undertakes operations as a listed investment company. It is managed by the Treasury Group Investment Services Ltd, a subsidiary of Treasury Group Limited, providing access to its boutique investment managers to trade equities across various industries and geographical markets.

Profile of WAM

WAM is a listed investment company with an actively managed diversified portfolio and an investment strategy focused on Australian listed securities. WAM was established in 1999 and through its own in house research, aims to identify and invest in companies that are under researched and undervalued by the market. Such companies are primarily found in the small and mid-cap industrial sector. In addition WAM provides exposure to relative value arbitrage and market mispricing opportunities.

Merger of Premium and WAM

Premium and WAM entered into a Scheme Implementation Agreement on 14 September 2012 under which Premium and WAM agreed to implement the Scheme whereby Premium shareholders can elect to:

- exchange up to 100% of their Premium Shares for new WAM shares and options;
- receive 100% cash out for their Premium Shares; or
- a combination of both.

As a result of the Scheme, Premium Shareholders electing to receive Scrip Consideration will become shareholders of WAM, and Premium will become a wholly-owned subsidiary of WAM and be de-listed from the ASX (the "Merged Group").

SCOPE

This Report is in relation to the pro-forma consolidated Balance Sheet of the Merged Group at 30 June 2012 ("Pro-forma Consolidated Balance Sheet") included in Section 7.7 A of the Scheme Booklet.

The Directors of Premium have determined that the Pro-forma Consolidated Balance Sheet included in Section 7.7 A of the Scheme Booklet is the most relevant financial information of the Merged Group to provide Premium Shareholders.

The Pro-forma Consolidated Balance Sheet of the Merged Group has been prepared by the Directors of the Company based on the 30 June 2012 audited financial statements of WAM and Premium. The 30 June 2012 audit opinions on both WAM and Premium's financial statements were unqualified audit opinions in each case. The Pro-forma Consolidated Balance Sheet incorporates such adjustments as the Directors of Premium considered necessary to reflect the transactions and events as described in Section 7.7 B of the Scheme Booklet, on the basis that they occurred as at 30 June 2012 ("Pro-forma Transactions").

The Directors are not making any forecasts for earnings of the Merged Group.

This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Scheme Booklet.

RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and fair presentation of the Pro-forma Consolidated Balance Sheet including the assumptions, notes and accounting policies on which the Pro-forma Transactions are based.

REVIEW OF PRO-FORMA FINANCIAL INFORMATION

We have conducted an independent review of the Pro-forma Consolidated Balance Sheet included in Section 7.7 A of the Scheme Booklet in accordance with Australian Auditing Standards applicable to review engagements. We have made such enquires and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, which were limited primarily to:

- Review of relevant working papers, accounting records and other documents;
- Review of the Pro-forma Transactions used to compile the Pro-forma Consolidated Balance Sheet and related notes, as summarised in Section 7.7B of the Scheme Booklet;
- Consideration of the consistency in application of the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board, and the material accounting policies of WAM as detailed in WAM's 30 June 2012 Annual Report; and
- Enquiry of WAM and Premium Directors, management and others.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, 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 on the Pro-forma Consolidated Balance Sheet.

REVIEW STATEMENT ON PRO FORMA FINANCIAL INFORMATION

Based on our review of the Pro-forma Consolidated Balance Sheet, which is not an audit, nothing has come to our attention which causes us to believe that:

- The Pro-forma Consolidated Balance Sheet has not been properly prepared on the basis of the Pro-forma Transactions;
- The Pro-forma Transactions do not form a reasonable basis for the Pro-forma Consolidated Balance Sheet; and
- The Pro-forma Consolidated Balance Sheet, assuming completion of the Pro-forma Transactions, as set out at Sections 7.7B of the Scheme Booklet, does not present fairly the Pro-forma Consolidated Balance Sheet of the Merged Group as at 30 June 2012 in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board, and the material accounting policies of WAM as set out in WAM's 30 June 2012 Annual Report.

LEGAL PROCEEDINGS

To the best of our knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken, not otherwise disclosed in this Report, which would cause the information included in the report to be misleading.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

SOURCES OF INFORMATION

We have made enquiries of the Directors of the Company and other parties as considered necessary during the course of our analysis. We have also referred to the Scheme Booklet and material documents which relate to the operations of the Company.

We have no reason to believe the information supplied is not reliable.

INDEPENDENCE OR DISCLOSURE OF INTEREST

Neither Moore Stephens Sydney Corporate Finance Pty Ltd, Moore Stephens Sydney Wealth Management Pty Limited, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Scheme, other than a fee in connection with the preparation of our Report for which normal professional fees will be received.

Our associated partnership, Moore Stephens Sydney, is the appointed auditor of WAM and will receive fees for performing audit services. In addition, our associated company Moore Stephens Sydney Pty Limited, provides taxation services for WAM for which it receives fees. Fees earned for the 30 June 2012 audit and taxation services are disclosed in note 5 to the Annual Report of WAM.

LIABILITY

Moore Stephens Sydney Corporate Finance Pty Ltd has consented to the inclusion of this Report in the Scheme Booklet in the form and context in which it is included. The liability of Moore Stephens Sydney Corporate Finance Pty Ltd is limited to the inclusion of this Report in the Scheme Booklet. Moore Stephens Sydney Corporate Finance Pty Ltd makes no representation regarding, and has no liability for, any other statement or other material in, or any omission from, the Scheme Booklet.

FINANCIAL SERVICES GUIDE

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

MOORE STEPHENS SYDNEY CORPORATE FINANCE PTY LTD



S.M Whiddett
Director

APPENDIX A

FINANCIAL SERVICES GUIDE

24 October 2012

1. Moore Stephens Sydney Corporate Finance Pty Ltd

Moore Stephens Sydney Corporate Finance Pty Ltd (“**Moore Stephens**”) is an authorised representative of Moore Stephens Sydney Wealth Management Pty Ltd (“**Licence Holder**”) in relation to Australian Financial Services Licence No. 336950.

Moore Stephens may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively “**Authorised Financial Products**”); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

2. Financial Services Guide

The Corporations Act 2001 requires Moore Stephens to provide this Financial Services Guide (“**FSG**”) in connection with its provision of an Investigating Accountant’s Report (“**Report**”) which is included in the Scheme Booklet provided by Premium Investors Limited (the “**Company**”).

3. General Financial Product Advice

The financial product advice provided in our Report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

4. Remuneration

Moore Stephens’ client is the Company to which it provides the Report. Moore Stephens receives its remuneration from the Company. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Moore Stephens nor its Directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Moore Stephens or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

5. Independence

Moore Stephens is required to be independent of the Company. The following information in relation to the independence of Moore Stephens is stated in our Report.

Neither Moore Stephens, Moore Stephens Sydney Pty Limited, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Scheme of Arrangement, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$10,000 (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Moore Stephens, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

Moore Stephens Sydney, a chartered accounting partnership associated with Moore Stephens is the appointed auditor of the Company and our associated company Moore Stephens Sydney Pty Limited, provides taxation services for WAM, for which both receive fees.

6. Complaints Resolution

Moore Stephens is only responsible for its Report and this FSG. Complaints or questions about the Scheme Booklet should not be directed to Moore Stephens which is not responsible for that document.

Both Moore Stephens and the Licence Holder may be contacted as follows:

- By phone: (02) 8236 7700
- By fax: (02) 9233 4636
- By mail: GPO Box 473
SYDNEY NSW 2001

If you have a complaint about Moore Stephens’ Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 8236 7700 or send a written complaint to the Licence Holder at Level 7, 20 Hunter Street, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Moore Stephens to distribute this FSG.

ANNEXURE C



Scheme Implementation Agreement

WAM Capital Limited

(ACN 086 587 395)

Premium Investors Limited

(ACN 106 259 885)

Table of Contents

1.	Definitions and Interpretation	1
2.	Agreement to proceed with the Transaction	9
3.	Conditions Precedent.....	10
4.	Implementation.....	13
5.	Representations and undertakings	20
6.	Public announcement.....	22
7.	Confidentiality.....	23
8.	No talk and no shop obligations.....	23
9.	Conduct of Court proceedings	25
10.	Termination	25
11.	Duty, GST, costs and expenses	26
12.	General.....	27

Parties:

1. **WAM Capital Limited** (ACN 086 587 395) of level 11, 139 Macquarie Street Sydney NSW 2000 (**WAM**);
2. **Premium Investors Limited** (ACN 106 259 885) of level 14, 39 Martin Place, Sydney, NSW, 2000 (**Premium**).

Recitals:

- A. Premium and WAM have agreed that WAM will acquire Premium by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Premium and Premium Shareholders.
- B. The Scheme will involve Premium Shareholders electing to either:
 - i. exchange their Scheme Shares for shares in WAM on NTA-for-NTA valuation basis. In addition to the WAM shares to be issued in exchange for Premium Shares, Premium Shareholders also shall receive an option to acquire a WAM share, exercisable on or before 31 July 2013, which option will be tradeable on the ASX; or
 - ii. receive cash consideration for up to 100% their Scheme Shares; or
 - iii. receive a combination of the above.
- C. Premium and WAM have agreed to implement the scheme of arrangement on the terms of this Agreement.

1. Definitions and Interpretation

1.1. Definitions

In this Agreement:

ASIC means the Australian Securities & Investments Commission.

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

Business Day means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

Calculation Date means 5:00pm (Sydney time) on Second Court Date.

Competing Transaction means any proposal by a Third Party in relation to a transaction or arrangement under which if the transaction or arrangement is completed:

- (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in, all or substantially all of the business conducted by Premium, or the assets of Premium;
- (b) a person would acquire (whether directly or indirectly) Control of Premium;
- (c) a person would acquire a relevant interest in, or voting power of, 50% or more of the Premium Shares;

- (d) a person would otherwise acquire, or merge or amalgamate with, Premium (or any member of Premium); or
- (e) Premium would be required to abandon or otherwise fail to proceed with the Transaction.

Condition Precedent means a condition precedent set out in Clause 3.1.

Confidentiality Agreement means the agreement of that name dated 31 August 2012 executed by Premium and WAM.

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

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

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as Premium and WAM agree in writing.

Deed Poll means the deed poll to be granted by WAM in substantially the form set out in Schedule 3.

Director means a director of Premium from time to time.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Election Form means a form, to be completed by each Premium Shareholder to record its election in relation to the Scheme Consideration, which forms part of the Scheme Booklet.

End Date means Friday 1 February 2013.

Excluded Shareholder means:

- (a) WAM; and
- (b) RBC Investor Services Limited as custodian for WAM.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to the Scheme, which forms part of the Scheme Booklet.

First Court Date the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

Implementation Date means the day 5 Business Days after the Record Date or such other date as Premium and WAM agree in writing.

Indemnified Parties means Premium and its directors and officers.

Independent Board Committee means a committee of the Premium Board comprising all Directors other than Directors nominated by or associated with the Manager so that as at the date of this Agreement, the members of the committee are Mr Tom Collins and Mr Lindsay Mann.

Independent Director means a member of the Independent Board Committee.

Independent Director Share means a Premium Share:

- (a) held by an Independent Director;
- (a) held on behalf of an Independent Director; or
- (b) in which a Independent Director otherwise has a Relevant Interest.

Independent Expert means the independent expert in respect of the Scheme appointed by Premium.

Independent Expert's Report means the report prepared by the Independent Expert to be provided to Premium and Premium Shareholders providing an opinion, among other things, as to whether the Scheme is in the best interests of Premium Shareholders.

Investment Agreement means the Investment Management Agreement between Premium and the Manager dated 14 October 2003, amended and restated on 6 August 2007, as further amended.

Listing Rules means the official listing rules of the ASX.

Management Agreements means the Investment Agreement and the Services Agreement together.

Manager means Treasury Group Investment Services Limited (ACN 099 932 920).

Material Contract means any contract or commitment by Premium involving an amount of not less than \$200,000 or which is for a period of not less than 60 days.

No Shop Period and **No Talk Period** means the period from and including the date of this Agreement to the earlier of the termination of this Agreement and the Effective Date.

NTA means the pre-tax net tangible asset backing of Premium or WAM (as the context requires) per Premium Share or (as the case may be) WAM Share after excluding all deferred tax assets as assets calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations adjusted in accordance with Clauses 4.1(s) and 4.2(g), as certified in writing by the auditors of WAM or Premium (respectively), to the standard prescribed by Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity".

Premium Auditor means the auditor for Premium being, as at the date of this Agreement Ernst & Young.

Premium Board means the board of Directors from time to time.

Premium Constitution means the constitution of Premium as amended from time to time.

Premium Material Adverse Change means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of Premium; or
- (b) an effect that will prevent, materially delay or materially impair Premium's ability to consummate the Transaction,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by the Transaction or transactions contemplated by it; or

- (d) involving any change in the market price or trading volume of shares after the date of this Agreement; or
- (e) which took place with the prior written consent of WAM; or
- (f) relating to the global economy or securities markets in general.

Premium NTA means the NTA of Premium on the Calculation Date.

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

Premium Shareholder means a person who is registered in the Share Register as the holder of a Premium Share.

Premium Warranties means the warranties and representations provided by Premium under Clause 5.3.

Premium Prescribed Occurrence means the occurrence of any of the following between the date of this Agreement and 8.00 am on the Second Court Date:

- (a) Premium converting all or any of its securities into a larger or smaller number of securities;
- (b) Premium resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) Premium, directly or indirectly, declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise;
- (d) Premium:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (e) Premium:
 - (i) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option to any person; or
 - (ii) issuing or agreeing to issue, securities or other instruments convertible into securities to any person;
- (f) Premium making any change to the Premium Constitution;
- (g) the appointment of a liquidator, provisional liquidator, administrator or other external controller to Premium;
- (h) the appointment of a receiver, receiver and manager or other external controller in relation to the whole, or a substantial part, of the property of Premium;
- (i) Premium executing a deed of company arrangement;
- (j) Premium acquiring or disposing of or agreeing to acquire or dispose of, or offering, proposing, or announcing a bid, or tendering, for, any business, assets, entity or undertaking, with a value in excess of \$200,000;

- (k) Premium creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over a material asset;
- (l) Premium entering into, or terminating, any contract or commitment requiring, or amending or agreeing to amend any contract such that the amendment would require, total payments in excess of \$200,000 or which would have a material adverse effect on Premium;
- (m) Premium entering into any new financing arrangement, agreement or instrument (irrespective of what form that accommodation takes), or amending the terms of, or terminating, any existing financing arrangement, agreement or instrument;
- (n) Premium entering into, or terminating, any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with existing policy as at the date of this Agreement;
- (o) Premium resolving that it be wound up, or the making of an application or order for its winding up or dissolution other than where the application or order (as the case may be) is set aside within 14 days but, in any event, prior to 8.00 am on the Second Court Date;
- (p) any court of competent jurisdiction making an order for the winding up of Premium;
- (q) Premium ceasing, or threatening to cease, to carry on the business it conducted as at the date of this Agreement;
- (r) Premium being or becoming unable to pay its debts when they fall due within the meaning of the Corporations Act (or under the relevant law of the jurisdiction in which it is incorporated) or being otherwise presumed to be insolvent under the Corporations Act (or under the relevant law of the jurisdiction in which the Premium is incorporated);
- (s) Premium amending the terms of either Management Agreement, waiving any material rights under either Management Agreement or executing any agreement, arrangement or understanding with any party relating in any way to the management of the portfolio of investments of Premium ; or
- (t) Premium authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (s) above;

provided that a Premium Prescribed Occurrence will not include a matter:

- (i) that is done in the ordinary course of business and consistent with past practice;
- (ii) that is required to be done or procured by Premium pursuant to the Transaction; or
- (iii) the undertaking of which has been the subject of prior approval in writing by WAM.

Proceeding means any suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before or otherwise involving any court or other Government Agency or any arbitrator or arbitration panel.

RG 142 means Regulatory Guide 142 issued by ASIC on 4 August 1999 (as amended).

Record Date means 7.00 pm on the fifth Business Day after the Effective Date.

Registered Address means, in relation to a Premium Shareholder, the address of the Premium Shareholder as recorded in the Share Register.

Registry means Computershare Investor Services Limited of 452 Johnston Street, Abbotsford, Victoria, 3067.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both Parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approvals has the meaning given to that term in Clause 3.1(a).

Related Body Corporate has the meaning set out in the Corporations Act.

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

Representative in respect of a Party, means each director, officer, employee, advisor, agent or representative of that Party or Subsidiary.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Premium and the Premium Shareholders, the form of which is set out in Schedule 2.

Scheme Booklet means the information relating to the Transaction to be approved by the Court and dispatched to all Premium Shareholders, including the Scheme, the Explanatory Statement, the Election Form, the Independent Expert's Report, the Deed Poll, the notice convening the Scheme Meeting, the notice convening the General Meeting, and the proxy form for the Scheme Meeting and the General Meeting.

Scheme Consideration means the consideration to be provided by WAM to each Scheme Participant for the transfer to WAM of each Scheme Share as set out in the Scheme.

Scheme Meeting means the meeting of Premium Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Participant means each Premium Shareholder as at the Record Date, other than an Excluded Shareholder.

Scheme Participant Notice means a notice setting out the name and Registered Address of each Scheme Participant and the number of Scheme Shares held by each Scheme Participant.

Scheme Share means a Premium Share held by a Scheme Participant as at the Record Date.

Scheme Transfer means for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Participant's Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Second Court Date means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or if the hearing is adjourned for any reason, the first day on which the adjourned application is heard.

Services Agreement means the Management Services Agreement between Premium and the Manager dated 6 August 2007, as amended.

Share Register means the register of members of Premium.

Side Letter means the letter agreement between Treasury Group Limited ACN 006 708 792 and Premium dated on or about the date of this Agreement.

Subsidiary has the meaning set out in the Corporations Act.

Superior Competing Transaction means a bona fide unsolicited Competing Transaction received by Premium after the date of this Agreement which the Independent Board Committee has determined, acting in good faith and in accordance with their fiduciary duties, and after consultation with and the

receipt of written advice from the Independent Board Committee's external legal or financial advisers, is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction and the person making it; and
- (b) more favourable to Premium Shareholders (as a whole) than the Transaction, taking into account all the terms and conditions of the Competing Transaction.

Transaction means implementation of the Scheme.

Timetable means the indicative timetable for the implementation of the Transaction set out in Schedule 1.

Third Party means a person other than WAM and its Representatives.

WAM Auditor means the auditor for WAM being, as at the date of this Agreement Moore Stephens Sydney.

WAM Board means the board of directors of WAM.

WAM Constitution means the constitution of WAM as amended.

WAM Information means information regarding WAM provided by WAM to Premium in writing for inclusion in the Scheme Booklet.

WAM Material Adverse Change means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of WAM; or
- (b) an effect that will prevent, materially delay or materially impair WAM's ability to consummate the Transaction,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by the Transaction or transactions contemplated by it;
- (d) involving any change in the market price or trading volume of shares after the date of this Agreement; or
- (e) which took place with the prior written consent of Premium; or
- (f) relating to the global economy or securities markets in general.

WAM NTA means the NTA of WAM as at the Calculation Date.

WAM Prescribed Occurrence means the occurrence of any of the following between the date of this Agreement and 8.00 am on the Second Court Date:

- (a) WAM converting all or any of its securities into a larger or smaller number of securities;
- (b) WAM resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) WAM, directly or indirectly, declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise;

- (d) WAM:
- (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act, other than pursuant to an on-market buyback for which approval by shareholders of WAM under the Corporations Act is not required;
- (e) WAM:
- (i) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option to any person; or
 - (ii) issuing or agreeing to issue, securities or other instruments convertible into securities to any persons,
- other than an exercise of an option to issue WAM ordinary shares currently on issue or pursuant to WAM's dividend reinvestment plan;
- (f) WAM making any change to the WAM Constitution;
 - (g) the appointment of a liquidator, provisional liquidator, administrator or other external controller to WAM;
 - (h) the appointment of a receiver, receiver and manager or other external controller in relation to the whole, or a substantial part, of the property of WAM;
 - (i) WAM executing a deed of company arrangement;
 - (j) WAM resolving that it be wound up, or the making of an application or order for its winding up or dissolution other than where the application or order (as the case may be) is set aside within 14 days but, in any event, prior to 8.00 am on the Second Court Date;
 - (k) any court of competent jurisdiction making an order for the winding up of WAM;
 - (l) WAM ceasing, or threatening to cease, to carry on the business it conducted as at the date of this Agreement;
 - (m) WAM being or becoming unable to pay its debts when they fall due within the meaning of the Corporations Act (or under the relevant law of the jurisdiction in which it is incorporated) or being otherwise presumed to be insolvent under the Corporations Act (or under the relevant law of the jurisdiction in which the WAM is incorporated);
 - (n) WAM authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (m) above;

provided that a WAM Prescribed Occurrence will not include a matter:

- (i) that is done in the ordinary course of business and consistent with past practice;
- (ii) that is required to be done or procured by WAM pursuant to the Transaction; or
- (iii) the undertaking of which has been the subject of prior approval in writing by Premium.

WAM Warranties means the warranties and representations provided by WAM under Clause 5.1.

1.2. Interpretation

In this Agreement, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a Clause, Party, Attachment or Schedule is a reference to a clause of, and a party, attachment and schedule to this Agreement, and a reference to this Agreement includes any Attachment and Schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time, unless otherwise indicated, is a reference to the time in Sydney, Australia;
- (k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day;
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Agreement; and
- (m) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a Party.

2. Agreement to proceed with the Transaction

2.1. Proposal of Transaction

Premium agrees to propose the Transaction on and subject to the terms of this Agreement.

2.2. Assistance by WAM

WAM agrees with Premium to assist Premium to propose the Transaction on and subject to the terms of this Agreement.

3. Conditions Precedent

3.1. Conditions Precedent to the Scheme

This Scheme will not become Effective, and the obligations of WAM under the Deed Poll and Clauses 4.2(e) and 4.2(f) are not binding, until each of the following conditions precedent is satisfied or waived in the manner set out in Clause 3.3:

(a) **Regulatory Approvals:**

- (i) **ASIC:** ASIC issues or provides such consents, waivers or approvals or does such other acts which are necessary or reasonably desirable to implement the Transaction;
- (ii) **Other Government Agencies:** any other Government Agency which is required to do so issues such approvals which are necessary to implement the Transaction,

(together the **Regulatory Approvals**), and the Regulatory Approvals have not been withdrawn by 8.00 am on the Second Court Date;

- (b) **Scheme Meeting Approval:** Premium Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (c) **Court Approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (d) **Effective by the End Date:** an office copy of the Court orders approving the Scheme is lodged with ASIC as contemplated by section 411(10) of the Corporations Act on or before the End Date;
- (e) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Transaction from being implemented is in effect or is threatened at 8.00 am on the Second Court Date;
- (f) **Premium Material Adverse Change:** no Premium Material Adverse Change occurs, is announced or is otherwise discovered by WAM (whether or not it becomes public) between the date of this Agreement and 8.00 am on the Second Court Date;
- (g) **WAM Material Adverse Change:** no WAM Material Adverse Change occurs, is announced or is otherwise discovered by Premium (whether or not it becomes public) between the date of this Agreement and 8.00 am on the Second Court Date;
- (h) **Premium Prescribed Occurrence:** no Premium Prescribed Occurrence occurs between the date of this Agreement and 8.00 am on the Second Court Date;
- (i) **WAM Prescribed Occurrence:** no WAM Prescribed Occurrence occurs between the date of this Agreement and 8.00 am on the Second Court Date;
- (j) **No breach of Premium Warranty:** WAM is satisfied, acting reasonably, that none of the Premium Warranties is or has become false, misleading or incorrect in a material respect by the Second Court Date; and
- (k) **No breach of WAM Warranty:** Premium is satisfied, acting reasonably, that none of the WAM Warranties is or has become false, misleading or incorrect in a material respect by the Second Court Date.

3.2. Reasonable endeavours

- (a) Premium must use its reasonable endeavours to procure that:

- (i) the Conditions Precedent in Clauses 3.1(f), and 3.1(h) are satisfied; and
 - (ii) there is no occurrence within the control of Premium that would prevent the Conditions Precedent in Clauses 3.1(f), 3.1(h) and 3.1(j) being satisfied.
- (b) WAM must use its reasonable endeavours to procure that:
- (i) the Conditions Precedent in Clauses 3.1(g) and 3.1(i) are satisfied; and
 - (ii) there is no occurrence within the control of WAM that would prevent the Conditions Precedent in Clauses 3.1(g), 3.1(i) and 3.1(k) being satisfied.
- (c) Premium and WAM must each use its reasonable endeavours to procure that:
- (i) each of the Conditions Precedent in Clauses 3.1(a) to 3.1(e) is satisfied as soon as practicable after the date of this Agreement; and
 - (ii) there is no occurrence within the control of Premium or WAM (as the context requires) that would prevent the Conditions Precedent in Clauses 3.1(a) to 3.1(e) being satisfied.

3.3. Waiver of Conditions Precedent

- (a) The Conditions Precedent in Clauses 3.1(a), 3.1(b), 3.1(c), and 3.1(d), cannot be waived.
- (b) The Condition Precedent in Clause 3.1(e) is for the benefit of Premium and WAM and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of Premium and WAM (each in its absolute discretion).
- (c) The Conditions Precedent in Clauses 3.1(f), 3.1(h) and 3.1(j) are for the sole benefit of WAM and any breach or non-fulfilment of any of those Conditions Precedent may be waived with the written consent of WAM (in its absolute discretion).
- (d) The Conditions Precedent in Clauses 3.1(g) 3.1(i) and 3.1(k) are for the sole benefit of Premium and any breach or non-fulfilment of any of those Conditions Precedent may be waived with the written consent of Premium (in its absolute discretion).
- (e) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4. Termination on failure of Condition Precedent

- (a) If:
 - (i) a Condition Precedent is not satisfied or waived by the date specified for its satisfaction; or
 - (ii) a Condition Precedent becomes incapable of being satisfied by the date specified for its satisfaction and is not waived,

and the relevant occurrence or the failure of the Condition Precedent does not arise out of a breach of Clause 3.2 or 3.5, then Premium and WAM must consult in good faith with a view to:

- (iii) determining whether the Transaction may proceed by way of alternative means or methods;
 - (iv) changing the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the Parties (being a date not later than 5 Business Days before the End Date); or
 - (v) extending the End Date.
- (b) If:
- (i) Premium and WAM are unable to reach agreement under Clause 3.4(a) within 5 Business Days of the date on which they both become aware that the Condition Precedent is not satisfied or has become incapable of being satisfied (or, if earlier, by 8.00 am on the Second Court Date); or
 - (ii) the relevant occurrence or the failure of the Condition Precedent arises out of a breach of Clause 3.2 or 3.5,

then unless the Condition Precedent is waived (and subject to Clause 3.4(c)), the Party entitled to the benefit of that Condition Precedent (whether alone or with the other Party) may terminate this Agreement at any time prior to 8.00 am on the Second Court Hearing Date with immediate effect by written notice to the other Party.

- (c) A Party may not terminate this Agreement under Clause 3.4(b), if the relevant Condition Precedent has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the Condition Precedent being satisfied by the date specified in this Agreement for its satisfaction, as a result of:
- (i) a deliberate act or omission by that Party or its Subsidiaries, or any of their Representatives; or
 - (ii) a breach of this Agreement by that Party.
- (d) Subject to any rights or obligations arising under or pursuant to Clauses that are expressed to survive termination, on termination of this Agreement, no Party has any rights against or obligations to any other Party under this Agreement except for those rights and obligations which accrued prior to termination.

3.5. Certain notices

- (a) If, before the time specified for satisfaction of a Condition Precedent, an event that will prevent that Condition Precedent being satisfied occurs, the Party with knowledge of that event must promptly give the other Party written notice of that event.
- (b) Premium must promptly advise WAM orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
- (i) a representation or warranty provided in this Agreement by Premium to be false in a material respect;
 - (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
 - (iii) a material breach of this Agreement by a member of Premium or its Representatives.
- (c) WAM must promptly advise Premium orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:

- (i) a representation or warranty provided in this Agreement by WAM to be false in a material respect;
- (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
- (iii) a material breach of this Agreement by WAM or its Representatives.

3.6. Regulatory approval

For the purposes of Clause 3.1(a), a Regulatory Approval will be regarded as having been obtained even though a condition has been attached to that Regulatory Approval if the Parties agree to treat the approval as having been obtained.

4. Implementation

4.1. Premium's obligations

Premium must take all necessary steps to implement the Transaction as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step (and must consult with WAM on a regular basis about its progress in that regard), including doing any acts it is authorised and able to do, on behalf of Premium Shareholders and including each of the following:

- (a) **preparation of Scheme Booklet:** subject to Clause 4.1(j), prepare and dispatch the Scheme Booklet in accordance with all applicable laws and in particular with the Corporations Act and RG 142;
- (b) **directors' recommendation:** include in the Scheme Booklet a statement by the Independent Board Committee:
 - (i) unanimously recommending that Premium Shareholders vote in favour of the Scheme in the absence of any Superior Competing Transaction unless there has been a change of recommendation permitted by Clause 4.5; and
 - (ii) that each Independent Director of the Premium Board will vote, or procure the voting of any Independent Director Share, in favour of the Scheme at the Scheme Meeting;
- (c) **section 411(17)(b) statement:** apply to ASIC for the production of:
 - (i) an indication of intent letter stating that it does not intend to appear at Court on the First Court Date; and
 - (ii) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (d) **Court direction:** apply to the Court for orders directing Premium to convene the Scheme Meeting;
- (e) **Scheme Meeting:** convene the Scheme Meeting to agree to the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (f) **Management certificate:** at 8.00am on the Second Court Date, give WAM a certificate signed by 2 Directors on behalf of Premium (and solely in their capacity as officers of Premium and not in their personal capacity) certifying that the Premium Warranties are true and correct in all material respects and that Premium has complied with all its obligations under this Agreement in all material respects (or setting out any circumstances in which such matters are not true and correct or where there has been non-compliance);

- (g) **Court approval:** subject to all Conditions Precedent in Clause 3.1 (other than Clauses 3.1(c) and 3.1(d)) being satisfied or waived in accordance with this Agreement, apply to the Court for orders approving the Scheme as agreed to by the Premium Shareholders at the Scheme Meeting;
- (h) **lodge copy of Court order:** lodge with ASIC an office copy of the Court orders approving the Scheme as agreed to by the Premium Shareholders at the Scheme Meeting no later than one Business Day after the day such office copy is received (or such later date as agreed in writing by WAM);
- (i) **registration:** subject to the Schemes becoming Effective, register all transfers of Premium Shares held by Share Scheme Participants to WAM on or as soon as practicable after the Implementation Date;
- (j) **consultation with WAM:** consult with WAM as to the content and presentation of the Scheme Booklet including:
 - (i) providing to WAM drafts of the Scheme Booklet for the purpose of enabling WAM to review and comment on those draft documents;
 - (ii) taking all comments made by WAM into account in good faith when producing a revised draft of the Scheme Booklet;
 - (iii) providing to WAM a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable WAM to review the Regulator's Draft before its submission; and
 - (iv) obtaining written approval from WAM for the form and content in which the WAM Information appears in the Scheme Booklet which must not be unreasonably withheld or delayed;
- (k) **information:** provide all necessary information, or procure that the Registry provides all necessary information, in each case in a form reasonably requested by WAM, about the Transaction and Premium Shareholders to WAM and its authorised Representatives which WAM reasonably requires in order to facilitate the provision by, or on behalf of, WAM of the Scheme Consideration;
- (l) **ASIC review:** keep WAM informed of any matters raised by ASIC in relation to the Scheme Booklet or the Scheme, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by WAM;
- (m) **Independent Expert:** promptly appoint the Independent Expert and provide assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet as soon as practicable;
- (n) **Prescribed Occurrence:** ensure that no Prescribed Occurrence occurs between the date of this Agreement and 8.00am on the Second Court Date;
- (o) **Scheme Participant Notice:** subject to the Scheme becoming Effective, on the second Business Day after the Record Date, give WAM a Scheme Participant Notice;
- (p) **delivery of documents:** subject to the Scheme becoming Effective, on the Implementation Date, give WAM:
 - (i) a completed master transfer of all of the Scheme Shares executed by Premium as attorney for the Scheme Participants;
 - (ii) the written resignations and release of Premium from any claims by all directors, secretaries and public officers of Premium to be effective on the appointment of the

directors, secretaries and public officers to be appointed at the board meetings to be convened under Clause 4.1(q);

- (iii) duly completed authorities for alteration of signatories of Premium's bank accounts;
- (iv) at the request of WAM, any forms of proxy required to give effect to clause 4.6 of the Scheme,

and make available to WAM:

- (v) ledgers, journals and books of account of each member of Premium;
 - (vi) cheque books of each member of Premium and a list of all bank accounts maintained by the members of Premium;
 - (vii) documents in the possession of Premium relating to the ownership and use of the assets and Premium's business;
- (q) **directors meeting:** subject to the Scheme becoming Effective, on or before the Implementation Date, the directors of Premium convening and holding a meeting to conduct the following business:
- (i) approval of the registration of WAM as the holder of all of the Premium Shares in the books of Premium and direct the making of the requisite entry in the Share Register to give effect to the transfer, the cancellation of the existing share certificates issued in respect of the Premium Shares (if any) and the issue of new certificates in the name of WAM;
 - (ii) acceptance of the resignation of Premium's existing directors, secretaries and public officers effective on the appointment of the directors, secretaries and public officers referred to in Clause 4.1(q)(iii);
 - (iii) appointment of WAM's nominees as directors, secretaries and public officers of Premium;
 - (iv) alteration of the registered office of Premium to the registered office nominated by WAM,

with each such resolution being subject to the payment of the Scheme Consideration in accordance with the Scheme;

- (r) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through its counsel, Premium will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Agreement and the Scheme and, to the extent that leave of the Court is required for Premium to be represented at those Court hearings, apply for that leave;
- (s) **Calculation of Premium NTA:** procure that the Premium NTA is calculated and delivered to WAM within 5 Business Days of the Calculation Date with sufficient supporting information (**Premium Data**) to permit WAM and the WAM Auditor to review the calculation and provide a certification in accordance with Clause 4.2(h). The Premium NTA must be calculated on the basis that all costs payable by Premium associated with implementing the Transaction (including advisors expenses, legal expenses, counsel fees, fees of the Independent Expert, cost of liquidation of assets held in underlying funds and fees payable to the Manager) referable in any way to the Transaction (including the Settlement Fee as defined in paragraph 2(a) of the Side Letter but excluding the fee payable to the Manager under paragraph 2(b) of the Side Letter) or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of Premium; and

- (t) **Certification of WAM NTA:** procure that the Premium Auditor certifies the WAM NTA in writing to the standard prescribed by Accounting Standard on Review Engagements ASRE 2410 “Review of an Interim Financial Report Performed by the Independent Auditor of the Entity” within 5 Business Days of receipt of the WAM Data. WAM will be responsible for all costs associated with engaging the WAM Auditor and these costs will be treated as liabilities of WAM for the purposes of **Clause 4.2(g)**.

4.2. WAM’s obligations

WAM must take all necessary steps to implement the Transaction as soon as is reasonably practicable and use reasonable endeavours to ensure that each step in the Timetable are met by the date set out beside that step (and consult with Premium on a regular basis about its progress in that regard), including doing each of the following:

- (a) **WAM Information:** prepare and promptly provide to Premium all information regarding WAM reasonably requested by Premium, including all information regarding WAM required by all applicable laws and ASIC regulatory guides to be included in the Scheme Booklet;
- (b) **Independent Expert’s report:** subject to the Independent Expert entering into arrangements with WAM in relation to confidentiality in a form reasonably acceptable to WAM, provide any assistance or information reasonably requested by Premium or by the Independent Expert in connection with the preparation of the Independent Expert’s report to be sent together with the Scheme Booklet;
- (c) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through its counsel, WAM will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Agreement and the Transaction and, to the extent that leave of the Court is required for WAM to be represented at those Court hearings, apply for that leave;
- (d) **Deed Poll:** on or prior to the First Court Date, enter into a Deed Poll;
- (e) **share transfer:** if the Scheme becomes Effective, accept the transfer of the Premium Shares as contemplated by the Scheme;
- (f) **Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by the terms of the Scheme;
- (g) **Calculation of WAM NTA:** procure that the WAM NTA is calculated and delivered to Premium within 5 Business Days of the Calculation Date with sufficient supporting information (**WAM Data**) to permit Premium and the Premium Auditor to review the calculation and provide a certification in accordance with Clause 4.1(t). The WAM NTA must be calculated on the basis that all costs payable by WAM referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date (excluding any payment made to the Manager or a Related Body Corporate of the Manager after the Effective Date) are treated as liabilities of WAM; and
- (h) **Certification of Premium NTA:** procure that the WAM Auditor certifies the Premium NTA in writing to the standard prescribed by Accounting Standard on Review Engagements ASRE 2410 “Review of an Interim Financial Report Performed by the Independent Auditor of the Entity” within 5 Business Days of receipt of the Premium Data. Premium will be responsible for all costs associated with engaging the Premium Auditor and these costs will be treated as liabilities of Premium for the purposes of **Clause 4.1(s)**.

4.3. Conduct of appeals

If the Court refuses to grant an order convening any required Scheme Meeting or approving the Scheme, then WAM and Premium must consult with each other in good faith as to whether to appeal the Court’s decision. If, in the opinion of senior counsel obtained by either party within 5 Business

Days of the Court's decision, there are reasonable prospects of successfully appealing the Court's decision then:

- (a) Premium must appeal the Court's decision, the cost of which is to be borne equally by Premium and WAM; and
- (b) WAM and Premium must seek to agree in good faith an extension of the End Date by a period of not more than 3 months to account for the period for determination of the appeal on an expedited basis.

4.4. Conduct of business

- (a) From the date of this Agreement up to and including the Implementation Date, Premium must conduct its business, and must cause Premium to conduct its business, in the ordinary and proper course of business consistent with past practice, keep WAM informed of the conduct of business, and make all reasonable efforts to:
 - (i) keep available the services of their directors, officers and employees;
 - (ii) maintain and preserve satisfactory relationships with their, suppliers, lenders, and others having business dealings with Premium (including using reasonable endeavours to obtain consents from third parties to any change of control provisions in contracts or arrangements to which Premium is a party);
 - (iii) not enter into any lines of business or other activities in which Premium are not engaged as of the date of this Agreement;
 - (iv) preserve intact its asset and business organisation;
 - (v) maintain in effect all of its permits and authorisations from any Government Agency;
 - (vi) not allow any tax payment that is due and payable to remain unpaid; and
 - (vii) manage its working capital in the ordinary course of ordinary business consistent with past practice.
- (b) Premium must consult with WAM in good faith immediately after execution of this Agreement and for the period up to the Implementation Date, to discuss and assist in preparing a transition plan.
- (c) Nothing in Clause 4.4(a) restrains Premium from taking any action permitted by this Agreement or with the prior written consent of WAM, which consent will not be unreasonably withheld or delayed.

4.5. Independent Board Committee recommendation

- (a) Subject to Clause 4.5(b), the Independent Board Committee must unanimously recommend that Premium Shareholders vote in favour of the Transaction in the absence of a Superior Competing Transaction and the Scheme Booklet must include statements by the Independent Directors to that effect.
- (b) The Independent Board Committee collectively, and the Independent Directors of the Premium Board individually, must not change, withdraw or modify its, his or her recommendation in favour of the Transaction unless the Independent Board Committee has first obtained written legal advice from its legal advisors that the Independent Board Committee, by virtue of its fiduciary duties, is required to change, withdraw or modify its recommendation. By way of example but not limitation, the Independent Board Committee may change, withdraw or modify its recommendation if:

- (i) the Independent Expert does not conclude that the Scheme is in the best interests of the Premium Shareholders; or
 - (ii) it receives a Superior Competing Transaction.
- (c) If the Independent Board Committee proposes to change its recommendation in accordance with Clause 4.5(b):
- (i) the Independent Board Committee must notify WAM in writing no less than 3 Business Days prior to announcing a change, withdrawal or modification of recommendation that it intends to change, withdraw or modify its recommendation; and
 - (ii) the Parties must consult in good faith to consider and determine whether the recommendation in place at that time can be maintained.

4.6. Access to information

- (a) Between the date of this Agreement and the Implementation Date, Premium must, and must cause Premium to, afford to WAM reasonable access to the books and records (subject to any existing confidentiality obligations owed to third parties), premises and personnel of members of Premium at mutually convenient times and afford WAM reasonable co-operation for the purpose of:
- (i) implementation of the Transaction, provided that nothing in this sub-clause will require Premium to provide information to WAM concerning Premium's directors and management's consideration of the Transaction;
 - (ii) WAM obtaining an understanding of the operations of the business, financial position, prospects and affairs of each member of Premium in order to allow and facilitate the development and the implementation of the plans of WAM for those businesses following implementation of the Transaction (including, for the avoidance of doubt, to formulate the transition plan referred to in Clause 4.4(b));
 - (iii) WAM contacting Premium Shareholders with a view to encouraging their support for the Transaction; and
 - (iv) any other purpose agreed between the parties.
- (b) Premium must provide, and must cause Premium to provide, WAM, its authorised Representatives and any investigating accountant with reasonable access (at times mutually agreeable to the parties) to Premium's auditors, accountants, books and records (including financial reports, audited or otherwise) for the purpose of facilitating the integration and transition of Premium with and to WAM and the preparation of the financial statements (including for the merged Premium-WAM entity, if any) for inclusion in the Scheme Booklet (and any updates).

4.7. Reasonable endeavours regarding certain filings and approvals

- (a) Premium and WAM must cooperate in:
- (i) determining whether any action by or in respect of, or filing with, any Government Agency is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any Material Contracts, in connection with the implementation of the Transaction; and
 - (ii) taking such actions or making any such filings, furnishing information required in connection therewith and seeking to obtain any such actions, consents, approvals or waivers in a timely manner.

- (b) Premium and WAM must each use its reasonable endeavours to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to:
- (i) prepare and file as promptly as practicable with any Government Agency or other Third Party all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents; and
 - (ii) obtain and maintain all approvals, consents, registrations, permits, authorisations and other confirmations required to be obtained from any Government Agency or other Third Party that are necessary, proper or advisable to implement the Transaction.
- (c) Each of WAM and Premium must:
- (i) promptly notify each other of any written or oral communication to that Party from any Government Agency and, subject to applicable law, permit each other party to review in advance any proposed written communication to any Government Agency, in each case concerning this Agreement or the Transaction;
 - (ii) not agree to participate in any substantive meeting or discussion with any Government Agency in respect of any filings, investigation or inquiry concerning this Agreement or the transactions contemplated hereby unless it consults with each other party in advance and, to the extent permitted by such Government Agency and consistent with the reasonably determined confidentiality obligations of each Party, gives each other Party the opportunity to attend and participate in such meeting, provided that if the Government Agency does not permit such participation by the other parties, or if all Parties agree that such joint participation would not be advisable, each party shall allow outside counsel for the other Parties to attend and participate to the extent permitted by the Government Agency; and
 - (iii) furnish each other Party with copies of all correspondence, filings, and communications (and memoranda setting forth the substance thereof) between them and their respective Representatives, on the one hand, and any Government Agency or members of their respective staffs, on the other hand, concerning this Agreement and the Transaction. Without limiting the generality of the foregoing, Premium must provide WAM the opportunity to participate in the defence of any Proceeding against Premium and/or its directors relating to the Transaction and must obtain the prior written consent of WAM prior to settling or satisfying any such Proceeding.
- (d) Notwithstanding anything else in this Agreement, nothing in this Agreement requires WAM, nor may Premium without the prior written consent of WAM, agree or proffer to, divest, hold separate, or enter into any licence or similar agreement with respect to, or agree to restrict the ownership or operation of, any business or assets of WAM or Premium. In no event is WAM obligated to litigate or participate in the litigation of any Proceeding, whether judicial or administrative, brought by any Government Agency or appeal any writ, order, injunction, judgment or ruling:
- (i) challenging or seeking to make illegal, delay materially or otherwise directly or indirectly restrain or prohibit the implementation of the Transaction or seeking to obtain from WAM any damages in connection therewith;
 - (ii) seeking to prohibit or limit in any respect, or place any conditions on, the ownership or operation by Premium or WAM of all or any portion of the business, assets or any product of Premium or WAM or to require any such person to dispose of, licence (whether pursuant to an exclusive or nonexclusive licence) or hold separate all or any portion of the business, assets or any product of Premium or WAM, in each case as a result of or in connection with the Transaction;

- (iii) seeking, directly or indirectly, to impose or confirm limitations on the ability of WAM to acquire or hold, or exercise full rights of ownership of, any Premium Shares, including the right to vote the Premium Shares on all matters properly presented to Premium Shareholders;
- (iv) seeking to require divestiture by WAM of any Premium Shares; or
- (v) which would reasonably be expected to impede, interfere with, prevent or materially delay the Transaction or that would reasonably be expected to dilute the benefits to WAM of the Transaction.

4.8. Facilitation

Where in this Clause 4 an obligation is imposed on Premium to undertake any act or to ensure that an act does not occur, Premium must, in addition to doing so itself, procure, that the Manager undertakes that act or refrains from undertaking that act (as the case requires) where the terms of the Management Agreements or any other agreement, arrangement or understanding or course of conduct between the Manager and Premium imposes responsibility for that matter on the Manager.

4.9. Appointment to WAM Board

As soon as practicable on the Implementation Date, WAM must cause the appointment of one person nominated by Premium as a director of WAM.

5. Representations and undertakings

5.1. WAM's representations

WAM represents and warrants to Premium (in its own right and separately as trustee or nominee for each of the other Indemnified Parties) that:

- (a) the WAM Information provided to Premium for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that each of the Indemnified Parties will rely on that information to prepare the Scheme Booklet and to propose and implement the Transaction in accordance with the Corporations Act;
- (b) the WAM Information provided under Clause 4.2(a) included in the Scheme Booklet, as at the date the Scheme Booklet is dispatched to Premium Shareholders, will (to the best of WAM's knowledge, information and belief, after due enquiry) not contain any statement which is materially misleading or deceptive including by way of omission from that statement;
- (c) WAM will, as a continuing obligation, provide to Premium all further or new information which it becomes aware of after the Scheme Booklet has been dispatched until the date of the Scheme Meeting which is necessary to ensure that there would be no breach of Clause 5.1(b) if it applied as at the date on which that information arose;
- (d) WAM is a validly existing corporation registered under the laws of its place of incorporation;
- (e) the execution and delivery of this Agreement has been properly authorised by all necessary corporate action of WAM;
- (f) WAM has full corporate power and lawful authority to execute, deliver and perform this Agreement; and
- (g) this Agreement does not conflict with or result in the breach of or default under WAM's constitution or any other agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or by which it is bound.

5.2. WAM's indemnity

WAM agrees with Premium (in its own right and separately as trustee or nominee for each of the other Indemnified Parties) to indemnify the Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which any of the Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in Clause 5.1. Premium agrees to cause the Indemnified Parties to mitigate any damages or loss that any of them may suffer arising out of any breach of any of the representations and warranties in Clause 5.1.

5.3. Premium's representations

Premium represents and warrants to WAM and its directors and officers (in its own right and separately as trustee or nominee for each of the WAM directors and officers) that:

- (a) no information (other than the WAM Information) contained in the Scheme Booklet, as at the date the Scheme Booklet is dispatched to Premium Shareholders, will contain (to the best of Premium's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of omission from that statement;
- (b) Premium is a validly existing corporation registered under the laws of its place of incorporation;
- (c) the execution and delivery of this Agreement has been properly authorised by all necessary corporate action of Premium;
- (d) Premium has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement;
- (e) this Agreement does not conflict with or result in the breach of or default under any provision of Premium's constitution or any material term or provision of any agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is Party or subject or by which it is bound;
- (f) its capital structure, including all issued securities, as at the date of this Agreement is as set out in clause 2.1(c) of the Scheme; and
- (g) implementation of the Transaction will not entitle the Manager to terminate or amend the terms of the Management Agreements or require Premium to pay compensation to the Manager under the terms of the Management Agreements; and
- (h) the Investment Agreement:
 - (i) does not provide for the payment of any fees or other sum to the Manager that has not been disclosed to investors through ASX;
 - (ii) other than performance fees, provides for payment of management fees calculated by reference to formulae where the value of the portfolio of investments of Premium is the only variable;
 - (iii) requires Premium to consult with, but does not require Premium to obtain the consent of, the Manager to implement a capital return, share buyback or payment of a dividend (**Return**);
 - (iv) requires the Manager to comply with any reasonable and lawful direction of the Premium Board in relation to the liquidation of a portfolio; and
 - (v) does not entitle the Manager to compensation for reduction in the size of Premium's portfolio as a result of implementation of a Return and implementation of a Return will

not constitute a breach of the Investment Agreement or otherwise gives the Manager an entitlement to damages for any reduction in management fees as a result of implementation of a Return.

5.4. Premium's indemnity

Premium agrees with WAM (in its own right and separately as trustee or nominee for each of WAM's directors and officers) to indemnify WAM and its directors and officers from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which WAM or any of its directors or officers suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in Clause 5.3. WAM agrees to mitigate any damages or loss that WAM may suffer arising out of any breach of any of the representations and warranties in Clause 5.3.

5.5. Repetition of Warranties

- (a) Premium must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the Premium Warranties is accurate.
- (b) WAM must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the WAM Warranties is accurate.

5.6. Survival of representations

Each representation and warranty in Clauses 5.1 and 5.3:

- (a) is severable;
- (b) survives the termination of this Agreement; and
- (c) is given with the intention that liability under it is not confined to breaches which are discovered before the date of termination of this Agreement.

5.7. Survival of indemnities

Each indemnity in this Agreement (including those in Clauses 5.2 and 5.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the Party giving the indemnity from any other obligations of that Party under this Agreement; and
- (d) survives the termination of this Agreement.

6. Public announcement

6.1. Announcement of Transaction

Immediately after the execution of this Agreement, Premium must issue a public announcement.

6.2. Public announcement and submissions

- (a) No public announcement in connection with the Transaction may be made other than in a form approved by both Parties.
- (b) Each Party must use all reasonable endeavours to provide the approval and constructively participate in the consultation contemplated by Clauses 6.2(a) as soon as practicable.

6.3. Required disclosure

If a Party is required by law or the Listing Rules to make any announcement or disclosure relating to matter the subject of this Agreement, it may do so only after it has given the other Party at least 1 Business Day's notice (or any lesser period of notice required or permitted by the effect of a legal obligation), but in any event prior notice must be given to the other Party and the Party must consult to the fullest extent possible with the other Party regarding the form and content of the announcement or disclosure.

7. Confidentiality

7.1. Confidentiality Agreement

Each Party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other Party before or after the date of this Agreement.

7.2. Survival of obligations

The rights and obligations of the Parties under the Confidentiality Agreement survive termination of this Agreement.

8. No talk and no shop obligations

8.1. No talk

Subject to Clause 8.3 and Clause 8.4, during the No Talk Period, Premium must not, and must ensure that none of its Representatives:

- (a) directly or indirectly participates in or continues any discussions or negotiations with a Third Party;
- (b) provides or makes available any information to a Third Party (including by way of providing information and access to perform due diligence);
- (c) enters into any agreement, arrangement or understanding with a Third Party; or
- (d) communicates to a Third Party any intention to do any of these things,

in relation to, or which:

- (e) may reasonably be expected to lead to, a Competing Transaction;
- (f) may reasonably be expected to otherwise lead to the Transaction not being implemented; or
- (g) in the case of Clause 8.1(b), may reasonably be expected to result in a material detriment to a member of Premium.

8.2. No shop

During the No Shop Period, Premium must not, and must ensure that none of its Representatives:

- (a) solicits (including by way of providing information concerning Premium to any person), invite, directly or indirectly, enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Transaction; or
- (b) communicates to any person an intention to do any of the things referred to in Clause 8.2(a).

8.3. Limitation to no talk

- (a) Premium and its Representatives may undertake any action that would otherwise be prohibited by Clause 8.1 in relation to a bona fide Competing Transaction which was not solicited by it and was not otherwise brought about as a result of any breach by it of its obligations under this Clause 8 where the Independent Board Committee, acting in good faith, determines after having taken advice from its legal advisors and financial advisors, that not undertaking that act would be likely to involve a breach of the fiduciary duties owed by any Premium director or would otherwise be unlawful and the Competing Transaction is more favourable to Premium Shareholders than the Transaction, taking into account all the terms and conditions of the Competing Transaction including whether it is capable of being valued and completed on a timely basis and including having regard to legal, regulatory and financial matters, including any conditions precedent.
- (b) Prior to undertaking an act otherwise prohibited by Clause 8.1 but that is permitted by this Clause 8.3, Premium must not, and ensure that none of its Representatives, undertakes any such prohibited act until after first consulting with WAM for not less than 3 Business Days in good faith to consider and determine whether the recommendation of the Independent Board Committee in place at that time can be maintained.

8.4. Exception for Manager

Nothing in Clause 8.1 limits the ability of Premium to engage in discussions with the Manager in relation to the Management Agreements, including any communication with the Manager or its Related Bodies Corporate and their Representatives, but in each case only to the extent that those discussions do not relate in any way to the matters identified in Clauses 8.1(e) – 8.1(g).

8.5. Notification of approaches

- (a) During the No Shop Period, Premium must notify WAM immediately in writing if it, or any of its Representatives becomes aware of any:
 - (i) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any expression of interest, offer or proposal of a kind referred to in Clause 8.1 or 8.2 including details of the party making the expression of interest, offer or proposal, their terms and any updates to the expression of interest, offer or proposal;
 - (ii) proposal whether written or otherwise made to Premium or any of its Representatives, in connection with, or in respect of any exploration or consummation of, a Competing Transaction or a proposed or potential Competing Transaction, whether unsolicited or otherwise, including details of the party making the proposal, the terms of the proposal and any updates to the proposal;
 - (iii) provision by Premium or its Representatives of any information relating to Premium or its business or operations to any person in connection with or for the purposes of a current or future Competing Transaction; and
 - (iv) action by Premium, or any intention of it to take any action, in reliance on Clause 8.3, prior to undertaking the relevant act (which acts are only permitted to be undertaken pursuant to Clause 8.3).

8.6. Provision of information

- (a) Prior to providing any information to any Third Party who is or may be considering a Competing Transaction, Premium must enter into a confidentiality agreement with such Third Party on terms no less favourable to Premium than those contained in the Confidentiality Agreement (and containing provisions that expressly permit Premium to comply with the

terms of Clause 8.5 and this Clause 8.6), a copy of which must be promptly (in all events within 48 hours) provided for information purposes only to WAM.

- (b) Premium must within 2 Business Days provide WAM with any information or due diligence materials (including responses to requests for further information) provided to any Third Party who is or may be considering a Competing Transaction (other than identical copies of documents that have previously been provided to WAM).
- (c) Such provision of information of materials under Clause 8.6 is only permitted to be undertaken pursuant to Clause 8.3.

8.7. Compliance with law

- (a) Without limiting Clause 8.3, if it is finally determined by a court, or the Takeovers Panel, that the agreement by Premium under this Clause 8 or any part of it:
 - (i) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the Premium Board or the Independent Board Committee; or
 - (ii) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
 - (iii) was, or is, or would be, unlawful for any other reason,

then, to that extent (and only to that extent) Premium will not be obliged to comply with that provision of Clause 8.

- (b) The parties must not make or cause to be made any application to a court or the Takeovers Panel for or in relation to a determination referred to in Clause 8.7(a)(i).

8.8. Warranty and representation

Premium represents and warrants to WAM that, as at the date of this Agreement, no agreement, arrangement or understanding exists with any Third Party in relation to any expression of interest, offer or proposal of the kind referred to in Clause 8.1 or 8.2.

9. Conduct of Court proceedings

9.1. Conduct of Court Proceedings

- (a) Premium and WAM are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This Agreement does not give Premium or WAM any right or power to give undertakings to the Court for or on behalf of the other Party without that Party's consent.
- (c) Premium and WAM must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this Agreement.

10. Termination

10.1. Termination by either Party

Without prejudice to any other rights of termination under this Agreement, either Party may terminate this Agreement by written notice to the other Party at any time before 5.00 pm on the day before the Second Court Date if:

- (a) the other Party is in material breach of any provision of this Agreement (except to the extent that those breaches can be and have been waived in writing by the aggrieved Party) the Party wishing to terminate has given written notice to the other Party setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) from the time the notice is given; or
- (b) a Court or Government Agency has taken any action permanently restraining or otherwise prohibiting the Transaction, or has refused to do any thing necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed (but this does not limit WAM's right to seek damages or other relief in those proceedings).

10.2. Effect of termination

If this Agreement is terminated by either Premium or WAM under Clauses 2 or 10.1, except to the extent that the termination results from a breach by either Party of its obligations under this Agreement, this Agreement becomes void and is of no effect, without any liability or obligation on the part of Premium or WAM, other than the provisions of Clauses 4.9, 6, 7, 11 and 12, which will remain in force after termination.

11. Duty, GST, costs and expenses

11.1. Costs and expenses

Except as otherwise provided in this Agreement, each Party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this Agreement and the proposed, attempted or actual implementation of this Agreement and the Transaction.

11.2. Stamp duty

WAM must:

- (a) pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this Agreement or the Transaction or the steps to be taken under this Agreement or the Transaction; and
- (b) indemnify Premium against any liability arising from failure to comply with Clause 11.2(a).

11.3. GST

- (a) Any consideration or amount payable under this Agreement, including any non-monetary consideration (as reduced in accordance with Clause 11.3(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this Agreement, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (Supplier) in accordance with the GST Law.
- (c) The Additional Amount payable under Clause 11.3(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under Clause 11.3(b):

- (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate.
- (e) Despite any other provision in this Agreement:
- (i) if an amount payable under or in connection with this Agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a Party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred; and
 - (ii) no Additional Amount is payable under Clause 11.3(b) in respect of a Supply to which section 84-5 of the GST Law applies.
- (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter that is not defined in this Agreement has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

12. General

12.1. No representation or reliance

- (a) Each Party acknowledges that no Party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.
- (b) Each Party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other Party, except for any representation or inducement expressly set out in this Agreement.
- (c) Each Party acknowledges and confirms that Clauses 12.1(a) and 12.1(b) do not prejudice any rights a Party may have in relation to information which has been filed by the other Party with the ASIC or ASX.

12.2. No merger

The rights and obligations of the Parties do not merge on implementation of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

12.3. Consents

Any consent referred to in, or required under, this Agreement from any Party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that Party's absolute discretion.

12.4. Notices

Any communication under or in connection with this Agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

Premium

Address: Level 14
39 Martin Place
SYDNEY, NSW 2000
Fax no: (02) 8243 0410
Attention: Lindsay Mann

WAM

Address: Level 11
139 Macquarie Street
SYDNEY, NSW 2000
Fax no: (02) 9247-6855
Attention: Kate Thorley

(or as otherwise notified by that Party to the other Party from time to time);

- (c) must be signed by the Party making the communication or by a person duly authorised by that Party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with Clause 12.4(b); and
- (e) is regarded as received by the addressee:
 - (i) if sent by prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day; and
 - (iii) if delivered by hand, on delivery at the address of the addressee as provided in Clause 12.4(b), unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day.

12.5. Governing law and jurisdiction

- (a) This Agreement is governed by the laws of the State of New South Wales.
- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

12.6. Waivers

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any Party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Agreement.
- (b) Any waiver or consent given by any Party under this Agreement is only effective and binding on that Party if it is given or confirmed in writing by that Party.
- (c) No waiver of a breach of any term of this Agreement operates as a waiver of another breach of that term or of a breach of any other term of this Agreement.

12.7. Variation

This Agreement may only be varied by a document signed by or on behalf of each of the Parties.

12.8. Assignment

A Party may not assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party.

12.9. Further action

Each Party will do all things and execute all further documents necessary to give full effect to this Agreement.

12.10. Entire agreement

This Agreement supersedes all previous agreements in respect of its subject matter and embodies the entire agreement between the Parties.

12.11. Counterparts

- (a) This Agreement may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A Party may execute this Agreement by signing any counterpart.

Schedule 1

Timetable

[Not included]

Schedule 2

Scheme of Arrangement pursuant to section 411 of the Corporations Act 2001

[See Annexure D of the Scheme Booklet]

Schedule 3

Deed Poll

SCHEDULE 3



Deed Poll

By

WAM Capital Limited
(ACN 086 587 395)

This Deed Poll is made on

By

WAM Capital Limited (ACN 086 587 395) of Level 11, 139 Macquarie Street Sydney NSW 2000 (**WAM**).

In favour of:

1. **Premium Investors Limited** (ACN 106 259 885) (**Premium**); and
2. **Each holder of fully paid ordinary shares in the capital of Premium as at the Record Date determined in accordance with the Scheme (the Scheme Participants).**

Recitals:

- A. WAM considers that it is in the best interests of Premium and of the Premium Shareholders that the Premium Shareholders are given the opportunity to consider and, if they think fit, approve the Scheme.
- B. Accordingly, WAM has proposed to the directors of Premium that Premium propose the Scheme.
- C. The effect of the Scheme is that all Premium Shares (together with all rights and entitlements to those shares) will be transferred to WAM.
- D. WAM is entering into this Deed for the purpose of covenanting in favour of Premium and the Scheme Participants to perform its obligations under the Scheme.

This Deed provides:

1. Definitions and Interpretation

1.1 Definitions

In this Deed, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the scheme document attached as Annexure A (the **Scheme**); and
- (b) words and phrases not defined in the Scheme have the same meaning (if any) given to them in the Corporations Act.

1.2 Interpretation

In this Deed, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;

- (e) a reference to a Clause, party, annexure, exhibit or schedule is a reference to a Clause of, and a party, annexure, exhibit and schedule to this Deed, and a reference to this Deed includes any annexure, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time is a reference to that time in Sydney; and
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed.

1.3 Business Day

Where the day on or by which anything is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Nature of Deed

WAM acknowledges that this Deed may be relied on and enforced by Premium and by any Scheme Participant in accordance with its terms even though Premium and the Scheme Participants are not party to it.

2. Conditions

2.1 Conditions

WAM's obligations under Clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

This Deed and WAM's obligations under this Deed terminate automatically if the condition in Clause 2.1 is not satisfied or waived by notice in writing by WAM to Premium on or before the End Date.

2.3 Consequences of termination

If this Deed is terminated under Clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) WAM is released from its obligations to further perform this Deed except those obligations under Clause 5.2; and
- (b) Premium and the Scheme Participants retain the rights they have against WAM in respect of any breach of this Deed which occurred before the termination of this Deed.

3. Compliance with Scheme Obligations

3.1 Compliance with Scheme obligations

Subject to Clause 2, in consideration of the transfer of the Scheme Shares to WAM in accordance with the Scheme, WAM covenants in favour of Premium and of each Scheme Participant to do all those things WAM is required to do under the Scheme, including the provision of the Scheme Consideration in accordance with the terms of the Scheme.

4. Warranties

4.1 Warranties

WAM represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed and has taken or will take all necessary corporate action to authorise the performance of this Deed and to carry out the transactions contemplated by this Deed;
- (d) this Deed is valid and binding on it;
- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and
- (f) this Deed does not conflict with or result in the breach of or default under any provision of its constitution, any material term or provision of any material agreement or any writ, order or injunction, judgment, law, rule, regulation or instrument to which it is a party or subject or by which it is bound.

5. General

5.1 Continuing obligations

This Deed is irrevocable and, subject to Clause 2, remains in full force and effect until:

- (a) WAM has fully performed its obligations under this Deed; or
- (b) the earlier termination of this Deed under Clause 2.2.

5.2 Stamp duty

WAM must:

- (a) pay all stamp duties in respect of the Scheme and this Deed, the performance of this Deed and each transaction effected by or made under the Scheme and this Deed; and
- (b) indemnify Premium and each Scheme Participant against any liability arising from failure to comply with Clause 5.2(a).

5.3 Notices

Any notice or other communication to WAM in respect of this Deed must be in legible writing and in English and:

- (a) addressed as shown below:
 - Attention: Kate Thorley
 - Address: Level 11
139 Macquarie Street
SYDNEY, NSW 2000
 - Fax no: (02) 9247-6855
- (b) must be signed by the person making the communication or by a person duly authorised by that person;
- (c) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of WAM in accordance with Clause 5.3(a); and
- (d) will be regarded as received by WAM:
 - (i) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is a not a Business Day, or is after 5.00 pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day; and
 - (ii) in any other case, on delivery at the address of WAM as provided in Clause 5.3(a), unless that delivery is not made on a Business Day, or is after 5.00 pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day.

5.4 Governing law and jurisdiction

- (a) This Deed is governed by the laws of the State of New South Wales.
- (b) WAM irrevocably submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the State of New South Wales.

5.5 Waiver

- (a) Waiver of any right arising from a breach of this Deed or of any right, power, authority, discretion or remedy arising upon default under this Deed must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this Deed; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this Deed,

does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed or on a default under this Deed as constituting a waiver of that right, power, authority, discretion or remedy,

- (d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.
- (e) This Clause may not itself be waived except in writing.

5.6 Variation

A provision of this Deed may not be varied unless the variation is agreed to by WAM and the Court indicates that the amendment would not of itself preclude approval of the Scheme, in which event WAM will enter into a further Deed in favour of Premium and the Scheme Participants giving effect to the amendment.

5.7 Cumulative rights

The rights, powers and remedies of WAM, Premium and the Scheme Participants under this Deed are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Deed.

5.8 Assignment

The rights and obligations of a person under this Deed are personal and cannot not be assigned, charged or otherwise dealt with at law or in equity and no person shall attempt or purport to do so.

5.9 Further action

WAM will promptly do all things and execute all further documents necessary to give effect to this Deed.

Executed as a deed

EXECUTED by **WAM Capital Limited**)
ACN 086 587 395 in accordance with)
section 127 of the Corporations Act:)

Director/Secretary

Director

Name (please print)

Name (please print)

ANNEXURE D



Scheme of Arrangement

pursuant to section 411 of the Corporations Act 2001

Premium Investors Limited

(ACN 106 259 885)

**The holders of fully paid ordinary shares in
Premium Investors Limited as at the Record Date,
other than Excluded Shareholders**

Table of Contents

1.	Definitions and Interpretation	1
2.	Preliminary	5
3.	Conditions Precedent.....	6
4.	Implementation of Scheme	6
5.	Scheme Consideration.....	8
6.	Dealings in Premium Shares	10
7.	Quotation.....	11
8.	General Scheme provisions.....	11

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act 2001.

Parties:

1. **Premium Investors Limited** (ACN 106 259 885) of Level 14, 39 Martin Place, Sydney, NSW, 2000 (**Premium**).
2. **The holders of fully paid ordinary shares in the capital of Premium as at the Record Date, other than Excluded Shareholders.**

1. Definitions and Interpretation

1.1. Definitions

In this Agreement:

Aggregate Cash Consideration means the aggregate of all of the Cash Consideration payable to Scheme Participants under this Scheme.

ASIC means the Australian Securities and Investments Commission.

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

Business Day means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

Calculation Date means 5:00pm (Sydney time) on the Second Court Date.

Cash Consideration for each Scheme Share means an amount equal to the Premium NTA.

Cash Election means an election by a Scheme Participant to receive the Cash Consideration for each Scheme Share held by that Scheme Participant in accordance with Clause 5.3.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd (ACN 008 504 532).

Condition Precedent means the conditions precedent in clause 3.1 of the Scheme Implementation Agreement.

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

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

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Premium and WAM.

Deed Poll means the deed poll by WAM in favour of the Scheme Participants.

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Election Form means a form to be completed by Premium Shareholders to record their election in relation to Scheme Consideration which forms part of the Scheme Booklet.

End Date means 1 February 2013.

Excluded Shareholder means:

- (a) WAM; and
- (b) RBC Investor Services Limited as custodian for WAM.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this Scheme, a copy of which will be included in the Scheme Booklet.

First Court Date means the day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the fifth Business Day after the Record Date or such other date as Premium and WAM agree in writing.

Independent Expert's Report means the report prepared by a person appointed by Premium to be provided to Premium and Premium Shareholders providing an opinion as to whether the Scheme is in the best interests of Premium Shareholders.

Ineligible Foreign Shareholder means a Scheme Participant whose Registered Address as at the Record Date is a place outside Australia and its external territories and New Zealand, unless Premium and WAM agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with New WAM Shares and New WAM Options when this Scheme becomes Effective.

Material Adverse Change means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of, in each case, the Premium Group, taken as a whole; or
- (b) an effect that will prevent, materially delay or materially impair Premium's ability to consummate this Scheme,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by this Scheme or transactions contemplated by it; or
- (d) which took place with the prior written consent of WAM.

New WAM Option means a WAM Option to be issued pursuant to this Scheme to Scheme Participants that have made a valid Scrip Election.

New WAM Share means a WAM Share to be issued pursuant to this Scheme to Scheme Participants that have made a valid Scrip Election.

NTA means the pre-tax net tangible asset backing of Premium or WAM (as the context requires) per Premium Share or (as the case may be) WAM Share after excluding all deferred tax assets as assets calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations adjusted such that:

- (a) the Premium NTA must be calculated on the basis that all costs payable by Premium associated with implementing the Transaction (including advisors expenses, legal expenses, counsel fees, fees of the independent expert, cost of liquidation of assets held in underlying funds and fees payable to TIS) referable in any way to the Transaction (including the

Settlement Fee as defined in paragraph 2(a) of the Side Letter but excluding the fee payable to TIS under paragraph 2(b) of the Side Letter) or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of Premium; and

- (b) the WAM NTA must be calculated on the basis that all costs payable by WAM referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date (excluding any payment made to TIS or a Related Body Corporate of TIS after the Effective Date) are treated as liabilities of WAM,

as certified in writing by the auditors of WAM or Premium (respectively), to the standard prescribed by Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity".

Premium Constitution means the constitution of Premium as amended from time to time.

Premium NTA means the NTA of Premium on the Calculation Date.

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

Premium Shareholder means a person who is registered in the Share Register as the holder of a Premium Share.

Proportionate Share means in respect of a Scheme Participant, the number of Scheme Shares held by that Scheme Participant on the Record Date as a proportion of the aggregate number of Scheme Shares.

Record Date means 7.00pm (AEDT) on the fifth Business Day after the Effective Date.

Registered Address means, in relation to a Premium Shareholder, the address of the Premium Shareholder as recorded in the Share Register.

Registry means Computershare Investor Services Limited of 452 Johnston Street, Abbotsford, Victoria, 3067.

Related Bodies Corporate has the meaning given in the Corporations Act.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Premium and the Scheme Participants.

Scheme Booklet means the information to be despatched to all Premium Shareholders, and approved by the Court, in connection with the Scheme, including this Scheme, the Explanatory Statement, the Independent Expert's Report, the Deed Poll, and a notice convening the Scheme Meeting, together with the proxy form for the Scheme Meeting.

Scheme Consideration means, depending on the election or deemed election made by a Scheme Participant under Clause 5.1, for each Scheme Share:

- (a) the Cash Consideration;
- (b) the Scrip Consideration; or
- (c) a combination of Cash Consideration and Scrip Consideration.

Scheme Implementation Agreement means the scheme implementation agreement between Premium and WAM dated 14 September 2012, as it stood at 8.00am on the First Court Date.

Scheme Meeting means the meeting of Premium Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Participant means each Premium Shareholder as at the Record Date, other than an Excluded Shareholder.

Scheme Share means a Premium Share held by a Scheme Participant as at the Record Date.

Scheme Transfer means for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Participant's Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Scrip Consideration for each Scheme Share means, subject to Clause 5.4(f):

- (a) the number of New WAM Shares determined by dividing the Premium NTA by the WAM NTA; and
- (b) the number of New WAM Options determined by dividing the Premium NTA by the WAM NTA.

Scrip Election means an election by a Scheme Participant to receive the Scrip Consideration for each Scheme Share held by that Scheme Participant in accordance with Clause 5.4.

Second Court Date means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or if the hearing is adjourned for any reason, the first day on which the adjourned application is heard.

Share Register means the register of members of Premium.

Side Letter means the letter agreement between Treasury Group Limited (ACN 006 708 792) and Premium dated on or about 14 September 2012.

Subsidiary has the meaning set out in the Corporations Act.

TIS means Treasury Group Investment Services Limited (ACN 099 932 920).

Transaction means implementation of the Scheme.

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

WAM Constitution means the constitution of WAM as amended from time to time.

WAM NTA means the NTA of WAM as at the Calculation Date.

WAM Option means an option to be issued a WAM Share with an exercise price of \$1.60 per WAM Share expiring 31 July 2013 and otherwise on the same terms of issue as the options issued by WAM pursuant to the WAM prospectus dated 17 April 2012.

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

1.2. Interpretation

In this Scheme, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;

- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any government agency;
- (e) a reference to a Clause, party, attachment or schedule is a reference to a Clause of, and a party, attachment and schedule to this Scheme, and a reference to this Scheme includes any attachment and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time or AEDT, unless otherwise indicated, is a reference to Australian Eastern Daylight Time;
- (k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day; and
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme.

2. Preliminary

2.1. Premium

- (a) Premium is a public company incorporated in Australia and registered in Victoria and is a company limited by shares.
- (b) Premium is admitted to the official list of ASX.
- (c) As at the date of the Scheme Implementation Agreement, Premium had on issue 101,212,781 Premium Shares which are officially quoted on ASX.

2.2. WAM

WAM is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares. WAM is admitted to the official list of the ASX.

2.3. Consequences of the Scheme becoming Effective

If the Scheme becomes Effective:

- (a) all the Scheme Shares will be transferred to WAM and Premium will enter the name of WAM in the Share Register in respect of the Scheme Shares;
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares;
- (c) the Scheme Consideration will be provided to the Scheme Participants in accordance with the provisions of this Scheme;

- (d) it will bind Premium and all Scheme Participants, including those who do not attend the Scheme Meeting to vote on this Scheme, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and
- (e) it will override the Premium Constitution, to the extent of any inconsistency.

2.4. Deed Poll

WAM has executed the Deed Poll in favour of the Scheme Participants pursuant to which it has covenanted to provide to each Scheme Participant the Scheme Consideration to which such Scheme Participant is entitled under this Scheme and to carry out its other obligations under this Scheme.

3. Conditions Precedent

3.1. Conditions precedent to Scheme

The Scheme is conditional on:

- (a) all of the Conditions Precedent (other than the conditions set out in Clause 3.1(c) of the Scheme Implementation Agreement) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8:00am on the Second Court Date;
- (b) as at 8:00am on the Second Court Date the Scheme Implementation Agreement having not been terminated in accordance with the terms.

3.2. Satisfaction of conditions

The fulfilment of Clause 3.1 is a condition precedent to the operation of Clauses 4.2, 4.3, 4.4, 5.2, 5.3 and 5.4.

3.3. End Date

The Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

3.4. Certificates

WAM and Premium must each provide to the Court at the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in this Scheme (other than the condition relating to Court approval of this Scheme) have been satisfied or waived. The certificate constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4. Implementation of Scheme

4.1. Lodgement of Court orders

Premium will lodge with ASIC an office copy of the Court orders under section 411 of the Corporations Act approving the Scheme by no later than 5.00pm on the first Business Day after the day such office copy is received (or such later date as agreed in writing by WAM).

4.2. Transfer of Scheme Shares

- (a) On the Implementation Date, subject to the provision by WAM of the Scheme Consideration in the manner contemplated by Clause 5:
 - (i) all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to WAM without the need for any further act by any Scheme Participant (other than acts performed by

Premium as attorney and agent for Scheme Participants under Clause 8) and the transfer will be deemed to be effective on the Implementation Date:

- (ii) Premium will deliver to WAM the completed Scheme Transfer duly executed by Premium on behalf of each Scheme Participant;
 - (iii) WAM will execute the Scheme Transfer and deliver it to Premium or the Registry for registration; and
 - (iv) subject to WAM complying with Clause 4.2(a)(iii), Premium must enter, or must procure the entry of, the name of WAM in the Share Register in respect of all of the Scheme Shares.
- (b) WAM will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration of WAM in the Share Register as the holder of the Scheme Shares.

4.3. Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to WAM of each Scheme Share, each Scheme Participant will be entitled to receive the Scheme Consideration in accordance with Clause 5.

4.4. Agreement by Scheme Participants

The Scheme Participants agree to the transfer of their Scheme Shares to WAM in accordance with the terms of this Scheme.

4.5. Warranties by Scheme Participants

The Scheme Participants are deemed to have warranted to WAM, in its own right and for the benefit of Premium, that:

- (a) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to WAM under this Scheme will, at the date of transfer of them to Premium, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and any restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares together with any rights attaching to such Scheme Shares.

4.6. Appointment of WAM as sole proxy

From the Effective Date until the registration of WAM in the Share Register as the holder of the Scheme Shares, each Scheme Participant:

- (a) is deemed to have irrevocably appointed WAM as attorney and agent (and directed WAM in such capacity) to appoint an officer or agent nominated by WAM as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares redirected in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or corporate representative;
- (c) must take all other actions in the capacity of a registered holder of the Scheme Shares as WAM reasonably directs; and

- (d) acknowledges and agrees that in exercising the powers referred to in Clause 4.6(a), WAM and any officer or agent nominated by WAM under Clause 4.6(a) may act in the best interests of WAM as the intended registered holder of the Scheme Shares.

5. Scheme Consideration

5.1. Election

- (a) Using the Election Form, each Premium Shareholder will be requested to elect one of the following:
- (i) the Cash Election;
 - (ii) the Scrip Election; or
 - (iii) a combination of Cash Election and Scrip Election.
- (b) A Premium Shareholder who elects a combination of Cash Election and Scrip Election under clause 5.1(a)(iii), must notify in the Election Form the proportion of Scheme Shares (expressed as a percentage) that will be attributed to the Scrip Election and the Cash Election respectively.
- (c) A valid election may be made by a Scheme Participant by returning the Election Form before 7:00 pm on the Effective Date in writing to an address to be specified by Premium in the Explanatory Statement.
- (d) Once made, a valid election by a Scheme Participant may be varied before 7:00 pm on the Effective Date by returning another validly completed Election Form to an address to be specified by Premium in the Explanatory Statement.
- (e) If a valid election is not made by a Scheme Participant prior to 7:00 pm on the Effective Date, that Scheme Participant will be deemed to have elected to receive the Scrip Consideration in respect of all Scheme Shares held by that Scheme Participant.
- (f) In the manner considered appropriate by Premium (acting reasonably), a Scheme Participant that holds one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person may make separate elections in relation to each of those parcels of Scheme Shares.
- (g) Premium must ensure that, to the extent reasonably practicable, Scheme Participants that have acquired Premium Shares after the date of despatch of the Scheme Booklet and up until the Effective Date can receive an Election Form on request to Premium.

5.2. Effect of election

- (a) If a Scheme Participant does not make a valid Cash Election (whether or not the Scheme Participant makes a Scrip Election), the Scheme Participant will be entitled to receive for each Scheme Share held by that Scheme Participant the Scrip Consideration.
- (b) If a Scheme Participant makes a valid Cash Election, the Scheme Participant will be entitled to receive for each Scheme Share held by that Scheme Participant for which a valid Cash Election was made, the Cash Consideration.
- (c) Scheme Participants making a Scrip Election agree to:
- (i) become members of WAM for the purposes of section 231 of the Corporations Act; and
 - (ii) be bound by WAM Constitution.

5.3. Payment of Aggregate Cash Consideration

- (a) The obligations of WAM to pay the Aggregate Cash Consideration will be satisfied by WAM, before 12:00 pm on the Implementation Date, depositing in cleared funds the Aggregate Cash Consideration into an account in the name of Premium.
- (b) Premium is to hold the Aggregate Cash Consideration on trust for Scheme Participants (except that any interest on the amount will be for the account of WAM) for the purpose of sending the Scheme Consideration to the Scheme Participants within five Business Days of the Implementation Date by:
 - (i) where the Scheme Participant has nominated (by notice to Premium or the Registry on or before the Record Date) a bank account with an Australian financial institution for the purpose of payment of the Scheme Consideration, depositing directly to that bank account; or
 - (ii) dispatching or procuring the dispatch to each Scheme Participant by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of the Scheme Participant;

an amount equal to in respect of Scheme Participants receiving the Cash Consideration, the number of Scheme Shares held by that Scheme Participant for which a valid Cash Election was made multiplied by the Cash Consideration.

- (c) In the case of joint holders of Scheme Shares, a cheque will be payable and forwarded in the names of those joint holders.
- (d) In the event that Premium believes that a Scheme Participant is not known at the Scheme Participant's Registered Address, and no account has been notified in accordance with Clause 5.3(b)(i) or a deposit into such account is rejected or refunded, Premium may credit the amount payable to the relevant Scheme Participant to a separate bank account of Premium to be held until the Scheme Participant claims the amount or the money is dealt with in accordance with any applicable unclaimed money legislation. Premium must hold the amount on trust, but any benefit accruing from the amount will be for the benefit of Premium. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. Premium must maintain records of the amounts paid, the Scheme Participants who are entitled to the amounts and any transfers of the amounts.
- (e) In the case of a notice having been given to Premium (or the Registry) of an order made by a court of competent jurisdiction:
 - (i) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to the particular Scheme Participant in accordance with Clause 5.3(b) above, then Premium must procure that payment is made in accordance with that order; or
 - (ii) which would prevent Premium from dispatching payment to any particular Scheme Participant in accordance with Clause 5.3(b) above, then Premium must retain an amount that would otherwise be payable to that Scheme Participant in accordance with Clause 5.3(b) until such time as payment is permitted by law.

5.4. Provision of New WAM Shares and New WAM Options

- (a) In order to facilitate the issue of the New WAM Shares and New WAM Options, Premium must provide, or procure the provision, to WAM, or a nominee of WAM, details of the final elections made by each Scheme Participant, on the Business Day immediately following the Effective Date.

- (b) The obligation of WAM to provide Scrip Consideration to Scheme Participants that have made a valid Scrip Election will be satisfied by WAM as follows:
- (i) on the Implementation Date, issuing the applicable New WAM Shares and New WAM Options to each applicable Scheme Participant (or in the case of Ineligible Foreign Shareholders, a WAM appointed nominee) in accordance with the terms of this Scheme;
 - (ii) on the Implementation Date, entering in the register of members of WAM and the register of optionholders of WAM the name and address of each such Scheme Participant and the number of New WAM Shares and New WAM Options which that Scheme Participant is entitled to receive under this Scheme; and
 - (iii) on or within five Business Days after the Implementation Date, despatching to each such Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant is outside Australia, by pre-paid airmail post) to their Registered Address at the Record Date confirmation of issue of the Scrip Consideration issued to that Scheme Participant in accordance with this Scheme.
- (c) In the case of Scheme Shares held in joint names, a certificate for the New WAM Shares and New WAM Options must be issued in the names of the joint holders and sent to the holder whose name appears first in the Share Register on the Record Date.
- (d) The New WAM Shares to be allotted and issued by WAM as part of the Scheme Consideration will be of equal ranking with all existing WAM Shares then on issue and will be allotted and issued free from all encumbrances.
- (e) The New WAM Options to be allotted and issued by WAM as part of the Scheme Consideration will be of equal ranking with all existing WAM Options then on issue and will be allotted and issued free from all encumbrances.
- (f) If the number of Scheme Shares held by a Scheme Participant is such that an entitlement of that Scheme Participant to New WAM Shares and New WAM Options is not a whole number then any fractional entitlement to New WAM Shares and New WAM Options will be rounded down to the nearest whole number of New WAM Shares and New WAM Options.

6. Dealings in Premium Shares

6.1. Dealings

To establish the identity of the Scheme Participants, dealings in Premium Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Premium Shares on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the Registry by the Record Date.

6.2. Registration of transmissions and transfers

- (a) Premium must register registrable transmission applications or transfers of the kind referred to in Clause 6.1(b) by, or as soon as practicable after, the Record Date. The persons shown in the Share Register, and the number of Premium Shares shown as being held by them, after registration of those transmission applications and transfers will be taken to be the Premium Shareholders, and the number of Premium Shares held by them, on the Record Date.
- (b) Premium will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Premium Shares received after the Record Date (or received prior to the Record Date not in registrable form).

6.3. Maintenance of Share Register

For the purpose of determining entitlements to the Scheme Consideration, Premium must maintain or procure the maintenance of the Share Register in accordance with the provisions of this Clause 6 until the Scheme Consideration has been paid to the Scheme Participants. The Share Register in this form will solely determine the identity of the Scheme Participants and their entitlements to the Scheme Consideration.

6.4. Provision of details

As soon as possible after the Record Date and in any event within 2 Business Days before the Implementation Date, Premium will ensure that details of the names, Registered Addresses and holdings of Premium Shares for each Scheme Participant are available to WAM in the form WAM reasonably requires.

7. Quotation

7.1. Quotation of Premium Shares

On a date after the Implementation Date to be determined by WAM, Premium will apply for termination of the official quotation on the ASX of Premium Shares and will apply to have itself removed from the official list of ASX.

7.2. Quotation of New WAM Shares and New WAM Options

WAM will apply for official quotation on the ASX of New WAM Shares and New WAM Options within the time prescribed by the Listing Rules of the ASX and will otherwise take all other actions required to be undertaken by an issuer to effect official quotation of the New WAM Shares and New WAM Options.

8. General Scheme provisions

8.1. Power of attorney

Each Scheme Participant, without the need for any further act, irrevocably appoints Premium and all of its directors, secretaries and officers severally as its attorney and agent for the purpose of executing any document or doing any other act necessary to give effect to the Scheme including without limitation:

- (a) executing the Scheme Transfer; and
- (b) executing any instrument appointing WAM as sole proxy or attorney for or, where applicable, corporate representative of each Scheme Participant as contemplated by this Scheme.

8.2. Amendments to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Premium may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which WAM has consented.

8.3. Stamp duty

WAM will pay any stamp duty payable in connection with the transfer of the Scheme Shares to WAM.

8.4. Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Premium, it will not be taken to be received in the ordinary

course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Share Register is kept.

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Scheme Participant will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.5. Scheme Participants' consent

The Scheme Participants consent to Premium doing all things necessary, expedient or incidental to the implementation of this Scheme, including (to the extent permitted by law) the provision of any information held by Premium in relation to the Scheme Participants to WAM.

8.6. Governing law

- (a) This Scheme is governed by the laws of the State of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

8.7. Further action

Premium will execute all documents and do all things necessary to implement and perform its obligations under this Scheme.

ANNEXURE E

Notice of Scheme Meeting

Notice is given that, by an order of the Federal Court of Australia pursuant to section 411(1) of the *Corporations Act 2001* (Cth), a meeting of the shareholders of Premium Investors Limited (**Premium**) will be held at:

Location: The offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000

Date: Monday 10 December 2012

Time: 10.30am

Business of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) proposed to be made between Premium and the Premium Shareholders (**Scheme**) pursuant to Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in Annexure D of the Scheme Booklet accompanying this Notice of Scheme Meeting. To assist you in making an informed voting decision, further information regarding the Scheme is set out in the Scheme Booklet.

Resolution

At the Scheme Meeting, you will be asked to consider and, if thought fit, to pass the following resolution:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Premium Investors Limited and the holders of its fully paid ordinary shares, the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification by the Federal Court of Australia).”

By order of the Court

Dated 31 October 2012

Information for Shareholders

1 Material accompanying this notice

This notice of meeting and the Scheme Resolution should be read in conjunction with the accompanying Scheme Booklet dated 31 October 2012. Unless otherwise defined in this notice of meeting, capitalised terms used in this notice have the same meaning as set out in the Glossary of Terms in section 12 of the Scheme Booklet.

A copy of the Scheme of Arrangement is contained in Annexure D to this Scheme Booklet.

A Proxy Form also accompanies the Scheme Booklet.

2 Voting

Each of the Independent Directors recommends that Premium Shareholders vote in favour of the Scheme Resolution, in the absence of a superior proposal.

3 Majority required

In order for the Scheme to be implemented the Scheme Resolution must be approved by Premium Shareholders at the Scheme Meeting. This means votes in favour of the Scheme Resolution must be received from:

- a majority in number (more than 50%) of Premium Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, by corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or, by corporate representative).

4 Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the Scheme Resolution is approved at the Scheme Meeting by the requisite majority of Premium Shareholders, and the Conditions Precedent to the Scheme (summarised in section 10.8 of the Scheme Booklet, and set out in full in clause 3.1 of the Scheme Implementation Agreement) are satisfied or, where applicable,

waived, Premium intends to apply to the Court for approval of the Scheme.

5 Who is entitled to vote

Each person that is registered on the Share Register as a Premium Shareholder at 7.00pm on Saturday 8 December 2012 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote your shares at the Scheme Meeting.

In the case of Premium Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held Premium Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

WAM and any entity holding Premium Shares controlled by WAM are excluded from voting at the Scheme Meeting.

6 Voting

6.1 How to vote on the Scheme

You can vote:

- (a) **in person**, by attending the Scheme Meeting
- (b) **by mailing** the accompanying Proxy Form so that it is received before 10.30am on Saturday 8 December 2012 to:
Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne Victoria 3001
Australia
- (c) **by faxing** the accompanying Proxy Form so that it is received before 10.30am on Saturday 8 December 2012 to:
1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)
- (d) online by visiting www.investorvote.com.au and following the instructions in your Proxy Form to submit your voting intentions.

If you are an intermediary online subscriber (custodian), you can vote online at www.intermediaryonline.com.

6.2 Voting by proxy

Using the Proxy Form, you can:

- (a) appoint a proxy and direct your proxy how to vote;
- (b) vote a portion of your holding; and
- (c) appoint up to two proxies to attend the meeting and vote on a poll.

A proxy does not need to be a Premium Shareholder.

6.3 Undirected proxies

The Chairman of the Scheme Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary of Premium or any Premium Director which do not contain a direction as to how to vote will be voted in support of the Scheme, in the absence of a superior proposal.

6.4 Voting by attorney

Premium Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Premium for notation, deliver to Premium the original instrument appointing the attorney by no later than 10.30am on Saturday 8 December 2012 (Sydney time) (or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a Premium Shareholder will, as between Premium and that Premium Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Premium Shareholder is lodged with Premium.

6.5 Voting by corporate representative

To vote by corporate representative at the Scheme Meeting, a corporate Premium Shareholder or proxy should obtain an appointment of corporate representative form from Premium and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the Scheme Meeting with the Registry or at the

registration desk on the day of the Scheme Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

The Chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.