

4 November 2021

ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

By: E-lodgement

Merger Between PM Capital Global Opportunities Fund Limited (ASX:PGF) and PM Capital Asian Opportunities Fund Limited (ASX: PAF)

ASIC registration of Explanatory Memorandum

PM Capital Asian Opportunities Fund Limited (**ASX: PAF**) (**PAF** or the **Company**) refers to an announcement made earlier today in relation to the proposed merger between PM Capital Global Opportunities Fund Limited (**PGF**) and the Company by way of a recommended Scheme of Arrangement (**PGF Scheme**), and the orders made by the Federal Court of Australia that PAF convene and hold a meeting of PAF shareholders (**Shareholders**) to consider and vote on the PGF Scheme (**Scheme Meeting**) and approving the despatching of an explanatory statement providing information about the PGF Scheme and the notice of Scheme Meeting (**Explanatory Memorandum**) to Shareholders.

Explanatory Memorandum

PAF confirms that the Explanatory Memorandum has today been registered with the Australian Securities and Investments Commission (**ASIC**). A copy of the Explanatory Memorandum is **attached** and will also be made available for viewing and downloading online on the PAF website (www.pmcapital.com.au/listed-investment-company/paf) and on the ASX announcements platform.

Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Explanatory Memorandum (including the Notice of Scheme Meeting), and to lodge their proxy vote online. Shareholders who have not elected to receive communications electronically will be given access to the Explanatory Memorandum via a URL and QR code set out in a hard copy document (also referred to as a 'postcard') to be sent by mail to them together with a proxy form.

Independent Expert's conclusion

The Explanatory Memorandum includes the Independent Expert's Report. The Independent Expert has concluded that the PGF Scheme is fair and reasonable and in the best interests of Shareholders.

Given the competing offer from WAM Capital Limited (**WAM Capital Offer**), the Independent Expert also considered the merits of the WAM Capital Offer relative to the PGF Scheme in reaching its conclusion.

The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the Explanatory Memorandum.

Recommendation of the Board

The PAF Directors who comprise the PAF Board Committee have concluded that the PGF Scheme is in the best interests of Shareholders and recommend that you vote in favour of the PGF Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the PGF Scheme is in the best interests of Shareholders.

Each member of the PAF Board intends to vote any PAF Shares in which he has a Relevant Interest in favour of the PGF Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the PGF Scheme is in the best interests of Shareholders.

Virtual Scheme Meeting

The Scheme Meeting will be held entirely virtually. Shareholders will only be able to attend the Scheme Meeting virtually, and not in person.

The Scheme Meeting is to be held at 11.00am (Sydney time) on **13 December 2021**. Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting via the website web.lumiagm.com/392-405-628.

The online platform enables Shareholders to listen to the Scheme Meeting live, vote on the relevant resolutions in real time and ask questions online. All registered Shareholders as at 7.00 pm (Sydney time) on 11 December 2021 will be eligible to vote at the Scheme Meeting.

All Shareholders are encouraged to vote either by participating in the virtual Scheme Meeting or by lodging a proxy if they cannot (or choose not to) participate in the virtual Scheme Meeting.

Further details on how to participate in the Scheme Meeting and how to vote (including by way of proxy, attorney or corporate representative) are provided in the Explanatory Memorandum to be despatched to Shareholders in connection with the PGF Scheme, which includes the Notice of Scheme Meeting.

Scheme Meeting Online Voting User Guide

The Scheme Meeting Online Voting User Guide is a step-by-step guide to login and navigate the Scheme Meeting site, which is being run via videoconference using the Lumi online platform. For further details, please refer to the "Virtual Meeting Online Guide" available at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf.

Further information

Once received, Shareholders are encouraged to read the Explanatory Memorandum in full (carefully taking notice of the advantages, disadvantages and risks of the PGF Scheme) before deciding whether and how to vote at the Scheme Meeting. Shareholders are also encouraged to read the Explanatory Memorandum to note key events and indicative dates that will be set out in the Explanatory Memorandum.

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

For more specific advice pertinent to your own circumstances, you should seek professional advice from your financial, legal, tax or other independent and qualified professional adviser.

Yours faithfully
PM Capital Asian Opportunities Fund Limited

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

Explanatory Memorandum

In relation to the proposal from PM Capital Global Opportunities Fund Limited (ACN 166 064 875) ("PGF") to acquire all of the ordinary shares in PM Capital Asian Opportunities Fund Limited (ACN 168 666 171) ("PAF") that it does not already own, by way of a scheme of arrangement between PAF and PAF Shareholders.

VOTE IN FAVOUR

The PAF Directors (who comprise the PAF Board Committee) recommend that you **vote in favour** of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not 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 you have recently sold all of your PAF Shares, please ignore this Explanatory Memorandum.

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

PM Capital Asian Opportunities Fund Limited
ACN 168 666 171

Corporate Adviser



Legal Adviser

**Baker
McKenzie.**

Important Notices

Date

This Explanatory Memorandum is dated 4 November 2021.

General

PAF Shareholders should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

Purpose of Explanatory Memorandum

The purpose of this Explanatory Memorandum is to explain the terms of the Scheme and the manner in which it will be considered and implemented (if it is approved by the Requisite Majority of PAF Shareholders and the Court) and to provide such information as is prescribed or otherwise material to the decision of PAF Shareholders whether or not to approve the Scheme.

This Explanatory Memorandum includes the explanatory statement required to be sent to PAF Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

This Explanatory Memorandum is not a disclosure document required by Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order made by the Court under section 411(1) of the Corporations Act.

Responsibility for information

The information contained in this Explanatory Memorandum, other than the PGF Information and the Independent Expert's Report, has been prepared by PAF and is the responsibility of PAF. None of PGF, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the PAF Information.

The PGF Information, which is the information contained in sections 5, and 7 and parts of section 6 has been provided by PGF, and is the responsibility of PGF. PGF does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. PGF has not verified any of the financial information relating to PAF used in this document, and PAF is responsible for the pro forma financial information included in this Explanatory Memorandum. The pro forma financial information presented in sections 4, 5 and 6 should be read in conjunction with, and having clear regard to, the risks set out in section 5.17, other information contained in this Explanatory Memorandum, and the accounting policies of PGF and PAF as disclosed in their most recent audited financial reports.

None of PAF, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the PGF Information.

The Independent Expert has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of PAF, PGF and their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC and the ASX

A copy of this Explanatory Memorandum was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Explanatory Memorandum in accordance with section 411(2) 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 that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been provided to the ASX for its review under the Listing Rules. Neither the ASX nor its officers take any responsibility for the contents of this Explanatory Memorandum.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Explanatory Memorandum was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing PAF to convene the Scheme Meeting. Those orders were obtained at the First Court Hearing.

The fact that the Court has ordered the Scheme Meeting to be convened is no indication that the Court has: (a) formed a view about the merits of the proposed Scheme or about how the PAF Shareholders should vote (on this matter the PAF Shareholders must reach their own decisions); (b) prepared, or is responsible for, the content of this Explanatory Memorandum; or (c) approved or will approve the terms of the Scheme.

An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

Future matters and intentions

Certain statements in this Explanatory Memorandum relate to the future. These statements may not be based on historical facts, and they involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PAF, PGF or the Combined Group to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, commodity prices, competitive pressures, selling price, market demand, and changes to the operational and regulatory environment of PAF and PGF (or the Combined Group), including the risks and uncertainties associated with the ongoing impacts of COVID-19. These forward-looking statements and information are based on numerous assumptions regarding present and future business strategies, and the environment in which the Combined Group (or PAF and PGF in the scenario where the Scheme does not proceed) will operate in the future, including anticipated costs and ability to achieve objectives and strategies.

Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of PAF, PGF or the Combined Group are or may be forward looking statements. These statements only reflect views held as at the date of this Explanatory Memorandum.

Other than as required by law neither PAF, PGF nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur. You are cautioned about relying on any such forward looking statements in this Explanatory Memorandum. Additionally, statements of the intentions of PGF (and the Combined Group) reflect PGF's present intentions as at the date of this Explanatory Memorandum and may be subject to change.

All subsequent written and oral forward-looking statements attributable to PAF or PGF or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under law or the Listing Rules, PAF and PGF do not give any undertaking to update or revise any forward-looking statements after the date of this Explanatory Memorandum to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

No investment advice

This Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual PAF Shareholders. This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your PAF Shares. Before making an investment decision in relation to the Scheme or your PAF Shares, including any decision to vote for or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. You should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your PAF Shares.

PAF Shareholders outside Australia

This Explanatory Memorandum complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

Foreign jurisdictions

This Explanatory Memorandum does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Other than as set out in this Explanatory Memorandum, no action has been taken to register New PGF Shares or otherwise permit an offering of New PGF Shares in any jurisdiction outside of Australia.

The distribution of the Explanatory Memorandum (electronically or otherwise) outside Australia may be restricted by law. If you come into possession of this Explanatory Memorandum (electronically or otherwise), you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. This Explanatory Memorandum may not be distributed outside Australia except to the extent permitted in this Explanatory Memorandum or with the consent of PAF.

Financial Information

Financial information in this Explanatory Memorandum has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and also complies with the International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board. It is presented in an abbreviated form and does not contain all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

Australian disclosure requirements may differ from those applicable in other jurisdictions. Accordingly, the release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions, and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on, and observe, any applicable restrictions. This Explanatory Memorandum does not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Taxation implications

Section 8 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for PAF Shareholders who dispose of their PAF Shares to PGF in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual PAF Shareholders.

PAF Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

PAF, PGF and Boardroom may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details, bank account details and security holdings of PAF Shareholders and the names of persons appointed by PAF Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act. Except for a PAF Shareholder's tax file number or ABN, all binding instructions or notifications between a PAF Shareholder and PAF relating to PAF Shares (such as payment instructions, communication elections, email addresses, etc.), will, from the Implementation Date be deemed (except to the extent determined by PAF in its sole discretion), by reason of the Scheme, to be a similar binding instruction or notification to and accepted by PGF in respect of the New PGF Shares issued until that instruction or notification is revoked or amended in writing addressed to PGF at its share registry.

The primary purpose of collecting this personal information is to assist PAF in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by PAF and PGF in the manner described in this Explanatory Memorandum. The personal information may be disclosed to PGF's share registry, to the parties' respective print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, PAF may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

PAF Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Boardroom on 1300 737 760 (within Australia) or +612 9290 9600 (outside Australia) if they wish to exercise these rights.

PAF Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

The Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D.

The Scheme Meeting will be held entirely virtually. PAF Shareholders will only be able to attend the Scheme Meeting virtually, and not in person. PAF Shareholders and their proxies, attorneys or corporate representatives will only be able to participate in the Scheme Meeting through an online platform via the website web.lumiagm.com/392-405-628.

The online platform enables Scheme Shareholders to listen to the Scheme Meeting live, vote on the relevant resolutions in real time and ask questions online. Further details with respect to the conduct of the Scheme Meeting, including how to join the Scheme Meeting, ask questions, and vote at the Scheme Meeting are set out in the Notice of Scheme Meeting (see Annexure D).

PAF strongly encourages PAF Shareholders to consider lodging a directed proxy if they are not able to participate in the Scheme Meeting.

Notice of Second Court Hearing and if any PAF Shareholder wishes to oppose the Scheme

At the Second Court Hearing, the Court will consider whether to approve the Scheme if the Requisite Majority of PAF Shareholders have approved the Scheme at the Scheme Meeting. The Second Court Hearing is currently scheduled for 17 December 2021. Any PAF Shareholder may appear at the Second Court Hearing. It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted virtually by remote access technology, including via web link or telephone conferencing. A PAF Shareholder seeking to appear at (or view) the Second Court Hearing should review the Court list (available at <https://www.fedcourt.gov.au/court-calendar/daily-court-lists/vic>) for details of the hearing and how such hearing can be viewed. The Court list is usually available by 4.30pm on the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on ASX at www.asx.com.au in the PAF section. Further, PAF is required to advertise the time and date of the Second Court Hearing in a national newspaper at least 5 days prior to the date of that hearing.

PAF Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice given public health orders relating to COVID-19. Any changes will be announced by PAF to the ASX as required.

Any PAF Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the

Court and serving on PAF a notice of appearance in the prescribed form together with any affidavit that the PAF Shareholder proposes to rely on. The notice of appearance and affidavit should be served on PAF at the address for service at least one day before the date fixed for the Second Court Hearing.

The address for service is: c/- Baker McKenzie, Level 19, 181 William Street, Melbourne Victoria 3000 (Attention: Helen Joyce). The notice of appearance and affidavit may also (or instead) be sent by email to the electronic service address, being helen.joyce@bakermckenzie.com.

PAF and PGF websites

The content of PAF's and PGF's websites do not form part of this Explanatory Memorandum, and PAF Shareholders should not rely on their content. Any references in this Explanatory Memorandum to a website is a textual reference for information only and no information in any website forms part of this Explanatory Memorandum.

Questions

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

Supplementary information

In certain circumstances, PAF may provide additional disclosure to PAF Shareholders in relation to the Scheme after the date of this Explanatory Memorandum. To the extent applicable, PAF Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

Interpretation

Capitalised terms and certain abbreviations used in this Explanatory Memorandum have the meanings set out in the Glossary at the back of this Explanatory Memorandum. The documents reproduced in the Annexures to this Explanatory Memorandum may have their own defined terms, which are sometimes different from those in the Glossary.

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

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

All information set out in this Explanatory Memorandum (including financial and operational information) is current as at the date of this Explanatory Memorandum, unless otherwise stated. All references to times in this Explanatory Memorandum are references to time in Sydney, Australia unless otherwise stated. All times and dates relating to the implementation of the Scheme referred to in this Explanatory Memorandum are subject to change.

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Important Dates

11 December 2021 11.00 am	Latest time for receipt of proxy forms
11 December 2021 7.00pm	Time for determining eligibility to vote
13 December 2021 11.00am	Scheme Meeting
17 December 2021	Second Court Hearing
17 December 2021	Calculation Date (being the date at which the respective NTAs of PGF and PAF are calculated for the purposes of determining the Scheme Consideration)
17 December 2021	Court order is lodged with ASIC and Scheme becomes Effective (Effective Date)
17 December 2021 close of trading	Last day of trading and suspension of PAF Shares from trading on the ASX
20 December 2021	Commencement of trading of new PGF Shares on a deferred settlement basis
21 December 2021	Announcement of the Scheme Consideration
21 December 2021 7.00pm	Record Date for determining entitlement to receive Scheme Consideration
30 December 2021	Implementation of the Scheme and issue of the Scheme Consideration (Implementation Date)
31 December 2021	Commencement of trading of New PGF Shares on a normal settlement basis

All references to time and dates in this Explanatory Memorandum are references to Sydney time unless otherwise stated.

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable will be announced through the ASX.

PAF Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Explanatory Memorandum (including the Notice of Scheme Meeting), and to lodge their proxy vote online. PAF Shareholders who have not elected to receive communications electronically will be mailed a paper copy of the Explanatory Memorandum and proxy form. PAF Shareholders who have not elected to receive communications electronically will be given access to the Explanatory Memorandum via a URL and QR code set out in a hard copy document (also referred to as a 'postcard') to be sent by mail to them together with a proxy form.

The Explanatory Memorandum will also be available for viewing and downloading on the PAF website (www.pmcapital.com.au/listed-investment-company/paf). PAF Shareholders may request a printed copy of the Explanatory Memorandum by calling Boardroom on 1300 737 760 (within Australia) and +61 9290 9600 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Chairman's Letter

Dear Shareholder

On 15 September 2021, PAF announced that it had entered into a Scheme Implementation Deed with PGF under which PGF agreed to acquire all of the shares in PAF that it does not already own by way of a scheme of arrangement ("**Scheme**"). Under the Scheme, PAF Shareholders will transfer their PAF shares to PGF, and in return PAF Shareholders will receive shares in PGF (New PGF Shares). The number of New PGF Shares to be received by PAF Shareholders will be that number of New PGF Shares determined by dividing the PAF NTA per share after tax, but before deferred tax assets by the PGF NTA (on the same basis) relative to each PAF Shareholder's holding of PAF Shares.

Subsequently, PAF has also become subject to a takeover bid ("**WAM Takeover Bid**") from WAM Capital Limited ("**WAM**") based on a WAM Bidder's Statement which was sent to PAF Shareholders on 28 October 2021.

The Independent Expert has assessed the two alternatives and has concluded that the PGF Scheme is **fair and reasonable and in the best interests of PAF Shareholders**. The Independent Expert Report is set out in Annexure A.

The PAF Directors who comprise the PAF Board Committee have concluded that the Scheme is in the best interests of PAF Shareholders and **recommend that you vote in favour of the Scheme** in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders. The PAF Directors who comprise the PAF Board Committee do not consider that the WAM Takeover Bid constitutes a Superior Proposal, and to the extent to which they hold PAF Shares intend to vote in favour of the Scheme in the absence of a Superior Proposal.

The value relativities between the two competing offers are subject to a variety of metrics including the value of WAM shares, the net tangible asset values of PGF Shares and PAF Shares and various other factors. If the determination of the Independent Expert or recommendation of the Board changes we will let you know.

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

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

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

Further information comparing the competing proposals is contained in section 1 of this Explanatory Memorandum and I recommend that PAF shareholders consider that section carefully. Indeed, you should read all of this Explanatory Memorandum carefully and seek your own legal, financial, or other professional advice.

The value of the Scheme Consideration will not be known at the time of the Scheme Meeting on 13 December 2021. The value of the Scheme Consideration will be calculated as at the Calculation Date (expected to be 17 December 2021) and is expected to be announced to the ASX around 21 December 2021. The Scheme Consideration will be calculated using the formulas disclosed in this Explanatory Memorandum, and illustrative worked examples have been provided (see section 3.4.3) to assist PAF Shareholders. PAF will keep PAF Shareholders fully informed of the NTA of each of PAF and PGF via weekly Monday ASX announcements through to the Calculation Date. PAF will ensure that an ASX announcement of the NTA of each of PAF and PGF is made on the morning of and prior to the Scheme Meeting on 13 December 2021.

Governance Protocol

In order to address potential conflicts of interest, PAF adopted a governance protocol prior to entering into the Scheme Implementation Deed designed to ensure independent consideration of the Scheme. A result of the governance protocol was my agreeing to re-join the PAF Board and becoming Chairman. I am a former director of PAF and PGF. I own no shares in either PAF, PGF or WAM. I have no personal interest that could affect my involvement in considering the Scheme on behalf of PAF shareholders.

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

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

Voting and Meeting Details

Your vote is important to the success, or otherwise, of the Scheme.

Subject to Court approval, for the Scheme to proceed the Requisite Majority of PAF Shareholders must vote to approve the Scheme at the Scheme Meeting. The Scheme is also subject to a number of other conditions precedent. The conditions precedent to the Scheme are contained in clause 3.1 of the Scheme Implementation Deed and clause 2.1 of the Scheme. A summary of the key conditions precedent is set out in section 9.11.1 of this Explanatory Memorandum.


Please refer to the Notice of Scheme Meeting (Annexure D) for detailed instructions on how you can participate in the Scheme Meeting through the online platform. To minimise health risks created by the COVID-19 pandemic, PAF Shareholders will only be able to attend the Scheme Meeting virtually.

I encourage you to vote either by attending the Scheme Meeting virtually, or by appointing a proxy to vote on your behalf by completing and returning the proxy form (either online or by returning the paper form to the addresses shown on the proxy form) by 11.00am (Sydney time) on 11 December 2021.

PAF Shareholders who have general questions relating to the Scheme can contact the PAF Investor Services Information Line on +612 8243 0888 between 8.30am and 5.30pm (Sydney time) Monday to Friday. Alternatively, contact your financial, legal, taxation or other professional adviser.

Yours sincerely

PM Capital Asian Opportunities Fund Limited



Andrew McGill
Chairman

Summary of the proposed Scheme

For the Scheme outlined in this Explanatory Memorandum to proceed, the Requisite Majority (see definition further below) of PAF Shareholders must approve the Scheme at the Scheme Meeting.

What is being proposed?

PGF has proposed a transaction whereby it will acquire all of the PAF Shares that it does not already own by way of scheme of arrangement, and to issue the Scheme Consideration to the relevant PAF Shareholders.

The Scheme must be approved by PAF Shareholders in order for the Scheme to proceed. In addition, the Court must approve the Scheme and the other Conditions Precedent must be satisfied or waived. If all these conditions are met, on the Implementation Date, the Scheme will be implemented.

For further understanding of the potential Scheme value to PAF Shareholders, please refer to illustrative examples presented in section 3.4.3 for the Scheme Consideration.

What is the Scheme?

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. If the Scheme becomes Effective, PGF will acquire all of the PAF Shares on issue that it does not already own and PAF will become a wholly owned subsidiary of PGF. PAF shareholders will become shareholders in the Combined Group.

It requires a vote in favour of the Scheme by a Requisite Majority of PAF Shareholders at a meeting of PAF Shareholders (the Scheme Meeting), as well as Court approval. PGF holds 11,424,181 PAF Shares (representing 19.93% of issued PAF Shares). PGF will not vote and will abstain from voting on the Scheme at the Scheme Meeting.

The Scheme Consideration for each PAF Share is that number of New PGF Shares determined by dividing the PAF NTA per share after tax, but before deferred tax assets by the PGF NTA (on the same basis) relative to each PAF Shareholders holding.

After multiplying the Scheme Consideration by the number of PAF Shares held by a PAF Shareholder, any fractional entitlement to a part of a New PGF Share will be rounded up or down to the nearest whole number of New PGF Shares. For the avoidance of doubt, fractional entitlements of 0.5 of a New PGF Share will be rounded up.

The resolution to approve the Scheme must be passed by PAF Shareholders by the Requisite Majority, being:

- a majority in number (more than 50%) of PAF Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative. (**Headcount Test**); and
- at least 75% of the total number of votes cast on the resolution to approve the Scheme by PAF Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative.

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting. PAF reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Headcount Test is not satisfied.

The Scheme is also subject to the satisfaction or waiver of the Conditions Precedent summarised in

section 9.11.1 and set out in full in clause 3.1 of the Scheme Implementation Deed.

The terms of the Scheme are set out in full in Annexure B.

What should I do?

You should read this Explanatory Memorandum carefully in its entirety, consult your legal, financial or other independent professional adviser, and then vote by attending the Scheme Meeting virtually or by appointing a proxy to vote on your behalf.

The answers to various frequently asked questions are set out in section 2.

If you have any additional general questions in relation to this Explanatory Memorandum or the Scheme you may call the PAF Investor Services Information Line on +612 8243 0888 between Monday and Friday from 8.30am to 5.30pm (Sydney time). The PAF Investor Services Information Line cannot give you advice of any kind. Alternatively, you should consult your legal, financial or other independent professional adviser.

What are the conditions to the Scheme?

The implementation of the Scheme is subject to a number of Conditions Precedent summarised in section 9.11.1 and set out in full in clause 3.1 of the Scheme Implementation Deed. As at the date of this Explanatory Memorandum, implementation of the Scheme remains conditional on:

1. approval of the Scheme at the Scheme Meeting by the Requisite Majority of PAF Shareholders;
2. the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders; and
3. Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act.

As at the date of this Explanatory Memorandum, PAF is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied. An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

What is the purpose of the Scheme Meeting?

The Scheme Meeting will allow PAF Shareholders to vote on the resolution. The Scheme Meeting will also ensure that all PAF Shareholders have a reasonable opportunity to participate, ask questions, and have their views and opinions put forward on this important decision for PAF Shareholders.

How and when will the Scheme Meeting be held?

The Scheme Meeting will be held entirely virtually. PAF Shareholders will only be able to attend the Scheme Meeting virtually, and not in person.

The Scheme Meeting is to be held at 11.00am (Sydney time) on 13 December 2021. PAF Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting via the website web.lumiagm.com/392-405-628.

The online platform enables Scheme Shareholders to listen to the Scheme Meeting live, vote on the relevant resolutions in real time and ask questions online. Further details with respect to the conduct of the Scheme Meeting, including how to join the Scheme Meeting, ask questions, and vote at the Scheme Meeting are set out in the Notice of Scheme Meeting (see Annexure D).

Am I entitled to vote at a Scheme Meeting?

You will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting if you are

registered on the Register at 7.00pm (Sydney time) on 11 December 2021. Registrable transmission applications or transfers registered after this time will not be recognised in determining entitlements to vote at the Scheme Meeting.

For further details please refer to the Notice of Scheme Meeting (see Annexure D).

How do I vote?

PAF Shareholders may vote by either personally joining the Scheme Meeting virtually or by appointing a proxy, an attorney, or in the case of a PAF Shareholder which is a corporation, a corporate representative to join the Scheme Meeting and vote on your behalf.

For further details of how to vote, appoint a proxy, or any other Scheme Meeting related queries, please refer to:

- the Notice of Scheme Meeting (see Annexure D),
- the “Virtual Meeting Online Guide” available at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf,

or please call the PAF Investor Services on +612 8243 0888 between Monday and Friday from 8.30am to 5.30pm (Sydney time).

For further details please refer to the Notice of Scheme Meeting (see Annexure D).

What is the PAF Directors' recommendation?

The PAF Directors (who comprise the PAF Board Committee) consider that the Scheme is in the best interests of PAF Shareholders and recommend that PAF Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

In reaching their recommendation, the PAF Directors (who comprise the PAF Board Committee) have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme, as set out in this Explanatory Memorandum.

The PAF Board also comprises Mr Chris Knoblanche. Prior to entering into the Scheme Implementation Deed and due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the Scheme on behalf of PAF, with director leave of absence applying. Mr Knoblanche does not wish to make, and does not consider himself justified in making, a recommendation to PAF Shareholders in relation to the Scheme. This is due to his conflict of interest and because he is representing PGF in relation to the Scheme.

Section 1 sets out reasons to vote for or against the Scheme.

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

If a Superior Proposal emerges after the date of this Explanatory Memorandum, or the Independent Expert changes its conclusion that the Scheme is in the best interests of PAF Shareholders, they will carefully reconsider the Scheme and advise you of their recommendation.

1. Matters relevant to your vote on the Scheme

WAM Takeover Bid

PAF is also subject to a takeover bid (**WAM Takeover Bid**) from WAM Capital Limited (**WAM**) based on a WAM Bidder's Statement which was sent to PAF Shareholders on 28 October 2021. The WAM Takeover Bid offers 1 WAM share for every 1.99 PAF Shares.

The WAM Takeover Bid included an alternate consideration in the event the contractual break fee is not paid. Given the break fee would be payable in the event of a successful WAM Takeover Bid, the alternate proposal is not addressed below. However, the alternate consideration is not expected to become payable, as PGF has advised PAF that PGF does not intend to reduce or cancel the break fee, and PAF is unable to unilaterally change it. If this position were to change either due to a PGF change of intention or a Takeovers Panel determination requiring that this occurs, and that change results in the alternate consideration becoming payable, then the PAF Directors who comprise the PAF Board Committee would reconsider their recommendation that PAF Shareholders vote in favour of the Scheme, and will advise PAF Shareholders of any change to their recommendation.

The WAM Takeover Bid is subject to various conditions, including a 50.1% minimum acceptance condition, as well as a no more than 5% PAF net tangible asset fall condition and a no more than 5% market fall condition. There is some uncertainty regarding whether these conditions will be satisfied or waived. The triggers for these conditions are outside the control of the PAF Board. The WAM Takeover Bid is also conditional on the Scheme not proceeding.

The Independent Expert has considered the WAM Takeover Bid in forming its view **that the Scheme is fair and reasonable and in the best interests of PAF Shareholders.**

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

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

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

For details, please refer to the Independent Expert Report.

PAF Consideration of the WAM Takeover Bid

The PAF Directors (who comprise the PAF Board Committee) have carefully considered the findings of the Independent Expert Report and **recommend that you vote in favour of the Scheme.**

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

- PAF Shareholders would suffer 15.5% post tax NTA dilution under the WAM Takeover Bid, as compared to neutrality under the Scheme.
- The risk that WAM's significant premium to post-tax net tangible assets per share, implicit in recent trading of WAM Capital shares, may reduce.
- PAF Shareholders have no confidence that they will be able to obtain capital gains tax rollover relief if they accept the WAM Takeover Bid
- The high completion risks for PAF Shareholders associated with the conditional WAM Takeover Bid.
- PGF and PAF both have global investment strategies, while WAM has an Australian focused strategy.

In addition:

- PAF estimates that the PGF franking credits per share are much higher than those of WAM, and that this is an important factor in weighing up two competing offers;
- PAF pre-tax net tangible assets plus franking credits per share as at 30 September 2021 is \$1.18. Based on the PGF Scheme, the look-through implied pre-tax net tangible assets plus franking per shares consideration is 3.6% accretive to PAF Shareholders, whereas the WAM Takeover Bid is estimated to be 18.7% dilutive. Please refer to Section 9.5 for an explanation of these estimates.

PAF Shareholders should note the following consideration of the Independent Expert:

- The listed market price of PGF Shares (and WAM shares) is subject to daily fluctuation. The price at which PGF Shares and/or WAM shares may be sold may therefore be greater or less than the Independent Expert's assessed realisable value.
- Any decision to hold PGF Shares (or WAM shares) beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold PGF Shares or WAM shares should be made by PAF Shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

In this regard, it is important that PAF Shareholders consider the risk to the sustainability of PGF's and WAM's respective share prices and the ability to realise such. For PAF Shareholders considering being longer term holders of either of PGF Shares or WAM shares, views as to likely future performance of each of PGF and WAM will have a significant bearing on how they intend to proceed.

Reasons to vote for the Scheme

- ☒ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of PAF Shareholders in the absence of a Superior Proposal.
- ☒ PAF's share price may fall if the Scheme is not approved and no Superior Proposal emerges.
- ☒ Based on the most recently published NTAs of the two companies immediately prior to the announcement of the Scheme, the Scheme Consideration represents a 23% premium to PAF's closing share price before the announcement of the Scheme on 15 September 2021.
- ☒ PAF shareholders will obtain exposure to a PGF global investment focus rather than the current Asian focussed investment strategy of PAF. PAF and PGF have the same 15% performance fee above benchmark (although different relevant benchmarks), while WAM charges a 20% performance fee.
- ☒ No brokerage or stamp duty will be payable on the transfer of your PAF Shares.
- ☒ Potential for scrip-for-scrip capital gains tax roll-over relief, subject to individual shareholder circumstances.
- ☒ The PAF Directors (who comprise the PAF Board Committee) recommend that you vote in favour of the Scheme (by approving the Scheme at the Scheme Meeting) in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

Reasons to vote against the Scheme

- ☒ You may disagree with the PAF Directors (who comprise the PAF Board Committee) and the Independent Expert and believe that the Scheme is not in your interests, or the best interests of PAF Shareholders generally.
- ☒ The WAM proposal currently has a higher implied market value than the PGF Scheme and you may wish to accept that bid.
- ☒ You wish to obtain exposure to WAM's ASX investment focus rather than the current Asian focussed investment strategy of PAF.
- ☒ Given the presence of the WAM Bid, the PAF share price may not fall if the Scheme is not approved.
- ☒ You may consider that there is potential for a Superior Proposal to be made.

Other important considerations

1.1 The Scheme is subject to conditions

In addition to the need to obtain PAF Shareholder approval by the Requisite Majority and Court approval, the Scheme is subject to a number of other conditions. These Conditions Precedent are summarised in section 9.11.1 and are set out in full in clause 3.1 of the Scheme Implementation Deed and in clause 2.1 of the Scheme.

All these Conditions Precedent need to be satisfied (or alternatively, waived, in the case of certain conditions that are capable of being waived) in order for the Scheme to proceed.

The PAF Directors (who comprise the PAF Board Committee) have reviewed these Conditions Precedent and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature.

As to the date of this Explanatory Memorandum, PAF is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied. An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

1.2 The Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme will be implemented if it is approved by the Requisite Majority of PAF Shareholders and the Court and if all of the other Conditions Precedent are satisfied or (if applicable) waived.

If this occurs and you are a PAF Shareholder on the Record Date you will receive the Scheme Consideration, even though you did not vote on, or voted against, the Scheme.

1.3 Costs

PAF has incurred costs in responding to PGF's proposal to acquire the PAF Shares and negotiating that proposal to the point that it is capable of being submitted to PAF Shareholders as the Scheme for their consideration. These costs include negotiating the Scheme Implementation Deed, retaining professional advisers (including legal and tax advisers), facilitating PGF's access to due diligence, engaging the Independent Expert, considering regulatory matters and preparing this Explanatory Memorandum. Scheme Costs will be accrued into the PAF NTA used to determine the Scheme Consideration for the Scheme (see sections 3.3, 3.4 and 3.5 for further details about how this will be calculated). If the Scheme is not implemented, PAF expects to incur total external costs of approximately \$540,000. If the Scheme is not successful, in certain circumstances PAF will be required to pay PGF a break fee in an amount of \$500,000 (**Break Fee**). The circumstances in which the Break Fee is payable are set out in section 9.11.4.

1.4 The value of the Scheme Consideration will not be known until after the Scheme Meeting

The value of the Scheme Consideration will not be known at the time of the Scheme Meeting on 13 December 2021. The value of the Scheme Consideration will be calculated as at the Calculation Date (expected to be 17 December 2021) and is expected to be announced to the ASX around 21 December 2021. The Scheme Consideration will be calculated using the formulas disclosed in this Explanatory Memorandum, and illustrative worked examples have been provided (see section 3.4.3) to assist PAF Shareholders.

1.5 Implications if the Scheme does not proceed

If the Scheme is not approved by the Requisite Majority or the Scheme is not approved by the Court, or if any of the other Conditions Precedent are not satisfied or waived (if applicable), the Scheme will not proceed. In those circumstances:

- (a) PGF will not provide the Scheme Consideration;
- (b) PAF will pay the direct expenses it has incurred, or committed to, in pursuing the Scheme (see section 3.9); and
- (c) the WAM Takeover Bid may proceed subject to its conditions being satisfied or waived.

2. Frequent Questions

The following section provides summary answers to various questions which may assist your review of this Explanatory Memorandum, and to locate further detailed information therein.

2.1 THE SCHEME AT A GLANCE

2.1.1 Why have I received this Explanatory Memorandum?

You have received or are eligible to receive or access this Explanatory Memorandum because you are shown in the Register as a PAF Shareholder and PAF Shareholders are being asked to vote on the Scheme which, if approved, will result in PGF acquiring all of the PAF Shares on issue that it does not already own.

This Explanatory Memorandum is intended to help you to decide how to vote on the resolution which needs to be passed at the Scheme Meeting to allow the Scheme to be implemented.

If you have sold all of your PAF Shares you can disregard this Explanatory Memorandum.

2.1.2 What is the Scheme?

PGF has proposed that it acquire all of the PAF Shares that it does not already own (Scheme Shares) by way of a scheme of arrangement, and to issue the Scheme Consideration to the PAF Shareholders who hold Scheme Shares (Scheme Shareholders).

The Scheme is a scheme of arrangement between PAF and Scheme Shareholders. If the Scheme becomes Effective, PGF will acquire all the Scheme Shares on issue and PAF will become a wholly-owned subsidiary of PGF. PGF will issue the Scheme Consideration to the relevant Scheme Shareholders.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of PAF Shareholders at a meeting of PAF Shareholders, and Court approval.

The Court must approve the Scheme and the other Conditions Precedent must be satisfied or waived. If all these conditions are met, the Scheme will be implemented on the Implementation Date.

The terms of the Scheme are set out in full in Annexure B.

2.1.3 Who is PGF and what are its intentions regarding PAF?

PGF is a listed investment company, incorporated in Victoria, Australia on 1 October 2013 and was admitted to the official list of the ASX on 11 December 2013.

PGF’s investment objectives are to provide long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

PGF has appointed PM Capital Limited as the Investment Manager. The Investment Manager also facilitates all of PGF’s day-to-day administration functions.

The below table summarises the strong historical portfolio investment performance (since inception) of PGF to 30 June 2021 net of fees:

1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	Since Inception (p.a.)	Total Return
54.0%	13.1%	18.0%	15.6%	13.3%	156.9%

Past performance is not a reliable indicator of future performance. The performance is after fees and expenses, and is adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. The date of inception is 12 December 2013.

For further information on PGF and its intentions regarding PAF, please refer to sections 5 and 6.

2.1.4 Will the fees charged by the Investment Manager change?

The management fees charged within PGF is calculated at the same rate, and is based on the same methodology as in PAF. Accordingly, the Scheme does not result in PM Capital earning higher management fees.

Whilst the percentage rate that is charged (15% (plus GST) of outperformance) as a performance fee will remain unchanged, the benchmark against which the portfolio's outperformance is calculated for PGF (being the MSCI World Net Total Return Index (AUD)) is different to the benchmark used by PAF (being the MSCI Asia (ex-Japan) Equity Index (Net Dividends Reinvested, AUD)).

Using a global benchmark (which is more relevant to the global investment strategy implemented by PGF) may lead to a different performance fee outcome – which can be either higher or lower.

See section 5.5 for a summary of the PGF Management Agreement.

2.1.5 What is the recommendation of the PAF Directors (who comprise the PAF Board Committee)?

The PAF Directors (who comprise the PAF Board Committee) consider that the Scheme is in the best interests of PAF Shareholders and recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

The basis for this recommendation (both for and against) is set out in section 1.

The PAF Board also includes Mr Chris Knoblanche. Prior to entering into the Scheme Implementation Deed and due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the Scheme on behalf of PAF, with director leave of absence applying. Mr Knoblanche does not wish to make, and does not consider himself justified in making, a recommendation to PAF Shareholders in relation to the Scheme. This is due to his conflict of interest and because he is representing PGF in relation to the Scheme.

2.1.6 How does the PAF Board intend to vote?

The members of the PAF Board intend to vote the PAF shares that they control in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

2.1.7 What is the Independent Expert's conclusion?

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of PAF Shareholders in the absence of a Superior Proposal.

The Independent Expert's Report is set out in full in Annexure A.

2.1.8 Is the Scheme subject to any conditions?

Implementation of the Scheme is subject to a number of Conditions Precedent summarised in section 9.11.1 and set out in full in clause 3.1 of the Scheme Implementation Deed and clause 2.1 of the Scheme of Arrangement.

2.1.9 What should I do?

You should read this Explanatory Memorandum carefully in its entirety and then vote by attending the Scheme Meeting – either virtually, or by appointing a proxy to vote on your behalf.

If you have any additional general questions in relation to this Explanatory Memorandum or the Scheme you may call the PAF Investor Services Information Line on +612 8243 0888 between Monday and Friday from 8.30am to 5.30pm (Sydney time). The PAF Investor Services Information Line cannot give you any advice. Alternatively, you should consult your legal, financial or other independent professional adviser.

2.2 WHAT YOU WILL RECEIVE UNDER THE SCHEME

2.2.1 What will I receive if the Scheme becomes Effective and the Scheme proceeds?

If the Scheme is approved and implemented, and you remain a PAF Shareholder on the Record Date, you will receive the Scheme Consideration for each PAF Share you hold. You will be issued the Scheme Consideration on the Implementation Date.

2.2.2 When will I know the value of the Scheme Consideration?

The Scheme Consideration will be determined using the respective NTAs of PAF and PGF as at the Calculation Date (see sections 3.3 and 3.4 for further details). Once determined, the value of the Scheme Consideration is expected to be announced to the ASX by 21 December 2021.

While the exact Scheme Consideration will not be known by PAF Shareholders at the time of the Scheme Meeting, this amount is calculated using the formulas disclosed in this Explanatory Memorandum and accompanied by an illustrative worked example in section 3.4.3. The worked example is intended to assist PAF Shareholders to understand how that formula will be applied.

2.2.3 What are the tax consequences of the Scheme?

Section 8 provides a general (and non-investor specific) outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Scheme Shareholders who dispose of their PAF Shares in accordance with the Scheme. You should not rely on those general descriptions as advice for your own affairs.

You should consult with your own independent tax adviser regarding the tax consequences of disposing of your PAF Shares in accordance with the Scheme, current tax laws, and your own personal circumstances.

2.2.4 Will I have to pay brokerage fees or stamp duty?

No brokerage fees or stamp duty will be payable on the transfer of PAF Shares under the Scheme.

2.3 THE SCHEME MEETING AND VOTING

2.3.1 When will the Scheme Meeting be held?

The Scheme Meeting will be held at 11.00am (Sydney time) on 13 December 2021.

The Scheme Meeting will be held entirely virtually. PAF Shareholders will only be able to attend the Scheme Meeting virtually, and not in person. Details of how PAF Shareholders can participate in the Scheme Meeting are set out in the Notice of Scheme Meeting at Annexure D and are summarised below in section 2.3.2.

PAF Shareholders are encouraged to lodge a directed proxy in the event they are not able to participate in the virtual Scheme Meeting.

2.3.2 How do I attend the Scheme Meeting?

PAF Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting via the website web.lumiagm.com/392-405-628.

We recommend you log into the online platform at least 30 minutes prior to the Scheme Meeting to check your connection.

- **For PAF Shareholders**

You will need your SRN or HIN and postcode (or country code, if outside Australia) to register to vote at the Scheme Meeting once logged in. Please note the SRN or HIN includes the “I” or the “X” which precedes the number.

- **For proxyholders**

Proxyholders will need their username and password issued by Boardroom, to register to vote at the Scheme Meeting. If you have not received confirmation of your username and password prior to the Scheme Meeting, please call Boardroom on +612 9290 9600 on the day of the Scheme Meeting.

You will only be able to ask a question after you have registered to vote. To ask a question, click the ‘Ask a Question’ button on the webpage.

Once the Scheme Meeting commences you will hear the audio webcast and see the presentation slides displayed. For further details, please refer to the “Virtual Meeting Online Guide” available at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf.

2.3.3 Am I entitled to vote at the Scheme Meeting?

If you are registered as a shareholder on PAF’s Register at 7.00pm (Sydney time) on 11 December 2021, you will be entitled to vote at the Scheme Meeting.

PGF will not vote (and will abstain from voting) on the Scheme at the Scheme Meeting.

2.3.4 What vote is required to approve the Scheme?

The Scheme must be approved by PAF Shareholders, and the Court, in order for the Scheme to proceed.

For the Scheme to be approved, votes “in favour of” the resolution must be received from a Requisite Majority of PAF Shareholders at the Scheme Meeting.

The resolution to approve the Scheme must be passed by PAF Shareholders by the Requisite Majority, being:

- a majority in number (more than 50%) of PAF Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative (**Headcount Test**); and
- at least 75% of the total number of votes cast on the resolution to approve the Scheme by PAF Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative.

It is also necessary for the Court to approve the Scheme before it can become Effective.

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting. PAF reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Headcount Test is not satisfied.

2.3.5 What choices do I have as a PAF Shareholder?

As a PAF Shareholder you have the following choices:

- you can do nothing, and not vote at the Scheme Meeting;
- you can vote virtually or by proxy at the Scheme Meeting; or
- you can sell your PAF Shares on the ASX at the prevailing market price (which may vary from the value of the Scheme Consideration, and may incur brokerage costs).

You can also accept into the WAM Takeover Bid. However if you accept into the WAM Takeover Bid you will lose your right to vote at the Scheme Meeting. Whether or not you will receive consideration under the WAM Takeover Bid will depend upon whether or not it becomes unconditional.

If the Scheme becomes Effective, PAF Shares will cease trading on the ASX at close of trading on the Effective Date. Accordingly, you can sell your PAF Shares on market at any time before the close of trading on the day that the Scheme becomes Effective.

You may also seek to sell your PAF Shares off-market after the Effective Date but before the Record Date.

2.3.6 Should I vote?

Voting is optional. However, the PAF Directors (who comprise the PAF Board Committee) consider that the Scheme is important to PAF Shareholders and recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of PAF Shareholders.

2.3.7 How do I vote?

PAF Shareholders may vote by either personally joining the Scheme Meeting virtually or by appointing a proxy, an attorney, or in the case of a PAF Shareholder which is a corporation, a corporate representative to join the Scheme Meeting and vote on your behalf.

For further details of how to vote, appoint a proxy, or any other Scheme Meeting related queries, please refer to:

- the Notice of Scheme Meeting (see Annexure D),
- the “Virtual Meeting Online Guide” available at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf, or please call the PAF Investor Services Information Line on +612 8243 0888 between Monday and Friday from 8.30am to 5.30pm (Sydney time).

For further details please refer to the Notice of Scheme Meeting (see Annexure D).

2.3.8 How do I appoint a proxy?

PAF Shareholders can appoint a proxy:

- electronically by following the instructions contained in the email communications they receive about how to complete an online proxy form; **OR**
- if you received a paper copy proxy form, by following the instructions about how to complete a proxy form and by returning that form in accordance with the details set out on that form, or by lodging a proxy form online by going to www.investorvote.com.au, or by scanning the QR Code found on the paper copy proxy form, with your mobile device.

If you wish to appoint a proxy using a paper copy proxy form, please be aware of current timeframes for postal services (noting the possibility of delays due to COVID-19 regulations). Proxies must be received by Boardroom by 11.00am (Sydney time) on 11 December 2021 to be valid for the Scheme Meeting.

For further details please refer to the Notice of Scheme Meeting (see Annexure D).

2.3.9 How do I ask questions before the Scheme Meeting?

We encourage PAF Shareholders to submit questions in advance of the Scheme Meeting by sending their questions to PAFQuestions@pmcapital.com.au. PAF Shareholders may also ask a question when completing an online proxy form.

2.3.10 How do I ask questions at the Scheme Meeting?

PAF Shareholders and proxy holders can ask questions during the Scheme Meeting using the online platform by selecting the “Ask a Question” button. Please note:

- Questions should be stated clearly and must be relevant to the business of the Scheme Meeting.
- No questions should be asked at the Scheme Meeting regarding personal matters or those that are commercial in confidence.

2.3.11 How can I vote if I can’t attend the Scheme Meeting or do not have working internet?

If you are unable to virtually attend the Scheme Meeting you are able to vote by proxy, by following the instructions contained in the email communications you receive to complete an online proxy form, **OR** by completing and returning to Boardroom a paper copy proxy form. The proxy forms must be received by Boardroom by no later than 11.00am (Sydney time) on 11 December 2021.

Further information relating to how to appoint a proxy and how to vote by proxy is set out in the “Summary of the proposed Scheme” section under the heading “How do I vote?”.

2.3.12 What happens if I do not vote, or I vote against the Scheme?

If the Scheme is not approved by the Requisite Majority at the Scheme Meeting, the Scheme will not proceed, you will **not** receive the Scheme Consideration, and you will remain a PAF Shareholder, subject to the terms of the WAM Takeover Bid.

If you do not vote or if you vote against the Scheme and it is approved by the Requisite Majority then you will be bound by it and will receive the Scheme Consideration.

2.3.13 What happens if the Scheme is not approved by PAF Shareholders or the Court, or if any of the other Condition Precedents are not satisfied or waived?

If the Scheme is not approved by a Requisite Majority of PAF Shareholders at the Scheme Meeting or the Scheme is not approved by the Court, or if any of the other Conditions Precedent are not satisfied or waived, the Scheme will not proceed. In those

circumstances:

- PAF Shareholders can accept into the WAM Takeover Bid, subject to its terms, if it is still proceeding; and
- PAF Shareholders will not receive the Scheme Consideration.

2.3.14 When will the result of the Scheme Meeting be known?

The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting. The results will be announced to the ASX when available.

2.4 COMBINED GROUP

2.4.1 Who is PGF?

PGF was incorporated in Victoria, Australia on 1 October 2013 and admitted to the official list of the ASX on 11 December 2013.

PGF's investment objectives are to provide long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

The goal of PGF is not to replicate standard industry benchmarks like the MSCI World Net Total Return Index (AUD). Instead, it is expected that PGF will have varied outcomes to that of a traditional index-benchmarked investment.

Since PGF began trading on the ASX, it has had a history of steadily increasing fully franked dividends while growing NTA per share.

Further information about PGF is set out in section 5.

2.4.2 What benefits will the Scheme deliver to PAF Shareholders?

The Scheme will create a single listed investment company with a larger capital and shareholder base under the existing Investment Manager (PM Capital Limited). It is believed that the Combined Group will deliver the following benefits:

- continued access to PM Capital's investment expertise but with a focus on global investments, as opposed to investments where the predominant business is in Asia;
- increased net assets to a total of approximately \$712 million (based on the values at the time of the announcement of the Scheme);
- a demonstrated investment strategy, providing investors with exposure to a portfolio of undervalued global companies – no longer constrained to predominately Asian markets exposure;
- administrative efficiency, and reduced costs per share;
- a history of paying fully franked dividends to shareholders;
- the potential for PAF Shareholders to exit their investment in PAF at around the NTA after tax; and
- scrip-for-scrip rollover relief, subject to the individual circumstances of PAF Shareholders.

For further information see section 6.2.

2.4.3 Who will manage the investment portfolio of the Combined Group?

The existing investment manager of both PAF and PGF, PM Capital Limited, will continue to act as Investment Manager of the Combined Group and there will be no substantive changes to the existing management arrangements already in place.

PM Capital will not derive a benefit under the Scheme that it doesn't already obtain with PGF and PAF as separate entities.

The key change (from only the perspective of PAF Shareholders) is that PGF (being the newly Combined Group) is managed by the Investment Manager to a global investment strategy – which is not focussed only on Asia.

For further information see section 5.

2.4.4 Where will the head office of the Combined Group be located?

Both PAF and PGF are currently located at Level 11, 68 York Street, Sydney NSW 2000. The location of the Combined Group will remain unchanged.

2.4.5 What are the intentions of the PGF Board in relation to the investments of the Combined Group after implementation of the Scheme?

If the Scheme is approved, the board of the Combined Group will consider as soon as practicable issues such as whether PGF will form a tax consolidated group with PAF.

The PAF Management Agreement will be redundant or terminated, and the management of the assets of the Combined Group will be undertaken via the PGF Management Agreement. This will not impact fees and expenses incurred under the PAF Management Agreement up to the Implementation Date. No termination fee will be payable by PAF.

The investment strategy and objective of the Combined Group will be as described in section 6.2 – being the investment strategy and objective as it exists for PGF as at the announcement of the Scheme Implementation Deed.

2.5 MANAGEMENT OF CONFLICTS OF INTEREST

2.5.1 How has PAF managed conflicts of interest through its consideration of the Scheme?

In order to address potential conflicts of interest, PAF adopted a governance protocol prior to entering into the Scheme Implementation Deed.

Prior to the announcement that PGF and PAF had entered into the Scheme Implementation Deed (Announcement), PAF and PGF each had a common board representation, comprising the following directors:

- Mr Ben Skilbeck (Executive Director);
- Mr Chris Knoblanche (Independent Non-Executive Director, Chairman of PGF); and
- Mr Brett Spork (Independent Non-Executive Director, Chairman of PAF)

In addition, shortly prior to the Announcement, Mr Andrew McGill was appointed as a director of PAF. Mr McGill is independent of PGF.

Following the Announcement, Mr Brett Spork resigned a director of PAF.

The PAF Directors who comprise the PAF Board Committee are Mr Andrew McGill and Ben Skilbeck. As noted above, Mr McGill is independent of PGF. Mr Skilbeck is recused from decision making in relation to the Scheme on behalf of PGF, with director and secretary leave of absence applying. Neither Mr McGill nor Mr Skilbeck have any material personal interest that could affect their involvement in considering the Scheme on behalf of PAF Shareholders. Mr McGill and Mr Skilbeck do not stand to gain any benefit if the Scheme is approved or not, other than (in the case of Mr Skilbeck) in the capacity as a

PAF Shareholder.

As noted above, the PAF Board includes Mr Chris Knoblanche. Prior to entering into the Scheme Implementation Deed and due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the Scheme on behalf of PAF, with director leave of absence applying. Mr Knoblanche does not wish to make, and does not consider himself justified in making, a recommendation to PAF Shareholders in relation to the Scheme. This is due to his conflict of interest and because he is representing PGF in relation to the Scheme.

2.5.2 How has PGF managed conflicts of interest through its consideration of the Scheme?

In order to address potential conflicts of interest, PGF adopted a governance protocol prior to entering into the Scheme Implementation Deed.

The PGF Directors who comprise the PGF Board Committee are Mr Chris Knoblanche and Mr Brett Spork. Mr Knoblanche is recused from decision making in relation to the Scheme on behalf of PAF, with director leave of absence applying. Neither Mr Knoblanche nor Mr Spork have any material personal interest that could affect their involvement in considering the Scheme on behalf of PGF Shareholders. Mr Knoblanche and Mr Spork do not stand to gain any benefit if the Scheme is approved or not, other than in the capacity as a PGF Shareholder.

As noted above, the PGF Board also includes Mr Ben Skilbeck. From the time that PGF provided its proposal to PAF in relation to the Scheme, Mr Skilbeck has been on leave of absence from the PGF board and has not been involved as a director of PGF.

On 14 September 2021, PGF wrote to PM Capital Limited (in its capacity as Investment Manager of PGF) to formally revoke the authorisation for PM Capital to sell, or vote the PAF Shares that were beneficially held by PGF as at the date of announcement of the Scheme Implementation Deed. Those securities were subsequently moved out of the prime broking custodial account (which is administered on a day-to-day basis by the Investment Manager), and moved into self-custody (which is controlled directly by the PGF Board).

2.6 OTHER

2.6.1 Can I keep my PAF Shares?

If the Scheme is implemented, your PAF Shares will be transferred to PGF. This will happen even if you did not vote, or if you voted against the Scheme.

2.6.2 Can I sell my PAF Shares now?

You can sell your PAF Shares on market at any time before close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the value of the Scheme Consideration).

If the Scheme becomes Effective, PAF intends to apply to the ASX for PAF Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your PAF Shares on market after this time.

You may however seek to sell your PAF Shares off-market after the Effective Date but before the Record Date.

2.6.3 What happens if a further Competing Proposal emerges?

If another Competing Proposal (i.e. in addition to the WAM Takeover Bid) is received this will be announced to the ASX. The PAF Directors (who comprise the PAF Board Committee) will also carefully consider it and advise you of any change to their

recommendation. In accordance with the Scheme Implementation Deed, PGF has a short period to match any such Competing Proposal that is considered to be a Superior Proposal.

2.6.4 What happens if the PGF offer is not approved?

If the Scheme is not approved, then PAF will remain listed on ASX subject to the terms of the WAM Takeover Bid and any other developments which may arise.

2.6.5 Are any other approvals required other than the Scheme Meeting?

The Scheme must also be approved by the Court. Accordingly, following the Scheme Meeting, if the Scheme is approved by the Requisite Majority of PAF Shareholders at that meeting, PAF will apply to the Court for approval of the Scheme. Implementation of the Scheme is also subject to certain regulatory approvals as summarised in sections 9.11.1.

2.6.6 Will I receive any more dividends from PAF after the Scheme is implemented?

No, you will not receive any further dividends from PAF if the Scheme becomes Effective.

2.6.7 Do I need to do or sign anything to transfer my PAF Shares in the Scheme?

No. If the Scheme becomes Effective, PAF will automatically have authority to sign a transfer document on behalf of Scheme Shareholders. In this situation you will be deemed to have warranted to PAF, and authorised PAF to warrant to PGF on your behalf, that:

- all of your PAF Shares are fully paid and free from all encumbrances (for example, mortgages or other security interests); and
- you have full power and capacity to transfer your PAF Shares to PGF.

It is your responsibility to ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

2.6.8 What if I have further questions about the Scheme?

If you have any further general questions about the Scheme please call the PAF Investor Services Information Line on or +612 8243 0888 between 8.30am to 5.30pm (Sydney time) Monday to Friday. For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.

3. Details of the Scheme

3.1 Overview of the Scheme

On 15 September 2021, PAF announced that it had entered into a Scheme Implementation Deed with PGF under which it is proposed that (subject to the satisfaction or waiver of a number of Conditions Precedent) PGF will acquire all of the issued PAF Shares that it does not own by way of a scheme of arrangement between PAF and PAF Shareholders under Part 5.1 of the Corporations Act, and issue the Scheme Consideration to PAF Shareholders.

This section provides detail about the Scheme, including specific detail about the Scheme and the Scheme Consideration. A summary of the key terms of the Scheme Implementation Deed is included in section 9.11.

3.2 Directors' recommendation

The PAF Directors (who comprise the PAF Board Committee) consider that the Scheme is in the best interests of PAF Shareholders and recommend that PAF Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

The PAF Board also comprises Mr Chris Knoblanche. Prior to entering into the Scheme Implementation Deed and due to his ongoing role as a PGF Director, Mr Knoblanche was recused from decision making in relation to the Scheme on behalf of PAF, with director leave of absence applying. Mr Knoblanche does not wish to make, and does not consider himself justified in making, a recommendation to PAF Shareholders in relation to the Scheme. This is due to his conflict of interest which arises because he is representing PGF in relation to the Scheme.

3.3 Calculation of the NTA of PAF and PGF

The NTAs of PAF and PGF will be calculated as at the Calculation Date. The respective NTAs of PAF and PGF will be used to determine the Scheme Consideration under the Scheme (see below and section 3.4 for further details).

3.3.1 PAF NTA

PAF must procure that the PAF NTA is calculated and delivered to PGF within two (2) Business Days of the Calculation Date with sufficient supporting information to permit PGF and the PGF Auditor to review and confirm the calculation. PGF has agreed to confirm in writing the PAF NTA within one (1) Business Day of receipt of PAF's calculation of the PAF NTA.

3.3.2 PGF NTA

PGF must procure that the PGF NTA is calculated and delivered to PAF within two (2) Business Days of the Calculation Date with sufficient supporting information to permit PAF and the PAF Auditor to review and confirm the calculation. PAF has agreed to confirm in writing the PGF NTA within one (1) Business Day of receipt of PGF's calculation of the PGF NTA.

3.3.3 Dispute process

If PGF and PAF cannot agree to the calculation of the PAF NTA and/or the PGF NTA, then the calculation of the relevant NTA must be referred immediately to the Auditor to provide certification of the relevant NTA amount.

3.3.4 Announcement of Scheme Consideration

Following the NTA review and confirmation process outlined above, the Scheme Consideration (being based on the Exchange Ratio for each New PGF Share) will be announced to the ASX.

3.4 Outline of the Scheme

Under the Scheme, PGF will acquire all of the issued PAF Shares that it does not own, and issue the Scheme Consideration to all PAF Shareholders on the Record Date, other than itself (the **Scheme Shareholder(s)**).

This section sets out the terms of the Scheme and other information to assist you in deciding whether to vote for the Scheme.

3.4.1 Formula for calculating the Scheme Consideration

The Scheme Consideration is given as New PGF Shares.

The number of New PGF Shares to be issued to each Scheme Shareholder will be based on the following formula:

$$\text{Number of New PGF Shares} = \text{Number of PAF Shares} \times \frac{\text{PAF NTA}}{\text{PGF NTA}}$$

Where:

- **Number of New PGF Shares** means the number of New PGF Shares to be issued to that Scheme Shareholder.
- **Number of PAF Shares** means the number of PAF Shares held by that Scheme Shareholder as at the Record Date.
- **PAF NTA** means the NTA backing after tax of a PAF Share (excluding deferred tax assets) as at the Calculation Date.
- **PGF NTA** means the NTA backing after tax of a PGF Share (excluding deferred tax assets) as at the Calculation Date.

Up until the Calculation Date, the PAF NTA and PGF NTA are subject to change, including as a result of investment and market performance pursuant to usual business operations of PAF and PGF. Any relative change between these two NTAs will have the effect of changing the value of the Scheme Consideration.

3.4.2 Fractional entitlements to Scheme Consideration

Any fractional entitlement of a Scheme Shareholder to a part of a New PGF Share will be rounded up or down to the nearest whole number of New PGF Shares.

3.4.3 Worked example of calculation of number of New PGF Shares

The table below sets out the Exchange Ratio for calculating the number of New PGF Shares which would have been issued to each Scheme Shareholder, based on the NTA per share (after tax and excluding deferred tax assets) for each of PAF and PGF as at 30 September 2021.

Assumptions	PAF	PGF
NTA per share*	\$1.0939	\$1.4848
Exchange Ratio	0.7367	
Number of New PGF Shares received for every 10,000 PAF Shares held	7,367	

For a PAF Shareholder who holds 10,000 PAF Shares on the Record Date, the following table sets out (for illustrative purposes only) the indicative number of New PGF Shares they would receive for their PAF Shares (i.e. **Illustrative Consideration**), and the way in which this Illustrative Consideration would alter depending on five cent moves in the relative NTA of PAF and PGF as at the Calculation Date.

Indicative PAF NTA per PAF Share for merger calculation				
		\$1.0436	\$1.0936	\$1.1436
Indicative PGF NTA per PGF Share for merger calculation	\$1.4348	7,276	7,624	7,973
	\$1.4848	7,031	7,367	7,704
	\$1.5348	6,802	7,127	7,453

3.4.4 Trading in New PGF Shares

The New PGF Shares are expected to commence trading on the ASX, initially on a deferred settlement basis from the Business Day after the Effective Date and, by the Business Day after the Implementation Date (or any later date as the ASX requires), on a normal settlement basis.

The exact number of New PGF Shares to be issued to each Scheme Shareholder will not be known until the Scheme Consideration is calculated. It is the responsibility of each Scheme Shareholder to confirm their holdings of New PGF Shares before they trade them, to avoid the risk of committing to sell more than will be issued to them. Scheme Shareholders can confirm their holdings of New PGF Shares by checking their holding statements from PGF.

Scheme Shareholders who sell New PGF Shares before they receive their holding statements or confirm their holdings of New PGF Shares, do so at their own risk and legal jeopardy. Neither PAF nor PGF takes any responsibility for such trading.

3.4.5 Eligibility to participate in the Scheme

PAF Shareholders (other than PGF) are entitled to participate in the Scheme. In particular, if the Scheme becomes Effective and is implemented, each Scheme Shareholder who is not an Ineligible Foreign PAF Shareholder (defined in the Scheme as Eligible Scheme Shareholders) will receive the Scheme Consideration in respect of each PAF Share held on the Record Date.

An Ineligible Foreign PAF Shareholder for the purpose of the Scheme is any person whose address as at the Record Date is as shown in the PAF Register as a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore, Thailand and the United Kingdom. Based on the PAF Shareholder records as at the date of this Explanatory Memorandum, PAF does not consider that there is likely to be any Ineligible Foreign PAF Shareholders.

Although Ineligible Foreign PAF Shareholders will participate in the Scheme on the same basis as all Eligible Scheme Shareholders, they will not be issued the Scheme Consideration. As an alternative, all Scheme Consideration to which the Ineligible Foreign PAF Shareholders would otherwise have been entitled will be issued to the Sale Agent and sold, within 20 Business Days of the Implementation Date, on a 'best endeavours' basis.

The market price of the Scheme Consideration is subject to change from time to time. The day-to-day market price of PGF Shares can be obtained from the ASX website at www.asx.com.au. The Sale Agent will remit the aggregate Sale Proceeds to PGF or Boardroom, and PGF or Boardroom will then remit the Sale Proceeds (in Australian dollars only) to each Ineligible Foreign PAF Shareholder.

Applicable brokerage and other selling costs, taxes and charges will be allocated proportionally between each Ineligible Foreign PAF Shareholder. Accordingly, the Sale Proceeds you receive may be less than the actual market price that is received by the

Sale Agent for your PGF Shares.

The Sale Proceeds (being net of the proportional fees and costs) will be paid (denominated in \$A) to each Ineligible Foreign PAF Shareholder by either:

- sending, or procuring the dispatch, to that Ineligible Foreign PAF Shareholder by prepaid post to that Ineligible Foreign PAF Shareholder's registered address at the Record Date, a cheque in the name of that Ineligible Foreign PAF Shareholder; or
- making a deposit in an account with any ADI (as defined in the Banking Act 1959 (Cth)) in Australia notified by that Ineligible Foreign PAF Shareholder to PGF (or the PAF Share Registry) and recorded in or for the purposes of the PAF Register at the Record Date.

Details of this process is contained in clauses 5.7 to 5.12 of the Scheme (see Annexure B).

3.4.6 Determination of Scheme Shareholders

To ensure the correct identification of Scheme Shareholders, any dealings in PAF Shares will only be recognised by PAF if:

- in the case of dealings using CHESS, the transferee is registered in the Register as the holder of the relevant PAF Shares on or before 7.00pm on the Record Date; and
- in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

3.4.7 Issuance of Scheme Consideration

If the Scheme is implemented, Scheme Shareholders will irrevocably transfer all of their PAF Shares to PGF and receive the Scheme Consideration. Scheme Shareholders will be issued the Scheme Consideration in respect of each PAF Share held by them as at the Record Date.

The Scheme Consideration will be issued to Scheme Shareholders on the Implementation Date. It is anticipated that the New PGF Shares will commence normal settlement trading on the ASX by the first Business Day after the Implementation Date.

3.4.8 Deemed warranty on transfer of PAF Shares to PGF

Each Scheme Shareholder is deemed to have warranted to PGF that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to PGF, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares together with any rights and entitlements attaching to such shares. See further clause 8.5 of the Scheme of Arrangement in Annexure B to this document. PAF undertakes that it will provide the warranty to PGF as agent and attorney of each Scheme Shareholder. You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

3.5 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- (a) At the First Court Hearing, the Court made orders that the Scheme Meeting be convened and that this Explanatory Memorandum be despatched to PAF Shareholders.
- (b) PAF Shareholders will vote on whether to approve the Scheme at the Scheme Meeting to be held on 13 December 2021.

Amongst other conditions, PAF Shareholders must approve the Scheme by the Requisite Majority. PGF will abstain from voting the PAF Shares that it holds at the Scheme

Meeting.

- (c) The PAF NTA and PGF NTA will be calculated as at the Calculation Date for the purposes of determining the Scheme Consideration (using the Exchange Ratio). PAF will announce the Scheme Consideration to the ASX.
- (d) If the Scheme is approved by the Requisite Majority at the Scheme Meeting, and all other Conditions Precedent (other than Court approval) are satisfied or waived, PAF will apply to the Court to approve the Scheme on the Second Court Date.
- (e) Should the Court approve the Scheme at the Second Court Hearing, PAF will lodge with ASIC an office copy of the Court order approving the Scheme. The Scheme becomes Effective once the Court order is lodged with ASIC.
- (f) With effect from close of trading on the Business Day on which the office copy of the Court order is lodged with ASIC, PAF Shares will be suspended from trading on the ASX.
- (g) All New PGF Shares to be issued to Eligible Scheme Shareholders are expected to commence trading on the ASX on a deferred settlement basis from the first Business Day after the Effective Date.
- (h) Eligible Scheme Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered as the holders of PAF Shares at 7.00pm on the Record Date.
- (i) On the Implementation Date each Scheme Shareholder will transfer their PAF Shares to PGF and PGF will issue the Scheme Consideration to each Eligible Scheme Shareholder.
- (j) All New PGF Shares issued to Eligible Scheme Shareholders are expected to commence trading on the ASX on a normal settlement basis by the first Business Day after the Implementation Date.
- (k) After the Scheme has been implemented, PAF will apply for termination of the official quotation of PAF Shares on the ASX and to have itself removed from the official list of the ASX.

3.6 Approval of the Scheme by PAF Shareholders and the Court

3.6.1 Scheme Meeting

On 4 November 2021, the Court made orders that the Scheme Meeting be convened and that this Explanatory Memorandum be despatched to PAF Shareholders. Those orders do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Explanatory Memorandum.

3.6.2 How to vote

PAF Shareholders can vote at the Scheme meeting by either:

- (a) personally joining the Scheme Meeting virtually; or
- (b) appointing a proxy, attorney or in the case of corporate shareholders, by corporate representative, to virtually attend and vote on their behalf.

3.6.3 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 7.00pm (Sydney time) on 11 December 2021. Only those PAF Shareholders entered on the Register at that time will be entitled to virtually attend and vote at the Scheme Meeting.

3.6.4 Result of Scheme Meeting

The results of the Scheme Meeting will be announced to the ASX shortly after the

conclusion of the Scheme Meeting. The results will be accessible from the ASX's website (www.asx.com.au).

3.6.5 Court approval

If the Scheme is approved at the Scheme Meeting by the Requisite Majority, and all other Conditions Precedent (other than Court approval) are satisfied or waived, PAF will apply to the Court for orders approving the Scheme. The Court retains final discretion as to whether to grant the orders approving the Scheme (even where the Scheme is approved by the Requisite Majority).

Each PAF Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

The Corporations Act and the relevant Court rules provide a procedure for PAF Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on PAF a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on PAF at the address for service at least one day before the date fixed for the Second Court Hearing. With leave of the Court, you may then oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. PAF should be notified in advance of an intention to object.

The address for service is: c/- Baker McKenzie, Level 19, 181 William Street, Melbourne Victoria 3000 (Attention: Helen Joyce). The notice of appearance and affidavit may also (or instead) be sent by email to the electronic service address, being Helen.Joyce@bakermckenzie.com.

Any change to the currently scheduled date for the Second Court Hearing will be announced through the ASX. Further, PAF is required to advertise the time and date of the Second Court Hearing in a national newspaper at least 5 days prior to the date of that hearing.

3.7 Conditions Precedent

The Scheme is subject to a number of Conditions Precedent set out in clause 3.1 of the Scheme Implementation Deed and clause 2.1 of the Scheme, as summarised in section 9.11.1.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed and the Scheme.

As at the Last Practicable Trading Date, PAF and PGF were not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or waived (as applicable). However, a number of Conditions Precedent are outside the control of PAF and PGF. To this extent, PAF intends to work with PGF and relevant third parties (including all relevant Regulatory Authorities) to enable the Conditions Precedent to be satisfied or waived (as applicable).

3.8 Implementation of the Scheme

3.8.1 Effective Date

The Scheme will become Effective on the Effective Date, being the date on which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such other date as the Court determines or specifies in the order.

If the Scheme becomes Effective, PAF will immediately give notice of the event to the ASX. Once the Scheme becomes Effective, PAF and PGF will become bound to implement the Scheme in accordance with its terms.

3.8.2 Deed Poll

PGF has executed the Deed Poll under which it covenants in favour of Scheme Shareholders, subject to the Scheme becoming Effective, to perform the actions attributable to PGF under the Scheme as if it was a party to the Scheme including the obligation of PGF to issue the Scheme Consideration to Eligible Scheme Shareholders (or to the Sale Agent in respect of Ineligible Foreign PAF Shareholders) on the Implementation Date.

The Deed Poll may be relied upon by any Scheme Shareholder despite the fact that they are not a party to it and each Scheme Shareholder appoints PAF as its agent to enforce their rights under the Deed Poll against PGF. A copy of the Deed Poll is included in Annexure C.

3.8.3 Suspension of trading

PAF will apply to the ASX for suspension of trading in PAF Shares on the ASX after close of trading on the day the Scheme becomes Effective. Following implementation of the Scheme, PAF will request the ASX to remove it from the official list of the ASX.

3.8.4 Record Date

Scheme Shareholders on the Register at 7.00pm the Record Date will be entitled to receive the Scheme Consideration in respect of each PAF Share they hold as at the Record Date.

3.8.5 Register

In respect of PAF Shares held by a Scheme Shareholder:

- (a) PAF must register any registrable transmission applications or transfers of PAF Shares received on or before the Record Date; and
- (b) for the purposes of determining entitlements under the Scheme, PAF will not accept for registration or recognise any transfer or transmission applications in respect of PAF Shares received after the Record Date.

3.8.6 No disposals after Record Date

If the Scheme becomes Effective, you will not be able to dispose of any PAF Shares after the Record Date. Any dealings in PAF Shares after this time will not be recognised, except a transfer to PGF on the Implementation Date pursuant to the Scheme, and any subsequent transfer by PGF or its successors in title.

3.8.7 Maintenance of the Register

PAF will maintain the Register until the Scheme Consideration has been issued to the Scheme Shareholders and PGF has been entered in the Register as the sole holder of all PAF Shares.

3.8.8 Implementation Date

The Scheme will be implemented on the Implementation Date. On the Implementation Date each Scheme Shareholder will transfer their PAF Shares to PGF, and PGF will issue the Scheme Consideration.

3.8.9 Delisting of PAF

After the Scheme has been implemented, PAF will request that the ASX removes it from the official list of the ASX. The delisting is expected to occur shortly following the

Implementation Date.

3.9 Scheme costs

A total of \$690,000 (noting a smaller level of costs are expected to be incurred if the Scheme does not consummate) is estimated to be incurred by PAF in the implementation of the Scheme.

3.10 Dividends

It is not expected that PAF will declare, or pay, dividends before the Implementation Date.

3.11 Taxation implications

A general guide to the taxation implications of the Scheme for PAF Shareholders is set out in section 8. The guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any PAF Shareholder. Each PAF Shareholder should seek and rely on their own independent tax advice in relation to their particular circumstances.

4. Information on PAF

4.1 Introduction

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

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

4.2 Corporate overview and investment objectives

Listed in May 2014, PAF is managed by PM Capital Limited, (the **Investment Manager**).

PAF's investment objectives are to provide long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of listed securities that are diversified across the Asian Region (ex- Japan).

The goal of PAF is not to replicate standard industry benchmarks like the MSCI AC Asia ex Japan Net Total Return Index in Australian dollars, net dividends reinvested. Instead, it is expected that PGF will have varied outcomes to that of a traditional index-benchmarked investment.

The Investment Manager manages PAF's portfolio from an Australian investor's perspective, with tax and currency exposures being important considerations in its daily management. The level of hedging back to Australian dollars will depend on the Investment Manager's expectation of future currency exchange rate movements. Currency exposures within PAF are actively managed by the Investment Manager with the objective of delivering positive Australian dollar returns.

The above is not intended to be a forecast, rather it is merely an investment objective of PAF. PAF may not be successful in meeting this objective.

4.3 Performance

The following table represents the historical portfolio investment performance of PAF (net of fees) since inception to 30 June 2021.

Performance (net of fees) [#]	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	Since inception (p.a.)	Total Return
PAF	30.3%	2.6%	8.0%	8.3%	6.2%	53.5%

[#] Past performance is not a reliable indicator of future performance. Performance is after fees and expenses, and is adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. The date of inception is 22 May 2014.

4.4 Directors

Mr Andrew McGill, Mr Ben Skilbeck and Mr Chris Knoblanche are directors of PAF as at the date of this Explanatory Memorandum.

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

Andrew McGill B.Comm LLB Grad Dip AppFin

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

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Member of the PAF Board Committee

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

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

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

Ben Skilbeck B.Eng (Hons) B.Comm

Executive Director and Company Secretary

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Member of the PAF Board Committee

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

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

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

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

Chairman and Independent Non-executive Director

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Not a member of the PAF Board Committee

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

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

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

4.5 Shares on issue

As at the date of this Explanatory Memorandum, there are 57,330,012 PAF Shares on issue.

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

If the Scheme is not approved by the Requisite Majority or the Scheme is not approved by the Court, or if any of the other Conditions Precedent are not satisfied or waived (if applicable), the Scheme will not proceed.

In that case, and if the WAM Takeover Bid does not proceed (or proceeds but WAM does not obtain control of PAF), then PAF is expected to continue to operate with the objective to provide long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of listed securities that are diversified across the Asian Region (ex- Japan).

4.7 Risks relating to an investment in PAF

The following is relevant to PAF Shareholders in considering how to vote on the Scheme. It is also relevant if the Scheme does not proceed and the WAM Takeover Bid does not proceed or proceeds but WAM does not succeed in obtaining control of PAF.

In considering the Scheme, you should be aware that there are several risk factors, general and specific, which could materially adversely affect the future operating and financial performance of PAF, the value of PAF Shares (both with respect to its NTA, and also the price that they trade on the ASX) and future dividends. These risks will only remain relevant to PAF Shareholders if the Scheme does not proceed, and PAF Shareholders retain their current investment in PAF. If the Scheme proceeds, Scheme Shareholders will receive the Scheme Consideration, will cease to be PAF Shareholders and will no longer be exposed to the risks set out in this section (but will become exposed to the risks set out in section 5.17).

Before deciding how to vote you should have a sufficient understanding of these matters and should consider whether continuing to hold PAF Shares is a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Explanatory Memorandum or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you consult your legal, financial or other professional adviser before deciding how to vote.

This section describes the potential risks associated with PAF's business and risks associated with continuing to hold PAF Shares. It does not purport to list every risk that may be associated with an investment in PAF Shares now or in the future, and the occurrence of consequences of some of the risks described in this section are partially or completely outside the control of PAF, the PAF Board and senior management team.

The risks below have been included based on an assessment and knowledge of the PAF Directors (who comprise the PAF Board Committee) as at the date of this Explanatory Memorandum of a combination of the likelihood of the risk occurring and the potential impact of the risk should it

occur. There is no guarantee or assurance that the materiality and likelihood of risks will not change or other that risks will not emerge.

If any of the risks described below occur, PAF's business, financial condition, performance of the investment portfolio could be negatively affected. In that case, the NTA value and/or market price of the PAF Shares could decline, and you could lose part or all of your investment.

4.7.1 Risks specific to PAF

(a) **Investment strategy and Investment Manager performance**

The past performance of portfolios managed by the Investment Manager, and persons associated with the Investment Manager, are not necessarily a guide to future performance. The future success and profitability of PAF will depend materially on the ability of the Investment Manager to continue to construct a portfolio in accordance with PAF's investment objectives, strategy, guidelines and permitted investments. A failure to do so may negatively impact PAF and its securities. There are risks inherent in the investment strategy that the Investment Manager will employ, including the risks identified in this section.

(b) **Market risk**

PAF holds financial instruments comprising the investment portfolio, cash and cash equivalents, receivables and payables and is subject to the general market risks that are inherent in holding those financial instruments. Accordingly, the investment returns of PAF will be influenced by a variety of market factors outside of PAF's control such as changes in economic conditions, the legislative and political environment and investor sentiment. In a strong equity market, the Portfolio may outperform the broader market, as the portfolio may have limited exposure to market risk. Similarly, in a weak market the portfolio may underperform the broader market, as the portfolio may have heightened exposure to market or stock specific risk. As a result, no guarantee can be given in respect of the future earnings of PAF or the earnings and capital appreciation of PAF's investments. Prolonged deterioration in economic conditions may have a material adverse impact on the financial performance, financial position, cash flows, distributions, and growth prospects of PAF and its share price.

(c) **Concentration risk**

There is potential for volatility due to the lower diversity within the portfolio. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility.

(d) **Foreign currency exchange risk**

For investments in international assets, which have currency exposure, there is a risk that adverse movements in exchange rates will reduce their value in Australian dollar terms. For example, if the Australian dollar rises, the value of international investments expressed in Australian dollars can fall and an investment loss may arise to the portfolio.

Whilst various forms of hedging may be used to reduce the risk, PAF may not be fully hedged to Australian dollars and it is likely that PAF will have ongoing currency exposure as a result of the PAF's investment in global securities denominated in a foreign currency. The investment strategy seeks to assess the potential returns and risks created by currency exposures and to position PAF's portfolio with the aim of capturing those returns while minimising those risks.

(e) **Counterparty and credit risk**

Counterparty risk is the risk of a counterparty, such as a clearing house or securities lender, being unable to meet its obligations under a contract. When PAF invests in derivative instruments, PAF may take a credit risk with regard to parties with whom it trades and may bear the risk of settlement default. This risk is reduced for exchange-traded transactions due to certain protections, such as being backed by a clearing organisation's guarantee, daily marking-to-market and settlement, segregation and minimum capital requirements applicable to intermediaries.

Other transactions entered into directly between two parties generally do not benefit from such protections. This could expose PAF to the risk of loss if a counterparty does not settle a transaction in accordance with its terms and conditions, perhaps due to a dispute over the terms of the contract or because of a credit or liquidity problem. In the case of default, PAF could also become subject to adverse market movements while replacement transactions are executed. Risks from PAF's prime broker may arise because the prime broker does not guarantee the return of collateral, while also being able to use PAF's assets as security for lending. PAF ranks as an unsecured creditor in relation to the assets used by the prime broker and may not be able to recover such assets in full.

Further, PAF's prime broker also provides a custody service for PAF's assets and may appoint sub-custodians of such assets. In certain events, there is a risk that PAF's assets may not be well protected.

The ability of PAF to transact business with one or more counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by PAF.

(f) **Derivatives risk**

There is a risk that the use of derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain. Derivative instruments include futures, options on futures, over-the-counter options, exchange-traded options, swaps and forward contracts. The value of all derivatives is 'derived' from the underlying physical assets, such as company shares, commodities and bonds. The risk of loss associated with the use of derivative contracts can be substantial due to the leverage that can be associated with these products. These leveraged positions allow exposure to risk assets to be created that is greater than the value of the actual assets that support them.

The use of derivatives potentially also creates legal and documentation risk. The collateral for exchange traded derivatives is held by a third-party central clearing facility. However, collateral for OTC derivatives positions is held directly by the counterparty and is not segregated from the counterparty's own assets. As such, this creates counterparty risk.

(g) **Foreign investment risk**

Investments in foreign securities may be exposed to a higher degree of sovereign, political, market and corporate governance risks than those of Australian domiciled investments. Other countries may have different legal systems, taxation regimes and accounting standards and may have less regulation and transparency.

- (h) **Leverage risk**
PAF may pledge its investments (which creates counterparty risks) to borrow additional funds for investment purposes. The use of derivatives and short-selling creates additional leverage risk. Leverage has the effect of magnifying the gains and the losses, and the volatility, of an investment. Accordingly, a leveraged investment is a higher risk investment relative to an un-leveraged investment with an otherwise comparable investment strategy. There is a higher risk of capital loss as the level of borrowing (including gross foreign exchange exposures) increases. As the level of cash and securities borrowings increase so too does the interest cost of those borrowing, as does the sensitivity to any variation in interest rates themselves. The cost of borrowing may increase materially, or become unavailable, which may lower the targeted and actual returns. Investments held may themselves utilise leverage.
- (i) **Liquidity risk**
There is a risk that the portfolio's underlying investments may not be easily converted into cash. This means that PAF may encounter difficulty in meeting obligations associated with its financial liabilities in certain circumstances. PAF aims to mitigate this risk through where practicable investing in financial instruments, which under normal market conditions are more readily convertible to cash.
- (j) **Performance fee risk**
Fee compensation arrangements based on variable performance may create an incentive for the Investment Manager to make more speculative or higher risk investments than might otherwise be the case.
- (k) **Short selling risk**
Short-selling involves a greater risk than holding a long position. Losses incurred through short-selling of equities can be unlimited. While short-selling can be used to reduce risk, it is also possible for long positions and short positions to both lose money at the same time. Additionally, there can be no guarantee that the securities necessary to cover a short position will be available for purchase. Short-selling can also add to effective leverage as some of the cash that is realised from short-selling a borrowed security is available to be used to buy other securities.
- (l) **Interest rate risk**
Changes in interest rates can directly and indirectly impact (negatively or positively) on the fair value or future cash flows of a financial instrument. Interest rate movements will impact the value of a debt security. These risks are managed by monitoring of interest rate sensitive investments.

4.7.2 General risks

- (a) **WAM Takeover Bid**
It is possible that neither the Scheme nor the WAM Takeover Bid proceeds or that the WAM Takeover bid proceeds but WAM does not acquire control of PAF. In that case, it is possible that the PAF Share price may decline.
- (b) **Equity risk**
PAF Shares may fall in value over short or extended periods of time. Share markets tend to move in cycles and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders in PAF are exposed to this risk both through their holding in PAF Shares as well

as through PAF's investment portfolio. A listed investment company's share price may trade at any time at a premium or discount to net tangible asset backing per share.

(c) **Litigation and disputes**

PAF may become involved in litigation and disputes. Exposure to litigation brought by third parties such as investors, regulators or business associates could negatively impact operations and financial performance through increased costs, payment of damages or damage to reputation. PAF is not currently aware of any impending litigation.

(d) **Changes in accounting policy**

Changes in accounting policies, arising from recently issued or amended accounting standards by the Australian Accounting Standards Board may affect the reported earnings of PAF and its financial position from time to time.

(e) **Regulatory risk**

PAF is exposed to the risk of changes in government regulation and laws, including taxation laws, having a negative effect on it, its business, its investments or returns to shareholders. All investments carry the risk that their value may be affected by changes in laws and regulations. This includes risk associated with variations in the taxation laws of Australia or other jurisdictions in which PAF holds investments, and changes in accounting standards which affect the financial performance and position reported by PAF. Changes in laws, regulations or policies may affect PAF's business, increase operating and compliance costs or non-compliance risks.

In respect of taxation, future changes in Australian taxation law or in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities, or PAF's method of calculation, may affect the taxation treatment of an investment in PAF Shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, or PAF's methods of calculation may impact the tax liabilities of PAF.

(f) **Domestic and global conditions**

Adverse changes in economic conditions such as economic growth, interest rates, employment levels, business sentiment, market volatility, exchange rates, inflation, government policy, international economic conditions amongst others are outside PAF's control and have the potential to have an adverse impact on PAF and its operations.

(g) **Dividends and dividend guidance**

The declaration of future dividends on PAF Shares is dependent on many factors including future profitability of PAF, and the availability of cash and capital requirements of PAF's business.

PAF's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits, and there can be no guarantee that such profits will be generated in the future. Past performance is not a reliable indicator of future performance.

(h) **COVID-19 and its impacts on the global economy and financial markets**

The COVID-19 pandemic and associated uncertainty continues to adversely impact the global and Australian economy and financial markets, and its full impact remains unknown. There is no clear outlook for economic recovery and a return to pre-pandemic economic activity. The long term effects on social,

economic and financial structures are unknown. Accordingly, the full nature and extent of any impact on PAF is unknown. PAF's portfolio and share price may be adversely affected as a result of this uncertainty, and may continue to be affected under the ongoing impact of the pandemic on the global economy and financial markets.

4.8 Financial information

4.8.1 Basis of preparation

The historical financial information in this section 4.8 has been derived from PAF's financial statements for the three financial years ended 30 June 2021, 30 June 2020, and 30 June 2019.

The financial information in this section 4.8 is a summary only and is prepared for the purpose of this Explanatory Memorandum. The information is presented in an abbreviated form and does not contain all disclosures, statements or comparatives that are usually provided in a financial report prepared in accordance with the Corporations Act.

Further detail on PAF's financial performance can be found in:

- (a) the financial statements for the year ended 30 June 2021 (included in the Annual Report released to the ASX on 12 August 2021);
 - (b) the financial statements for the year ended 30 June 2020 (included in the Annual Report released to the ASX on 13 August 2020); and
 - (c) the financial statements for the year ended 30 June 2019 (included in the Annual Report released to the ASX on 22 August 2019),
- each of which can be found on the ASX Announcements platform at www.asx.com.au.

4.8.2 Historical statement of profit or loss and other comprehensive income

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

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

Total comprehensive income/(loss) attributable to shareholders	10,666,035	(4,215,015)	(3,662,272)
Basic earnings/(losses) per share	18.64 cents	(7.36) cents	(6.47) cents
Diluted earnings/(losses) per share	18.64 cents	(7.36) cents	(6.47) cents

4.8.3 Historical statement of financial position

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

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

4.8.4 Historical statement of cash flows

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

2021 \$	2020 \$	2019 \$
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Cash flows from operating activities			
Interest received	993	24,954	39,499
Dividends received	1,020,622	1,149,385	1,497,112
Other income received	10,000	10,019	5
Interest paid	(27,049)	(70,027)	-
Income tax paid	(159,056)	(1,598,230)	(2,351,305)
Management fees paid	(571,232)	(597,539)	(650,994)
Other operating expense	(439,443)	(398,209)	(394,164)
Net cash (outflow) from operating activities	(165,165)	(1,479,647)	(1,859,847)
Cash flows from investing activities			
Proceeds from sale of investments	12,551,897	41,043,903	23,594,390
Purchase of investments	(11,579,430)	(34,288,525)	(18,961,641)
Net cash (outflow) from investing activities	972,467	6,755,378	4,632,719
Cash flows from financing activities			
Dividend paid (net of DRP)	(560,742)	(1,168,891)	(1,658,421)
Repurchase of shares under buyback	(627,711)	-	-
Net cash (outflow) from financing activities	(1,188,453)	(1,168,891)	(1,658,421)
Impact of exchange rate changes on cash and cash equivalents	74,238	(108,858)	160,811
Net (decrease)/increase in cash and cash equivalents	(306,913)	3,997,982	1,275,262
Cash and cash equivalents at the beginning of the financial year	11,870,027	7,782,225	6,596,963
Cash and cash equivalents at the end of the financial year	11,563,294	11,870,207	7,872,225

4.9 Material changes in PAF's financial position

To the knowledge of PAF and except as disclosed elsewhere in this Explanatory Memorandum and in weekly and monthly updates to the ASX with respect to NTA movements, the financial position of PAF has not materially changed since 30 June 2021. PAF will continue to provide weekly and monthly updates to the ASX with respect to NTA movements.

As at the Last Practicable Trading Date, the most recently announced NTA on 11 October 2021 was \$62.0 million (or \$1.0825 per share).

4.10 Share price history

The last recorded price of PAF Shares on the ASX on 14 September 2021 (before the announcement of the Scheme Implementation Deed on 15 September 2021) was \$0.97 per PAF Share. The closing price of PAF Shares on the ASX on the Last Practicable Trading Date was \$1.095 per share.

The chart below shows PAF's share price performance over the 12 months to the Last Practicable Trading Date.



Based on latest published NTAs (10 September 2021) prior to the announcement of the Scheme Implementation Deed, the implied offer value represented a:

- 23.8% premium to PAF's closing price immediately prior to the announcement; and
- 24.3% premium to PAF's 3 month VWAP.

The current price of PAF Shares on the ASX can be obtained from the ASX website at www.asx.com.au.

The above premium to PAF closing price immediately prior to the announcement of the Scheme Implementation Deed, is based on PAF's closing price on 14 September 2021 of \$0.97 relative to an implied consideration for PAF shares equal to PGF's share price of \$1.59 multiplied by PAF's after-tax NTA (excluding deferred tax assets) of \$1.1480 divided by PGF's after-tax NTA (excluding deferred tax assets) of \$1.5199 (adjusted to incorporate the allotment of shares under the share purchase plan on 13 September 2021) as at 10 September 2021. The premium to three month Volume Weighted Average Price (VWAP) calculated on a similar basis however, using 3 month VWAP from 15 June 2021 to 14 September 2021 (inclusive) for PAF of \$0.957 and for PGF of \$1.574.

4.11 Franking credits

As at 30 June 2021, PAF had a franking credit balance of \$5.0 million (or 8.77 cents per share), including current tax payable by PAF and franking credits receivable.

4.12 Publicly available information

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

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

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

5 Information on PGF

5.1 Introduction

The information contained in this section has been prepared by PGF. The information concerning PGF and the intentions, views and opinions contained in this section 5 are the responsibility of PGF. PAF and its officers and advisers assume no responsibility for the accuracy or completeness of this information.

5.2 Overview of PGF

5.2.1 Corporate overview and investment objectives

Listed in December 2013, PGF is managed by PM Capital.

PGF's investment objectives are to provide long term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of undervalued global (including Australian) equities and other investment securities.

The goal of PGF is not to replicate standard industry benchmarks like the MSCI World Net Total Return Index (AUD). Instead, it is expected that PGF will have varied outcomes to that of a traditional index-benchmarked investment.

The Investment Manager manages PGF's portfolio from an Australian investor's perspective, with tax and currency exposures being important considerations in its daily management. The level of hedging back to Australian dollars will depend on the Investment Manager's expectation of future currency exchange rate movements. Currency exposures within PGF will be actively managed by the Investment Manager with the objective of delivering positive Australian dollar returns.

The above is not intended to be a forecast, rather it is merely an investment objective of PGF. PGF may not be successful in meeting this objective.

5.2.2 The Investment Manager

PM Capital facilitates all PGF's day-to-day administration functions.

PM Capital, founded in 1998 by its Chief Investment Officer and Chairman, Paul Moore, is a globally-focussed fund manager that manages money on behalf of private clients, the clients of financial advisers and institutions.

PM Capital's goal is to build long-term wealth by investing in global markets with patience and conviction, and through finding, and exploiting, investment anomalies that others miss. As a global investment specialist, PM Capital provides an opportunity for its clients to invest alongside PM Capital's own capital, and that of its investment team. In fact, most of the products managed by PM Capital began as ways to invest the firm's own capital. This ensures an alignment of interest with investors.

PM Capital believes in always acting and investing independently, with integrity and in the best interests of its co-investors - even if that means respectfully disagreeing with the rest of the market.

The unique process used by PM Capital is based on scanning the world for mispriced companies (hence the radar used by PM Capital in its logo), discovering the associated valuation anomalies and extracting value from them. The focus is to buy good businesses at a good price; businesses that are being valued by the market differently to their long term intrinsic value, but will return to their correct value over time.

PM Capital believes in being a patient investor, one that has conviction, one that sees opportunities where others only see risk. PM Capital constructs portfolios in accordance with their philosophy that 'no conviction = no investment'. Holdings are selectively assembled according to the individual risk/reward proposition of a specific business, rather than an artificial construction to satisfy one or another market index or benchmark. The result is a 'best ideas' portfolio that has true conviction, which is truly concentrated and truly different. The Investment Manager manages the PGF portfolio in accordance with the PGF Management Agreement.

The Investment Manager:

- (a) implements the investment strategy, including actively managing the PGF portfolio;
- (b) manages and supervises the outsourced service providers (custody and prime broking, fund administration, registry, audit);
- (c) regularly updates PGF regarding its portfolio and provides all information necessary for the maintenance of PGF's financial accounts to be completed; and
- (d) provides administrative support to assist and ensure the maintenance of PGF's corporate and statutory records, compliance with the Listing Rules and the Corporations Act.

5.2.3 Investment strategy and guidelines

To implement its investment strategy (**Investment Strategy**) the Investment Manager employs PM Capital's demonstrated investment process.

The Portfolio is a concentrated portfolio, with its listed equity component typically diversified across global equity markets (including Australia). All Portfolio positions are to be subject to intensive research and peer group review. There is a wide investment universe and the Investment Manager seeks to invest capital wherever they consider that the greatest risk reward opportunities exist.

The investment process is bottom-up and research intensive and is used to identify both risk and opportunity. Derivatives may be used for risk management purposes as well as to create new positions. The investment strategy may also short sell securities that Investment Manager believes will fall in value or to reduce risk around securities. Leverage may be also used to enhance returns.

The following investment guidelines apply to the implementation of the Company's Investment Strategy:

- As a guide, the portfolio should hold around 40 globally listed stocks.
- Individual security positions should not exceed 10% of the portfolio's net market value.
- Up to 30% of the portfolio's net market value may be held in interest bearing debt securities and, if appropriate, it may hold up to 100% of the portfolio's value in cash. For the purpose of this investment guideline, cash is defined as deposits, term deposits and senior debt with less than 12 months to maturity.
- Individual direct short positions will not exceed 3% of the portfolio's net market value. The portfolio may have a maximum of 30% of the portfolio's net market value in 'direct shorts', which are defined as short positions over a single stock that are not paired with a long position.
- Derivatives may be used for hedging purposes or to replicate underlying positions.
- Option strategies may be employed to reduce market risk or to create new exposures.

- The maximum net equity exposure of the portfolio is 110% of the portfolio's net market value; defined as long equity minus short equity, and is calculated on a net effective, option adjusted basis.
- The Portfolio's maximum total net invested position is 130% of the Portfolio's net market value. This maximum weighting may be a combination of a maximum net equity position of 110% and a maximum allocation to interest bearing debt securities of 30%. For example, if the net equity position were 110% then total debt securities would be limited to 20%.
- Up to 10% of the portfolio's net market value may be held in unlisted securities and Australian registered managed investment schemes (**MIS**). These MIS may be operated by PM Capital or a third party responsible entity or fund manager. The investments made by these MIS will be consistent with the investment objective of PGF. However, the investment guidelines outlined in this Section do not apply to the investments made by the MIS.
- There are no constraints regarding geographical exposure.

5.2.4 Permitted investments

PGF primarily invests in listed global securities (including Australian securities). PGF may also invest in unlisted securities, interest bearing debt securities, MIS, derivatives (both exchange traded and over the counter (OTC)), deposit products and cash.

5.2.5 Performance of PGF

The below table summarises the historical portfolio investment performance (since inception) of PGF to 30 June 2021.

Performance (net of fees) [#]	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	Since inception (p.a.)	Total Return
PGF	54.0%	13.1%	18.0%	15.6%	13.3%	156.9%

Past performance, which is given for illustrative purposes only, is not a reliable indicator of future performance. Performance is after fees and expenses, and is adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan. The date of inception is 12 December 2013.

5.2.6 Dividend history and guidance

The following table sets out PGF's dividends declared and paid since its initial listing to 30 June 2021. All dividends have been fully franked at a 30% tax rate.

Type	Payment Date	Cents per PGF Share	Franking per PGF Share*	Total Gross Dividend*
<i>Final FY2022 - Guidance</i>	<i>N/A</i>	<i>5.0</i>	<i>2.1</i>	<i>7.1</i>
<i>Interim FY2022 - Guidance</i>	<i>N/A</i>	<i>5.0</i>	<i>2.1</i>	<i>7.1</i>
Final FY2021	14/10/2021	5.0	2.1	7.1
Interim FY2021	25/03/2021	2.5	1.1	3.6
Final FY2020	8/10/2020	2.5	1.1	3.6
Interim FY2020	26/03/2020	2.0	0.9	2.9
Final FY2019	26/09/2019	2.0	0.9	2.9
Interim FY2019	28/03/2019	1.8	0.8	2.6
Final FY2018	27/09/2018	1.8	0.8	2.6
Interim FY2018	29/03/2018	1.8	0.8	2.6
Final FY2017	28/09/2017	1.8	0.8	2.6
Interim FY2017	30/03/2017	1.6	0.7	2.3
Final FY2016	29/09/2016	1.5	0.6	2.1
Inaugural FY2016	31/03/2016	1.5	0.6	2.1
Total (cents)		25.8		36.86

* Amounts rounded to 2sf. Amounts in italics are as per Guidance issued on 12 August 2021.

Since inception PGF has paid 25.8 cents per PGF Share in cash dividends (fully franked). This equates to a total gross dividend of 36.86 cents per PGF Share.

On 12 August 2021 PGF announced dividend guidance (**Guidance**) to the ASX.

This Guidance noted:

- an intention to maintain a minimum dividend (per PGF Share) going forward, of:
 - 5.0 cent interim FY 2022, and
 - 5.0 cents final FY 2022,
 - being a total of 10.0 cents annualised (fully franked).¹

As at 30 June 2021, the combination of profit reserve and retained earnings, provides over 5 years of dividend coverage at this minimum intended dividend rate.¹ Based on Last Practicable Trading Date closing PGF Share price of \$1.525, this would provide shareholders an annualised dividend yield of 6.56% pa and a grossed-up for franking credits yield of 9.37%² pa.

The purpose of PGF was to facilitate the ability for investment in offshore markets where the Investment Manager believed there was a greater breadth of opportunity and superior risk/reward potential than in Australian markets. Since its IPO, PGF's objective has been to generate long-term capital growth delivered to shareholders by way of a growing stream of dividends and NTA growth.

Having achieved the objective of long term capital growth and with the portfolio having gained an appropriate level of maturity, the Investment Manager expects to start seeing a higher level of consistency in the realisation of portfolio positions through time. As such, if objectives continue to be met, it is expected that this will in turn lead to the ongoing generation and replenishment of franking credits and profit reserves allowing consistency of fully franked dividends.

1. The intended fully franked dividend is subject to there being no material adverse changes in market conditions and the investment performance of the PGF's Portfolio. PGF's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits and there can be no guarantee that such profits will be generated in the future. Past performance is not a reliable indicator of future performance.

2. Grossed-up dividend yield is based on a franking credit and tax rate of 30%

5.3 Directors

Mr Brett Spork, Mr Ben Skilbeck and Mr Chris Knoblanche are directors of PGF as at the date of this Explanatory Memorandum.

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

Chris Knoblanche AM B.Com, CA, FCPA

Chairman and Independent Non-executive Director

Member of the Audit Committee

Member of the Nomination and Corporate Governance Committee

Member of the PGF Board Committee

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

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

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

Brett Spork B.Bus

Independent Non-executive Director
Chairman of the Nomination and Corporate Governance Committee
Chairman of the Audit Committee
Member of the PGF Board Committee

Mr Spork has over 28 years' experience in the financial markets industry as a trader, advisor and senior manager, both within Australia and overseas. He currently provides consulting services to a broad range of financial institutions. Such consulting services comprise the provision of commercial, business development and regulatory advice. Previously, Mr Spork was the Chief Executive Officer of Investor First Limited and BTIG Australia Limited.

During the period 2002 to 2006, Mr Spork was the Chief Executive Officer of E*Trade Australia Limited. Before joining E*Trade Australia Limited, he worked at Macquarie Bank for 14 years, the latter part as an Executive Director of Macquarie Financial Services. Mr Spork also serves as a Director of APP Securities Limited. Until 15 September 2021 he also served as Chairman and Non-executive Director of PM Capital Asian Opportunities Fund Limited. Mr Spork also previously served as Non-executive director of Clime Investment Management Limited.

Mr Spork holds a Bachelor of Business from the Queensland University of Technology. In 2004, he was recognised by the Australian Stockbrokers Foundation and admitted to its "Hall of Fame".

Ben Skilbeck B.Eng (Hons) B.Comm (leave of absence)

Executive Director and Company Secretary (leave of absence)
Member of the Audit Committee
Member of the Nomination and Corporate Governance Committee
Not a member of the PGF Board Committee

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

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

Mr Skilbeck is also a Director of PM Capital Limited, and Director of PM Capital Asian Opportunities Fund Limited. Mr Skilbeck attended the University of Melbourne and holds a Bachelor of Engineering (with Honours) and a Bachelor of Commerce.

5.4 Interests of PGF Board in PGF and PAF

As at the Last Practicable Trading Date, PGF's directors and their associates hold the following Relevant Interests in PGF and PAF:

Name	Number of PGF Shares	Number of PAF Shares
Brett Spork	41,666	52,630
Chris Knoblanche	31,666	Nil
Ben Skilbeck	314,123	10,000

5.5 PGF - Investment Management Agreement

Set out below is a summary of the terms of the investment management agreement (the **PGF Management Agreement**) between PGF and the Investment Manager.

(a) Powers of the Investment Manager

PM Capital Limited has been appointed as the Investment Manager of PGF.

The Investment Manager must, from time to time and on behalf of PGF, invest portfolio money, including money received on disposal of investments or distributions from investments, to make or hold investments, and realise or dispose of investments. Additional duties include assisting the PGF Auditor as required, keeping proper books of account and records, providing or procuring the provision of administrative support services reasonably required by PGF, and keeping PGF informed in respect of the management of the portfolio.

(b) Valuations

The Investment Manager must arrange for calculation of the value of the PGF portfolio at least monthly or at such more frequent times as may be agreed between the Investment Manager and PGF. All costs incurred by the Investment Manager in arranging this calculation are to be paid by PGF.

(c) Change to Investment Strategy

If a proposed investment is not consistent with the investment strategy, the Investment Manager must seek the approval from PGF to:

- (i) undertake the proposed investment; or
- (ii) amend the investment strategy.

PGF may withhold its approval in its absolute discretion.

(d) Management Fee

In return for the performance of its duties the Investment Manager is entitled to be paid a monthly management fee equal to 1% per annum of the portfolio net asset value, calculated on the last day of each month and paid at the end of each quarter in arrears. The fees referred to in this section are exclusive of GST.

(e) Performance Fee

In consideration for the performance of its duties the Investment Manager is paid a performance fee (**Performance Fee**):

- (i) The Performance Fee is calculated and accrued monthly using the following formula:

$$P = 15\% \times (A - B) \times \text{Portfolio Net Asset Value at the end of the last day of the relevant month}$$

where:

- P is the Performance Fee for the relevant month;
- A is the Investment Return of the portfolio for the relevant month; and
- B is the Benchmark Return for the relevant month.

- (ii) The Performance Fee for each month in a Financial Year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate Performance Fee for that Financial Year (including any negative amounts carried forward) is a positive amount provided that:
 - i. if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fee shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be carried forward to the following Financial Year; and
 - ii. any negative aggregate Performance Fee amounts from previous Financial Years that are not recouped in a Financial Year shall be carried forward to the following Financial Year.
- (iii) **“Investment Return”** means the percentage by which the Portfolio Net Asset Value at the end of the last day of the relevant month exceeds or is less than the Portfolio Net Asset Value at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in PGF during the relevant month including dividend reinvestments, new issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.
- (iv) **“Benchmark Return”** means, in respect of the relevant month, the percentage by which the Morgan Stanley Capital International World Index (AUD) increases or decreases over the course of the relevant month.
- (v) **“Portfolio Net Asset Value”** means the Portfolio Market Value reduced by any accrued but unpaid expenses of the Company, but not provisions for tax payable, and after subtracting only those borrowings drawn down (and adding back any borrowings repaid) implemented by the Investment Manager as part of its discretion in managing the Portfolio in accordance with the Investment Strategy.
- (vi) **“Portfolio Market Value”** means the market value of the assets of the portfolio.
- (vii) **“Financial Year”** means the period from 1 July in one year until 30 June in the following year except that the first financial year is from the commencement date until the following 30 June, and the final financial year is from the 1 July immediately preceding the date of termination of the PGF Management Agreement until that date of termination.

Payment of Performance Fees

If a Performance Fee is payable for a Financial Year, PGF must pay the Performance Fee to the Investment Manager 10 Business Days (as defined in the PGF Management Agreement) after the end of the Financial Year (**Payment Date**) as follows:

1. If the Investment Manager elects five Business Days prior to the Payment Date that all or part of the Performance Fee (**Relevant Amount**) is to be applied to the issue of ordinary shares in PGF (**PGF Shares**), PGF must, if permitted by the applicable regulations without receiving any approvals from the shareholders of PGF, apply the cash payable in respect of the Relevant Amount to the issue of PGF Shares to the Investment Manager or its nominee. The Shares shall be issued on the Payment Date and the number of PGF Shares issued shall be calculated using the following formula:

$$N = PF / \text{Issue Price}$$

where:

N is the number of PGF Shares;

PF is the Relevant Amount; and

Issue Price is the lesser of:

- a. the volume weighted average price of PGF Shares traded on ASX during the period of 30 calendar days up to but excluding the Payment Date; and
- b. the last price on the last day on which the PGF Shares were traded on ASX prior to the Payment Date.

2. The amount of the Performance Fee not applied to the issue of PGF Shares must be paid to the Investment Manager in cash.

The fees referred to in this section are exclusive of GST.

For the year ended 30 June 2021, a performance fee of \$3,643,463 was paid to the Investment Manager (2020: nil). As at Last Practicable Trading Date the total underperformance to be recouped against future performance fees payable is -\$14,681 inclusive of GST.

(f) **Expenses**

PGF is liable for and must pay, or reimburse the Investment Manager, for certain fees, costs and expenses properly incurred in connection with the investment and management of the portfolio or performance of the Investment Manager's obligations under the PGF Management Agreement and is responsible for the payment of any fees or charges of any third parties engaged to provide any services in connection with the provision of administrative support services provided by the Investment Manager, including filing and other similar fees and charges.

(g) **Term of PGF Management Agreement**

The term of the PGF Management Agreement, which commenced on 1 November 2013, had an initial term of 5 years and automatically extended thereafter.

The PGF Management Agreement gives PGF certain termination rights including the right to immediately terminate if the Investment Manager becomes insolvent or breaches its obligations under the PGF Management Agreement in a material respect and such a breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach.

If the Management Agreement is terminated for any reason except for termination for cause or key person termination, the Manager will be entitled to a termination payment at the termination date equal to 5%, reduced by one sixtieth (1/60) for each whole calendar month that has elapsed between the commencement of the extended term and the termination date, of the net tangible assets backing of each share in each class of shares in PGF as calculated under the Listing Rules multiplied by the number of shares on issue in that class of shares as at the termination date.

The Investment Manager may terminate the PGF Management Agreement at any time after the initial term by giving PGF at least three months' written notice.

5.6 Investment portfolio as at 30 June 2021

The top 20 equity holdings in the PGF investment portfolio (by market value) were:

Code	Company	Country of domicile	%
APO.US	Apollo Global Management	United States	8.1%
RDSB.LN	Royal Dutch Shell Plc B Shares	United Kingdom	6.5%
TECK.US	Teck Resources Ltd Class B	United States	6.1%
INGA.NA	ING Groep NV	Netherlands	5.5%

HHC.US	Howard Hughes Corp	United States	5.4%
FCX.US	Freeport-McMoran Copper	United States	5.1%
WFC.US	Wells Fargo & Company	United States	5.1%
BAC.US	Bank of America Corp	United States	5.0%
LLOY.LN	Lloyds Banking Group PLC	United Kingdom	4.7%
WYNN.US	Wynn Resorts Limited	United States	4.3%
JPM.US	JP Morgan Chase	United States	3.8%
ORCL.US	Oracle Corp	United States	3.8%
FM.CT	First Quantum Minerals	Canada	3.5%
SIE.GY	Siemens AG	Germany	3.2%
AIBG.ID	AIB Group Plc	Ireland	3.0%
CABK.SM	Caixa Bank S.A	Spain	2.9%
CRN.ID	Cairn Homes Public Limited Company	Ireland	2.8%
TFC.US	Truist Financial Corp	United States	2.1%
GLV.ID	Glenveagh Properties PLC	Ireland	2.0%
NTR.US	Nutrien Ltd	United States	2.0%

5.7 PGF capital structure and ownership

The capital structure of PGF as at the Last Practicable Trading Date is set out below:

PGF Shares on issue 390,784,759

(a) PGF substantial holders

As at the Last Practicable Trading Date, PGF's substantial shareholders were:

Holder name	PGF Shares held	% of Issued PGF Shares
Paul Moore, Roaring Lion Pty Ltd <Roaring Lion Super Fund>, Horizon Investments Australia Pty Ltd and associated entities*	65,882,176	16.86%

* Shares held as notified to the ASX on 13 September 2021, but % of Issued PGF Shares amended to reflect the issues of PGF Shares under the dividend reinvestment plan on 14 October 2021.

(b) Top 20 PGF shareholders as at 20 July 2021*

Holder name	PGF Shares held	% of Issued PGF Shares
HSBC Custody (Australia) Limited	23,434,408	6.64%
Roaring Lion Pty Limited	20,708,671	5.87%
Horizon Investments Australia Pty Limited	16,827,340	4.77%
HSBC Custody Nominees	5,525,273	1.57%
George Hawkins Pty Limited	4,994,387	1.42%
Nulis Nominees (Australia)	4,612,144	1.31%
Netwealth Investments Limited	2,865,588	0.81%
BNP Paribas Nominees Pty Ltd	2,745,916	0.78%
Navigator Australia Ltd	2,381,113	0.67%
Becjohn Pty Limited	2,000,000	0.57%
Citicorp Nominees Pty Ltd	1,841,638	0.52%
JP Morgan Nominees Australia	1,622,196	0.46%
BNP Paribas Nominees (NZ) Ltd	1,578,248	0.45%
Old Fletcher & Partners Pty Ltd	1,500,000	0.43%
Barefoot Super Pty Ltd	1,300,000	0.37%
Charles & Cornelia Goode Foundation Pty Ltd	1,282,223	0.36%
Marian & Eh Flack Nominees Pty Ltd	1,182,750	0.34%
Sterda Pty Ltd	1,000,000	0.28%
Mordant Investments Pty	1,000,000	0.28%
Buttonwood Nominees Pty Ltd	947,050	0.27%
	99,348,945	28.16%

* as per the 30 June 2021 PGF Annual Report.

5.8 Financial overview of PGF

This section sets out summary historical information in relation to PGF. This information has been extracted from PGF's audited financial statements (for the relevant three financial periods 30 June 2019, 30 June 2020, and 30 June 2021) and does not take into account the effects of the Scheme.

Basis of preparation

This information has been extracted from PGF's audited financial statements (for the relevant three financial periods 30 June 2019, 30 June 2020, and 30 June 2021) and does not take into account the effects of the Scheme.

The financial statements were audited by the PGF Auditor HLB Mann Judd (NSW Partnership).

The financial information herein is a summary only and is prepared for the purpose of this Explanatory Memorandum. The historical financial information of PGF is presented in an abbreviated form and does not contain all the disclosures and notes, presentation, statements or comparatives that are normally required and provided in an annual financial report prepared in accordance with the Corporations Act.

Further detail on PGF's financial performance can be found in:

- the Appendix 4E and financial statements for the year ended 30 June 2021 (included in the Annual Financial Report released to the ASX on 12 August 2021);
- the Appendix 4E and financial statements for the year ended 30 June 2020 (included in the Annual Financial Report released to the ASX on 13 August 2020); and
- the Appendix 4E and the financial statements for the year ended 30 June 2019 (included in the Annual Financial Report released to the ASX on 15 August 2019).

Each of the above documents can be found www.pmcapital.com.au/pgf/company-announcements and also from the ASX announcement platform at www.asx.com.au.

PGF's historical income statements

Set out below are PGF's statement of financial performance, statement of financial position and statement of cash flows for the three annual periods ended 30 June 2021.

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

On 12 August 2021, PGF released its Annual Financial Report for the period ended 30 June 2021. PGF achieved an operating profit before tax of \$208 million for the year (FY2020: \$(28.1) million) and an operating profit after tax of \$146.4 million (FY2020: \$(18.7) million).

The operating profit for 2021 is reflective of the performance of the investment portfolio over the year. The investment portfolio increased 54.0%[#] during the 12-month period to 30 June 2021, outperforming the MSCI World Net Total Return Index (expressed in Australian dollars) by 26.5%.

The PGF Board declared fully franked full year dividends of 7.5 cents per PGF Share (in total), with the final dividend being 5.0 cents PGF Share fully franked.

See section 5.2.6 for a detailed summary of historical dividends and future dividend guidance.

[#] Before tax, after all fees and expenses, adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits. If capital flows are ignored and one simply adds to the 30 June 2021 NTA the dividends paid, the increase over the 30 June 2020 NTA before tax accruals was +54.7%; and the increase in NTA after tax accruals was +35.8%. Past performance is not a reliable indication for future performance.

(a) **Statement of profit or loss and other comprehensive income**

	2021	2020	2019
	\$	\$	\$
Revenue			
Interest	376,219	2,000,564	2,269,939
Dividends	6,815,320	7,429,958	10,550,320
Gains/(Losses) on investments at fair value through profit or loss	194,525,281	-29,680,258	-4,560,177
Gains/(Losses) on foreign exchange	16,835,732	-2,065,849	998,544
Other income	10,035	175,517	15,888
Total revenue/(loss)	218,562,587	-22,140,068	9,274,514
Expenses			
Management fees	5,053,380	4,584,748	4,606,517
Performance fees	3,643,463	-	-
Brokerage and trading fees	528,819	663,875	426,421
Finance costs	441,570	60,458	1,069,599
Registry fees	177,234	129,094	144,597
Insurance	149,317	103,064	77,690
Administration fees	127,713	124,487	123,197
ASX fees	105,298	96,573	113,103
Legal and professional fees	83,728	52,238	120,000
Directors' fees	75,000	80,720	75,000
Audit fees	45,100	45,892	42,794
Other operating expenses	90,222	56,712	94,395
Total expenses	10,520,844	5,997,861	6,893,313
Profit/(loss) for the year before income tax	208,041,743	-28,137,929	2,381,201
Income tax (expense)/benefit	-61,654,839	9,466,030	501,338
Profit/(loss) after income tax	146,386,904	-18,671,899	2,882,539
Other comprehensive income for the year	-	-	-
Total comprehensive income/(loss) attributable to shareholders	146,386,904	-18,671,899	2,882,539
Basic earnings/(losses) per share	41.50 cents	(5.29) cents	0.82 cents
Diluted earnings/(losses) per share	41.50 cents	(5.29) cents	0.82 cents

(b) **Statement of financial position**

	2021	2020	2019
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	25,265,611	4,885,028	7,431,566
Collateral accounts	7,735,967	5,759,864	3,749,663
Financial assets at fair value through profit or loss	611,103,484	410,208,058	490,656,371
Receivables	244,487	33,705,807	75,795
Income tax receivable	-	5,831,615	-
Total current assets	644,349,549	460,390,372	501,913,395
Non-current assets			
Deferred tax assets	50,194	41,909	74,224
Total non-current assets	50,194	41,909	74,224
TOTAL ASSETS	644,399,743	460,432,281	501,987,619
Liabilities			
Current liabilities			
Interest bearing liabilities	32,115,283	27,390,792	35,208,433
Financial liabilities at fair value through profit or loss	6,025,911	1,931,363	1,386,886
Payables	5,331,843	18,880,237	1,531,413
Income tax payable	24,296,404	-	5,264,470
Total current liabilities	67,769,441	48,202,392	43,391,202
Non-current liabilities			
Deferred tax liabilities	39,110,268	1,793,562	17,520,628
Total non-current liabilities	39,110,268	1,793,562	17,520,628
TOTAL LIABILITIES	106,879,709	49,995,954	60,911,830

NET ASSETS	537,520,034	410,436,327	441,075,789
SHAREHOLDERS' EQUITY			
Share capital	348,742,713	349,730,412	347,597,856
Retained profits	129,446,368	60,705,915	93,477,933
Profit reserve	59,330,953	-	-
TOTAL SHAREHOLDERS' EQUITY	537,520,034	410,436,327	441,075,789
NTA after tax (pre deferred taxes assets)	\$1.5234	\$1.1587	\$1.2528
PGF Shares outstanding (m)	352,804,435	354,175,578	352,020,714

(c) **Statement of cash flows**

	2021	2020	2019
	\$	\$	\$
Cash flows from operating activities			
Interest received	389,103	2,030,404	2,250,643
Dividends received	6,618,388	7,340,153	10,637,876
Other income received	6,798	174,142	15,743
Interest paid	(458,209)	(129,838)	(1,061,773)
Management fees paid	(4,522,200)	(4,758,778)	(4,659,306)
Performance fee paid	-	-	(1,017,682)
Income tax received / (paid)	5,781,601	(17,324,806)	(10,819,317)
Brokerage fees paid	(457,251)	(529,764)	(426,421)
Other operating expense	(914,036)	(865,311)	(675,936)
Net cash (outflow) from operating activities	6,444,194	(14,063,798)	(5,756,173)
Cash flows from investing activities			
Proceeds from sale of investments	215,229,740	167,192,726	134,206,672
Purchase of investments	(186,602,731)	(135,892,964)	(106,946,604)
Net cash (outflow) from investing activities	28,627,009	31,299,762	27,260,068
Cash flows from financing activities			
Dividend paid (net of DRP)	(14,217,987)	(11,967,563)	(11,383,062)
Repurchase of shares under buyback	(5,085,210)	-	-
Net cash (outflow) from financing activities	(19,303,197)	(11,967,563)	(11,383,062)
Impact of exchange rate changes on cash and cash equivalents	(111,914)	2,702	1,169,499
Net (decrease)/increase in cash and cash equivalents	15,656,092	5,271,103	11,290,332
Cash and cash equivalents at the beginning of the financial year	(22,505,764)	(27,776,867)	(39,067,199)
Cash and cash equivalents at the end of the financial year	(6,849,672)	(22,505,764)	(27,776,867)

5.9 Changes in PGF's financial position

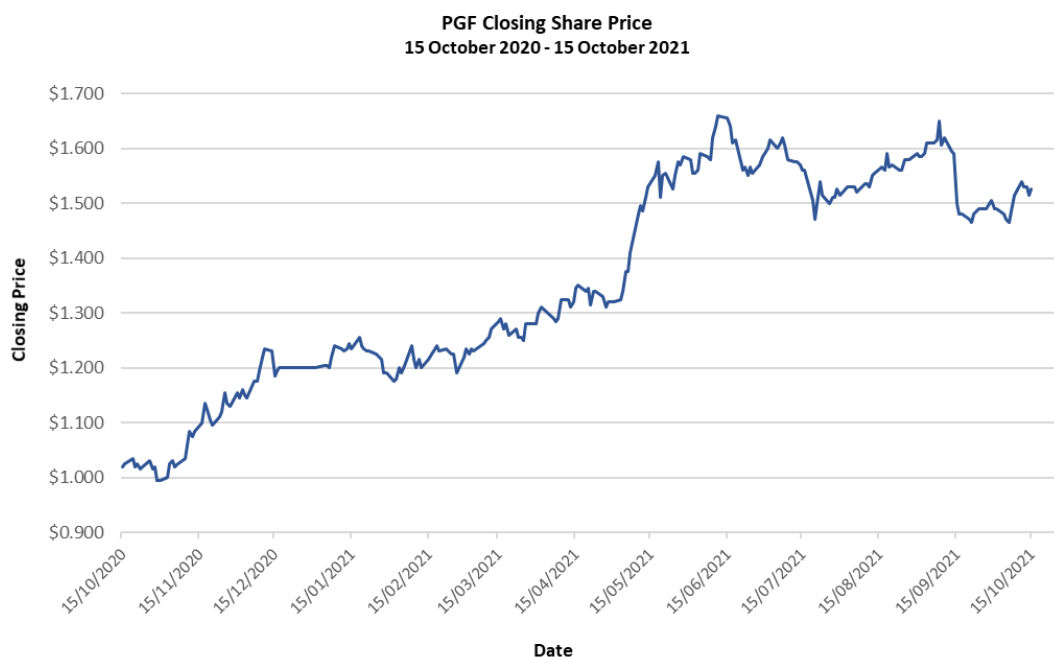
PGF's financial position as reflected by its net assets is subject to market movements in the value of securities comprising PGF's portfolio, the declaration and payment of dividends and capital raisings (such as a share purchase plan), among other things. PGF provides weekly and monthly updates to the ASX with respect to NTA movements.

As at Last Practicable Trading Date, the most recently announced PGF NTA on 11 October 2021 was \$589 million (or \$1.51 per share).

5.10 PGF recent share price performance

The latest recorded price of PGF Shares on the ASX on 14 September 2021 (prior to the public announcement of the Scheme Implementation Deed on 15 September 2021) was \$1.59 per share.

The chart below shows PGF's share price performance over the 12 months to the Last Practicable Trading Date. The closing price of PGF Shares on the ASX on the Last Practicable Trading Date was \$1.525 per share.



The current price of PGF Shares on the ASX can be obtained from the ASX website at www.asx.com.au.

5.11 Franking credits

As at 30 June 2021, PGF had a franking credit balance of \$33.258 million (or 9.43 cents per share), including current tax payable by PGF and franking credits receivable.

5.12 Further information

PGF is listed on the ASX and is a “disclosing entity” under the Corporations Act. Accordingly, PGF 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. PGF’s most recent announcements are available at www.pmcapital.com.au/pgf/company-announcements and also from ASX’s announcements platform at www.asx.com.au.

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

PGF will provide a copy of any of the following documents free of charge to any person who requests a copy:

- (a) PGF’s Annual Financial Report for the period ended 30 June 2021; and
- (b) any continuous disclosure notices given by the body after lodgement of PGF’s Annual Financial Report for the period ended 30 June 2021.

On 12 August 2021, PGF released its Annual Financial Report for the period ended 30 June 2021. A copy of the Annual Financial Report can be found at www.asx.com.au.

5.13 Issuing the Scheme Consideration

PGF has entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform its obligations in relation to the Scheme. One such obligation is to provide or procure the provision of the Scheme Consideration to the Eligible Scheme Shareholders in accordance with the Scheme, including to issue all New PGF Shares required to be issued to Eligible Scheme Shareholders.

The Deed Poll is set out in Annexure C.

5.14 PGF's interest and dealings in PAF Shares

5.14.1 Interest in PAF Shares

As at the date of this Explanatory Memorandum, PGF has a Relevant Interest in 19.93% of PAF Shares. The table below sets out PGF's holdings in PAF Shares as at the date of this Explanatory Memorandum:

Holder of PAF Share	Number of PAF Shares held	% of issued ordinary capital of PAF*
PGF	11,424,181	19.93%

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

PGF will abstain from voting on the Scheme at the Scheme Meeting.

5.14.2 Acquisition of PAF Shares in the previous four months

PGF has not made any purchases of PAF Shares during the 4 months to the date of this Explanatory Memorandum.

Other than as contemplated by the Scheme and as set out above, none of PGF or any of its associates has provided or agreed to provide consideration for any PAF Shares under any purchase, agreement or other transaction during the four months before the date of this Explanatory Memorandum.

5.14.3 Benefits to holders of PAF Shares

During the four months before the date of this Explanatory Memorandum, none of PGF or any of its associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

- (a) vote in favour of the Scheme; or
- (b) dispose of PAF Shares,

where the benefit was not offered to all PAF Shareholders.

5.14.4 Benefits to PAF officers

None of PGF nor any of its associates will be making any payment or giving any benefit to any current director, secretary or executive officer of PAF or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

5.15 Disclosure of interests

Except as otherwise disclosed in this Explanatory Memorandum, no:

- (a) PGF Director;
 - (b) person named in this Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum for or on behalf of PGF;
 - (c) promoter of PGF or the Combined Group;
 - (d) underwriter to the issue of Scheme Consideration or promoter or financial services licensee named in the Explanatory Memorandum as a financial services licensee involved in the issue of Scheme Consideration,
- (together, the **Interested Persons**)

holds, or held at any time during the two years before the date of this Explanatory Memorandum any interests in:

- (e) the formation or promotion of PGF or the Combined Group;
- (f) property acquired or proposed to be acquired by PGF in connection with the formation or promotion of PGF or the Combined Group or the offer of Scheme Consideration under the Scheme; or

- (g) the offer of Scheme Consideration under the Scheme.

5.16 Disclosure of fees and other benefits

Directors' remuneration received or receivable for the year ended 30 June 2021 were as follows:

Director	Directors' fees (\$)	Superannuation (\$)	Total (\$)
Chris Knoblanche	40,000	-	40,000
Brett Spork	31,963	3,037	35,000
Ben Skilbeck	-	-	-
	71,963	3,037	75,000

Directors' base fees are limited in the Constitution to a maximum of \$250,000 per annum. Ben Skilbeck is remunerated by the PGF Investment Manager and is not entitled to a director's fee or any other form of remuneration from PGF.

Except as otherwise disclosed in this Explanatory Memorandum, PGF has not paid or agreed to pay any fees, or provided or agreed to provide any benefit:

- (a) to a PGF director or proposed PGF director to induce them to become or qualify as a PGF director; or
- (b) for services provided by any Interested Person in connection with:
 - (i) the formation or promotion of PGF or the Combined Group;
 - (ii) the offer of Scheme Consideration under the Scheme.

5.17 Risks relating to an investment in PGF (and the Combined Group)

In considering the Scheme, you should be aware that there are several risk factors, general and specific, which could materially adversely affect the future operating and financial performance of PGF, the value of PGF Shares (both with respect to its NTA, and also the price that they trade on the ASX) and future dividends, and in respect of the Combined Group. These risks will be relevant to you if the Scheme is approved and implemented, and you remain a PAF Shareholder on the Record Date.

Before deciding how to vote you should have a sufficient understanding of these matters and should consider whether PGF Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and needs, and taxation position. There may be tax implications arising from investing in New PGF Shares, the receipt of dividends from PGF, participation in any dividend reinvestment plan of PGF and on the disposal of shares. You should carefully consider tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

Investors are strongly advised to regard any investment in PGF as a long term proposition and to be aware that, as with any equity investment with a concentrated long term investment focus, substantial fluctuations in the value of their investment may occur.

If you do not understand any part of this Explanatory Memorandum, are unsure about the risks, or are in any doubt as to how to vote in relation to the Scheme, you should consult your legal, financial or other professional adviser before deciding how to vote.

This section describes the potential risks associated with PGF's and the Combined Group's business and risks associated with PGF Shares. It does not identify every and all risks that may be associated (and identifiable) with an investment now or in the future, and the occurrence and/or consequences of some of the risks described in this section are partially or completely outside the control of PGF and the PGF Board.

The risks below have been included based on an assessment and knowledge of PGF Board as at the date of this Explanatory Memorandum of a combination of the likelihood of the risk occurring and the potential impact of the risk should it occur. There is no guarantee or assurance that the

materiality and likelihood of risks will not change or that other risks will not emerge.

The following risks should be carefully evaluated before making an investment in PGF and the Combined Group. Consideration must also be given to the speculative nature of PGF's or the Combined Group's investments. The following is not an exhaustive list of the risks of investing in PGF or the Combined Group.

If any of the risks described below occur, PGF's business, financial condition, performance of the investment portfolio could be negatively affected. In that case, the NTA value and/or market price of the PGF Shares could decline, and you could lose part or all of your investment.

5.17.1 Risks specific to investing in PGF, which also apply to the Combined Group

(a) **Investment strategy and Investment Manager performance**

The past performance of portfolios managed by the Investment Manager, and persons associated with the Investment Manager, are not necessarily a guide to future performance of the Combined Group. The success and profitability of the Combined Group will depend materially on the ability of the Investment Manager to continue to construct a global securities portfolio in accordance with PGF's proposed investment objectives, strategy, guidelines and permitted investments. A failure to do so may negatively impact the Combined Group and its securities. There are risks inherent in the investment strategy that the Investment Manager will employ for the Combined Group, including the risks identified in this section. Even if the Combined Group does not perform well, it may be difficult to remove the Investment Manager.

The investment strategy is exposed to global securities markets and global security risks, and is not predominately focussed on the Asian region.

(b) **Market risk**

The Combined Group will hold financial instruments comprising the investment portfolio, cash and cash equivalents, receivables and payables and is subject to the general market risks that are inherent in holding those financial instruments. Accordingly, the investment returns will be influenced by a variety of market factors outside of the Combined Group's control such as changes in economic conditions, the legislative and political environment and investor sentiment. In a strong equity market, the portfolio may underperform the broader market, as the portfolio may have limited exposure to market risk. Similarly, in a weak market the portfolio may underperform the broader market, as the portfolio may have heightened exposure to market or stock specific risk. As a result, no guarantee can be given in respect of the future earnings, or the earnings and capital appreciation of investments. Prolonged deterioration in economic conditions may have a material adverse impact on the financial performance, financial position, cash flows, distributions, and growth prospects of the Combined Group and its share price. Whilst the Investment Manager seeks to minimise market and economic risks, they cannot be eliminated entirely.

(c) **Concentration risk**

There is potential for volatility due to the lower of diversity within the portfolio. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility.

(d) **Foreign currency exchange risk**

For investments in international assets, which have currency exposure, there is a risk that adverse movements in exchange rates will reduce their value in

Australian dollar terms. For example, if the Australian dollar rises, the value of international investments expressed in Australian dollars can fall and an investment loss may arise to the portfolio.

Whilst various forms of hedging may be used to reduce the risk, the Combined Group may not be fully hedged to Australian dollars and it is likely that the Combined Group will have ongoing currency exposure as a result of the Combined Group's investment in global securities denominated in a foreign currency. The investment strategy seeks to assess the potential returns and risks created by currency exposures and to position the Combined Group portfolio with the aim of capturing those returns while minimising those risks.

(e) **Counterparty and credit risk**

Counterparty risk is the risk of a counterparty, such as a clearing house or securities lender, being unable to meet its obligations under a contract. When PGF invests in derivative instruments, PGF may take a credit risk with regard to parties with whom it trades and may bear the risk of settlement default. This risk is reduced for exchange-traded transactions due to certain protections, such as being backed by a clearing organisation's guarantee, daily marking-to-market and settlement, segregation and minimum capital requirements applicable to intermediaries.

Other transactions entered into directly between two parties generally do not benefit from such protections. This could expose PGF to the risk of loss if a counterparty does not settle a transaction in accordance with its terms and conditions, perhaps due to a dispute over the terms of the contract or because of a credit or liquidity problem. In the case of default, PGF could also become subject to adverse market movements while replacement transactions are executed. Risks from the PGF's prime broker may arise because the prime broker does not guarantee the return of collateral, while also being able to use the PGF's assets as security for lending. PGF ranks as an unsecured creditor in relation to the assets used by the prime broker and may not be able to recover such assets in full.

Further, the prime broker also provides a custody service for the investments and may appoint sub-custodians of such investments. In certain events, there is a risk that the investments may not be well protected.

The ability to transact business with one or more counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses.

(f) **Derivatives risk**

There is a risk that the use of derivatives can have a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain. Derivative instruments include futures, options on futures, over-the-counter options, exchange-traded options, swaps and forward contracts. The value of all derivatives is 'derived' from the underlying physical assets, such as company shares, commodities and bonds. The risk of loss associated with the use of derivative contracts can be substantial due to the leverage associated with low margin deposits. These leveraged positions allow exposure to risk assets to be created that is greater than the value of the actual assets that support them.

The use of derivatives potentially also creates legal and documentation risk. The collateral for exchange traded derivatives is held by a third-party central clearing facility. However, collateral for OTC derivatives positions is held directly by the counterparty and is not segregated from the counterparty's own assets. As such, this creates counterparty risk.

(g) **Foreign investment risk**

Investments in foreign securities may be exposed to a higher degree of sovereign, political, market and corporate governance risks than those of Australian domiciled investments. Other countries may have different legal systems, taxation regimes and accounting standards and may have less regulation and transparency.

(h) **Leverage risk**

The Combined Group may pledge its investments to borrow additional funds for investment purposes. The use of derivatives and short-selling creates additional leverage risk. The use of leverage may magnify the gains and losses achieved. Borrowing also requires the portfolio's assets being placed with the prime broker which exposes the assets to counterparty risk. Any cash collateral held by a prime broker will not be segregated from its own assets. This lack of segregation of assets held by the prime broker and the prime broker's right to use the assets to secure loans from third parties is an additional risk.

(i) **Liquidity risk**

There is a risk that the portfolio's underlying investments may not be easily converted into cash. This means that the Combined Group may encounter difficulty in meeting obligations associated with its financial liabilities in certain circumstances. Combined Group aims to mitigate this risk through where practicable investing in financial instruments, which under normal market conditions are more readily convertible to cash.

(k) **Performance fee risk**

Variable compensation arrangements (like performance fees) may create an incentive for the Investment Manager to make more speculative or higher risk investments than might otherwise be the case. Performance fee risk is limited by requiring that the Investment Manager manage the portfolio within pre-agreed investment strategy guidelines and restrictions, as provided by the PGF Management Agreement. PGF manages the risk by monitoring (at least quarterly) that the Investment Manager manages the portfolio within these investment guidelines and restrictions. It is noted that PAF is also currently subject to the risk of variable compensation payments through the performance fees it must pay to the Investment Manager. As noted in section 2.1.4 of this Explanatory Memorandum, whilst the percentage rate that is charged to PGF as a performance fee is the same as currently charged to PAF, the benchmark against which the portfolio's outperformance is calculated for PGF (being the MSCI World Net Total Return Index (AUD)) is different to the benchmark used by PAF (being the MSCI Asia (ex-Japan) Equity Index (Net Dividends Reinvested, AUD)).

(l) **Foreign issuer and market risk**

PGF's (and the Combined Group's) investment objective and strategies are focussed on international securities. Investments in foreign securities may be exposed to a higher degree of sovereign, political, market, economic and corporate governance risks than domestic investments. Other countries may have different legal systems, taxation regimes and accounting standards and

may have less regulation and transparency. There are no geographic or industry limitations that apply to the investment strategy.

(m) **Short selling risk**

A 'short' is created when one borrows a security from a securities lender and then sells it, with the intention of buying back the security at a lower price (and profiting from the difference). The maximum profit from a short position is equal to the value of the asset sold 'short' minus any lending fees incurred in borrowing the asset. Theoretically however, the risk of loss is unlimited as there is no limit on how much the price of a security may rise.

The following examples illustrate how short selling may result in a profit or loss, and assumes:

- the Investment Manager short sells 100,000 shares of 'XYZ Limited' at \$10 per XYZ Share and later closes the position by entering an equivalent and opposite transaction.
- the costs associated with the transactions are the same - being a stock borrowing cost of \$300, and an interest receivable of \$250.

Example 1 – Profit

100,000 shares of XYZ are short sold @ \$10 per share and the position is closed when the price of XYZ falls to \$8 per share.

Trade	Number of shares	Share Price	Total gain/(loss)
Open - Sell XYZ	100,000	\$10	\$1,000,000
Cost of stock borrow			(\$300)
Interest receivable			\$250
Close - Buy XYZ	100,000	\$8	(\$800,000)
Gain			\$199,950

Example 2 – Loss

100,000 shares of XYZ are short sold @ \$10 per share and the position is closed when the price of XYZ rises to \$12 per share.

Trade	Number of shares	Share Price	Total gain/(loss)
Open - Sell XYZ	100,000	\$10	\$1,000,000
Cost of stock borrow			(\$300)
Interest receivable			\$250
Close - Buy XYZ	100,000	\$12	(\$1,200,000)
Loss			(\$200,050)

There is also the risk that the securities lender may recall a security that was borrowed at any time, which may mean that the security needs to be repurchased at an unfavorable price.

(n) **Interest rate risk**

Interest rate movements may adversely affect the value of PGF through their effect on the price of a security and the cost of borrowing.

(o) **Conflicts of interest risk**

PGF, its Investment Manager, their collective directors, officers, and staff (if relevant), and the various service providers of PGF and the Investment Manager may have potential conflicts of interest. Such conflicts include, but are not limited to, common directors and officers, management of multiple portfolios with varying fee arrangements, trade allocation, proxy voting, and staff personal trading. A Conflicts of Interest Policy is maintained to ensure that conflicts (if any) are avoided if possible, or managed and resolved fairly.

5.17.2 General risks (which also apply to the Combined Group)

(a) **Equity risk**

The shares of PGF (also being that of the Combined Group) may fall in value over short or extended periods of time. In addition, the price that the shares trade may be at a premium or discount to NTA backing per share. Share markets tend to move in cycles and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders in PGF are exposed to this risk both through their holding in the PGF Shares as well as through the underlying investment portfolio. These risks are due to a wide variety of factors, some of which PGF will seek to mitigate, while others are outside the control of PGF.

(b) **General micro and macro-economic risks**

Material adverse changes in general Australian and global economic conditions may have an adverse impact on the operations and performance of PGF. The various factors that shareholders in PGF (and the Combined Group) are exposed to include, but are not limited to:

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

(c) **Litigation and disputes**

PGF may become involved in litigation and disputes. Exposure to litigation brought by third parties such as investors, regulators or business associates could negatively impact operations and financial performance through increased costs, payment of damages or damage to reputation. The PGF Board is not currently aware of any impending litigation.

(d) **Changes in accounting policies**

Changes in accounting policies arising from amended accounting standards by the Australian Accounting Standards Board may affect the reported earnings of PGF and its financial position from time to time.

(e) **Regulatory risk**

PGF, and its investments, are exposed to the risk of changes in government regulation and laws, including taxation laws, having a negative effect on it, its business, its investments or returns to shareholders. This risk includes the application of Australian laws and regulations, and also the laws and regulations of other jurisdictions in which PGF holds investments.

Changes in laws, regulations or policies may affect PGF's business, increase operating and compliance costs or non-compliance risks. In respect of taxation, future changes in Australian taxation law or in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities, or PGF's method of calculation, may affect the taxation treatment of an investment in PGF's Shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, or PGF's methods of calculation may impact the tax liabilities of PGF.

(f) **COVID-19 impacts on the global economy and financial markets**

The COVID-19 pandemic and associated uncertainty continues to adversely

impact the global and Australian economy and financial markets, and its full impact remains unknown. There is no clear outlook for economic recovery and a return to pre-pandemic economic activity. The long term effects on social, economic and financial structures are unknown. As such, there is increased risk associated with investing, and making investment decisions, in this environment.

The full nature and extent of the impact of the COVID-19 pandemic on PGF is also unknown. PGF's portfolio (and the trading price of the PGF Shares) may be adversely affected because of this uncertainty, and may continue to be affected under the ongoing impact of the pandemic on the global economy and financial markets. In addition, measures taken by any government agency or regulatory body in response to the pandemic are likely to be outside of the control of PGF. If viral outbreaks, and associated lockdowns and other restrictive interventions continue to occur in Australia (or elsewhere globally), there may be associated impacts for the Australian and global economy, the underlying portfolio, and the market for PGF's securities.

(g) **Force majeure events**

Force majeure events, or events beyond the control of PGF, may occur within or outside Australia that could affect the world economy, the operations of the Combined Group and the price of PGF's securities. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and severe weather conditions.

(h) **Dividends and guidance**

The ability for PGF Directors to declare future dividends, or franked dividends, on PGF Shares is dependent on a range of factors including PGF's profitability, the availability of cash, the availability of franking credits, and capital requirements of PGF's business.

The dividend guidance announced to the ASX of 12 August 2021, noted that future dividends (and its ability to attach franking credits) are subject to there being no material adverse changes in market conditions and the investment performance of PGF's portfolio. PGF's ability to continue paying fully franked dividends is dependent on the payment of tax on investment profits, and there can be no guarantee that such profits will be generated in the future. Past performance is not a reliable indicator of future performance.

The ability for PGF Directors to declare future dividends, on PGF Shares is also reliant on consistency in the profitable realisation of portfolio positions through time which in turn lead to the ongoing generation and replenishment of franking credits and profit reserves.

There is no guarantee that any dividend will be paid or, if paid, that the dividend will be paid at previous or guidance levels, or that the franking (or tax components) of any dividend will be equivalent to dividends paid in the past.

(i) **Operational and cyber risks**

PGF (and/or its service providers) hold and/or maintain the financial and unit holder records for the company. There is a risk that these administrative systems may fail, or fail to accurately value the NTA of the PGF Shares, or fail to maintain proper books and records. There is a risk that a cyber-event may affect PGF directly, or indirectly (for example via one of PGF service providers). Such an event may have a material adverse effect on PGF and the value of the PGF

Shares. These risks may result in material liquidity or other material constraints on PGF or the PGF Shares, and/or loss to PGF Shareholders. Whilst these risks cannot be entirely eliminated, these risks are mitigated by implementation of IT controls and security arrangements, outsourcing of functions, segregation of assets, ongoing monitoring, and annual audit, etc.

(j) **Further issues of securities and dilution**

If PGF undertakes additional offerings of securities, the increase in the number of securities may depress the price of ordinary shares already on issue. This may also dilute the proportional voting power and economic interest of securityholders.

5.17.3 Additional risks specific to the Combined Group

The risks that are set out above will also be applicable to the Combined Group. Risks specific to an investment in the Combined Group include, but are not limited to that:

- (a) success (and performance) of the Combined Group is materially dependent on the skills and performance of Directors, the Investment Manager, and the performance of its investment portfolio. No guarantee can be given in respect of the future earnings of the Combined Group or the Combined Group's investment portfolio value and performance;
- (b) no guarantee can be provided that the Combined Group will be able to meet its investment objectives as this will depend on the extent of the investment portfolio performance;
- (c) the integration of PAF and PGF may be more complicated, and costly, than expected, and the realisation of synergies may be slower, and/or less beneficial than expected.

5.17.4 Risks specific to the Scheme

(a) **Conditions not met**

The Scheme is subject to a number of Conditions Precedent which are summarised in section 9.11 of this Explanatory Memorandum and set out in full in clause 3.1 of the Scheme Implementation Deed and clause 2.1 of the Scheme of Arrangement. At the date of this Explanatory Memorandum, PGF is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or (if applicable) waived. However, there is a possibility that one or more of the Conditions Precedent will not be met or waived and the Scheme will not proceed as a result.

(b) **Integration risks and realisation of synergies**

The Scheme may deliver cost savings in operating synergies on a per share basis following its implementation. However, it is possible that the integration of PAF and PGF 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 and general administrative expenses are fixed, and are not expected to materially increase. It is therefore expected that the Combined Group should, following transition, realise the benefits of scale. Failure to achieve targeted synergies may have an adverse effect on the operations and financial performance and position of the Combined Group and the value of PGF Shares. Further information about the potential synergies is detailed in section 6.

(c) **Fluctuation of NTA affecting the Scheme Consideration**

The PAF NTA and PGF NTA may fluctuate which may affect the number of New PGF Shares to which Scheme Shareholders will be entitled:

- a decrease in PAF NTA relative to PGF NTA will result in Scheme Shareholders being entitled to a smaller number of New PGF Shares as Scheme Consideration; and
- an increase in PAF NTA relative to PGF NTA will result in Scheme Shareholders being entitled to a larger number of New PGF Shares as Scheme Consideration.

(d) **Exact value of the Scheme Consideration not known until after the Scheme Meeting**

The exact Scheme Consideration will not be known at the time of the Scheme Meeting. The value of the Scheme Consideration will be calculated as at the Calculation Date and will be announced shortly thereafter. The Scheme Consideration will be calculated using the formula disclosed in this Explanatory Memorandum.

(e) **Market price of PGF Shares may fluctuate**

Not all Scheme Shareholders may retain their shareholding, and may sell their New PGF Shares soon after receiving them. This may negatively impact the ASX market trading price of PGF Shares in the short term.

5.18 Other material information

Except as set out in this sections 5, 6 and 7, so far as the directors of PGF are aware, there is no other information regarding PGF, or its intentions regarding PAF, that is material to the making of a decision by a PAF Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any director of PGF as at the date of this Explanatory Memorandum, which has not been previously disclosed to PAF Shareholders.

As at the date of this Explanatory Memorandum, PGF is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied.

6. Information on the Combined Group

6.1 Introduction

The information contained in this section 6 has been prepared jointly by PAF and PGF. The information concerning the Combined Group and the intentions, views and opinions contained in this section are the responsibility of PGF (except to the extent that the Combined Group information is based on information provided by PAF, for which PAF takes responsibility). PAF and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information (except to the extent that the Combined Group information is based on information provided by PAF).

6.2 The Combined Group

If the Scheme is implemented, PAF will become a wholly owned subsidiary of PGF. The Scheme will create a single listed investment company structure with a larger capital and shareholder base.

Whilst there will be no change in the Investment Manager, the investment strategy will change (from the perspective of PAF shareholders). That is, the investment strategy as it applies to PAF as at the date of the announcement of the Scheme Implementation Deed, would be replaced by the investment objectives, strategies, guidelines and permitted investments applicable to PGF (via the PGF Management Agreement).

No material changes are expected to be implemented to the investment objectives, strategies, guidelines and permitted investments of the PGF Management Agreement. However, the PGF Management Agreement will be amended (if necessary, and only to the extent to allow) the Investment Manager to rebalance the portfolio (over an appropriate timeframe) it acquires from PAF such that it fully aligns with PGF's existing investment strategy and objectives.

If there are changes, these changes would be made with the approval of the board of the Combined Group, after consultation with the Investment Manager. Shareholders will be notified (via the ASX Announcements Platform) of any material changes to the investment objectives strategies, guidelines and permitted investments.

PGF believes the Scheme will create a single listed investment company with a larger capital and shareholder base under the Investment Manager. PGF believes that the Combined Group will deliver the following benefits:

- continued access to PM Capital's investment expertise, but with a new focus on global investments;
- increased net assets with approximately 8,400 shareholders, expected to deliver shareholders access to greater on-market liquidity;
- a demonstrated investment strategy, providing investors with exposure to a portfolio of undervalued global companies – no longer constrained to predominately Asian markets exposure;
- administrative efficiency, and reduced costs on a per share basis;
- a history of paying fully franked dividends to shareholders;
- the potential for PAF Shareholders to exit their investment in PAF at around the NTA after tax; and
- scrip-for-scrip rollover relief, subject to the individual circumstances of PAF Shareholders.

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

- insurance fees;
- independent directors' fees;
- audit and tax fees;
- share registry fees;
- ASX listing fees; and
- general and operating expenses.

The cost savings relate principally to the cessation of PAF operating as a separately listed entity and, therefore, a reduction in the costs of compliance and ongoing operating costs. The cost savings may only be achievable once PAF ceases operation as a separately listed entity. PAF intends to apply to ASX for delisting as quickly as practicably after the Implementation Date.

As detailed in the PAF Annual Report for the years ended 30 June 2020 and 30 June 2021, excluding investment management and trading costs (and the like) PAF paid the following fees/expenses:

Cost/Expense	2021	2020
Insurance	\$84,691	\$59,963
Independent directors' fees	\$65,000	\$69,854
Audit and tax fees	\$65,388	\$50,076
Share registry fees	\$40,036	\$34,849
ASX listing fees	\$54,466	\$52,985
General operating expenses	\$64,651	\$49,827
Total	\$374,232	\$317,554

These historical costs provide some indication of the type and scale of potential cost savings that may be available in ceasing PAF as a separately listed entity. Nevertheless, there can be no assurance (and a risk remains) that savings of this quantum cannot be achieved, or take longer to achieve. There is also a risk that there will be unanticipated costs associated with combining PAF and PGF. Further detail regarding these risks is described in section 5.17.

Where cost savings are achieved, coupled with the increased size of the portfolio, this is expected to lead to a reduction in the management expense ratio of the Combined Group.

6.3 Board and management of the Combined Group

Following the implementation of the Scheme, the PGF Board (being the Board of the Combined Group) would comprise:

Chris Knoblanche (Chairman, Independent non-Executive Director)
 Brett Spork (Independent, non-Executive Director)
 Ben Skilbeck (Executive Director, Joint-Company Secretary)

Given the commonality between the PAF and PGF Boards as existed prior to the announcement of the Scheme Implementation Deed, there will be no change in membership for the Board of the Combined Group.

Ben Skilbeck is remunerated by the PGF Investment Manager and is not entitled to a director's fee or any other form of remuneration from PGF.

The Investment Manager will continue as the investment manager of the Combined Group and there will be no substantive changes to the existing management arrangements already in place.

The Investment Manager derives no benefit from the Scheme.

6.4 PGF's intentions for the Combined Group

The statements set out in this section 6.4 are statements of current intentions only which are subject to change (without notice, and at the absolute discretion of directors) 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 Combined Group.

If the Scheme is approved, the board of the Combined Group will consider as soon as practicable issues such as whether PGF will form a tax consolidated group with PAF.

The PAF Management Agreement will be terminated, or rendered redundant, and the management of the assets of the Combined Group will be undertaken via the PGF Management Agreement. The termination will not impact accrued management fees, performance fees (where applicable) and expenses incurred under the PAF Management Agreement up to the Implementation Date. No termination fee will be payable by PAF.

The investment strategy and objective of the Combined Group will be as described in section 6.2 – being the global investment strategy and objective as it existed for PGF as at the announcement of the Scheme Implementation Deed. Accordingly, whilst PGF and PAF share some common investments and investment themes, it is expected that a number of the securities held by PAF will not be retained in PGF's portfolio.

6.5 Employees

Neither PAF nor PGF have any employees.

6.6 Dividend policy

See section 5.2.6 for an outline of PGF's dividend guidance.

6.7 Removal from the ASX

If the Scheme is approved and implemented, PGF will cause PAF to apply to the ASX for removal of PAF from the official list of the ASX after the Implementation Date.

6.8 Prospects for the Combined Group

The operation and financial performance of PAF and PGF (as separate entities) within the Combined Group are subject to numerous risks, some of which are identifiable and summarised in this Explanatory Memorandum, and others which are unidentifiable, and/or may be beyond the control of the Combined Group. As such, the advantages and prospects of the Combined Group's operations, earnings and investment portfolio performance following implementation of the Scheme (and integration of the entities) may differ from those that are anticipated or may not be achieved.

The PGF Board has concluded that providing forecast financial information would be misleading. Nevertheless, the Combined Group will continue to pursue investment activities based on the demonstrated performance of the investment strategy and objectives of PGF as summarised in section 5.2 – and as in place and operative for PGF as at the time of announcement of the Scheme Implementation Deed.

Accordingly, the future performance of the Combined Group is materially dependent on the skills and performance of the Investment Manager, and the performance of its investment portfolio. See section 5.17 for a summary of risks associated with the Investment Manager, the investment strategy, and the investing generally.

6.9 Unaudited pro forma financial information

6.9.1 Unaudited pro forma Combined Group statement of financial position

Set out below is the unaudited pro forma statement of financial position of PGF, on the basis that the implementation of the Scheme had occurred as at 30 June 2021. The pro forma financial information is to be read in conjunction with the accompanying notes to and forming part of the pro forma statement of financial position as set out in this section. This is provided for indicative and illustrative purposes only, and is not an indication of actual financial position. The Scheme costs which are consolidated within the Combined Group pro forma Statement of Financial Position are estimates only, and are subject to change. All amounts disclosed are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unaudited Pro Forma Statement of Financial Position as at 30 June 2021

	Note	PGF \$	Pro Forma Adjustments	Combined Group \$
Assets				
Current assets				
Cash and cash equivalents	1	25,265,611	(276,750)	24,988,861
Collateral accounts		7,735,967	-	7,735,967
Financial assets at fair value		611,103,484	-	611,103,484
Financial assets - investment in controlled entity at fair value through profit & loss	2	-	62,764,331	62,764,331
Receivables		244,487	-	244,487
Total current assets		644,349,549	62,487,581	706,837,130
Non-current assets				
Deferred tax assets		50,194	166,367	216,561
Total non-current assets		50,194	166,367	216,561
TOTAL ASSETS		644,399,743	62,653,947	707,053,690
Liabilities				
Current liabilities				
Interest bearing liabilities		32,115,283	-	32,115,283
Financial liabilities at fair value through profit or loss		6,025,911	-	6,025,911
Payables		5,331,843	-	5,331,843
Income tax payable		24,296,404	-	24,296,404
Total current liabilities		67,769,441	-	67,769,441
Non-current liabilities				
Deferred tax liabilities		39,110,268	-	39,110,268
Total non-current liabilities		39,110,268	-	39,110,268
TOTAL LIABILITIES		106,879,709	-	106,879,709
NET ASSETS		537,520,034	62,653,947	600,173,981
SHAREHOLDERS' EQUITY				
Share capital	1, 3	348,742,713	65,064,222	413,806,935
Retained profits	4	129,446,368	(2,410,274)	127,036,094
Profit reserve		59,330,953	-	59,330,953
TOTAL SHAREHOLDERS' EQUITY		537,520,034	62,653,947	600,173,981

Note 1: Transaction costs directly attributable to the acquisition of PAF are recognised as a deduction from equity, net of any tax effects.

Note 2: PGF is an "Investment Entity" under AASB 10 Consolidated Financial Statements and as PAF will not be providing any services to PGF, PGF will account for its investment in PAF at fair value through profit and loss which is derived from PAF's NTA after tax (excluding Deferred Tax Assets) at 30 June 2021 - as set out in section 3.4.3.

Note 3: Forming part of the pro forma adjustments to the 30 June 2021 statement of financial position for PGF is the issue of PGF shares to PAF Shareholders in accordance with the terms of the Scheme. It is expected that PGF would issue 41,294,453 new PGF shares as part of the Scrip Consideration in this example. The value of the Scrip Consideration for PGF has been determined based on the PGF NTA after tax (excluding Deferred Tax Assets) as at 30 June 2021, being \$1.5234 per PGF Share.

Note 4: In recognising the acquisition of PAF in the Combined Group, the identifiable fair value of PAF, being the PAF NTA after tax (excluding Deferred Tax Assets) at 30 June 2021 is recognised in consideration for the issue of PGF Shares as part of the Scheme. The difference between the value of the PGF Shares issued when compared to the identifiable fair value of PAF is recognised through the statement of financial performance in retained profits.

6.9.2 Summary of information

The information included in this section 6 is unaudited pro forma financial information for the Combined Group comprising of PGF and PAF as at 30 June 2021 on the basis that the implementation of the Scheme had occurred as at 30 June 2021 and adjusted for the expected transaction costs relating to the Scheme.

The unaudited pro forma combined statement of financial position of the Combined Group as at 30 June 2021 in section 6.9.1 has been produced with reference to the Annual Reports for PGF and PAF as at 30 June 2021, and other publicly available information.

The PGF Board has adopted the requirements of AASB 10 Consolidated Financial Statements. PGF is considered to be an investment entity and as a result, the investment in PAF (being a wholly owned entity of PGF) would not be consolidated into the financial statements of PGF, but rather is accounted for as a financial asset at fair value through profit and loss (FVTPL). After acquisition, subsequent movements in the fair value of the identifiable net assets of the controlled entity are recorded as fair value gains or losses through the statement of financial performance.

The pro forma financial information does not represent what the Combined Group would look like on a combined consolidated basis since it is not possible to produce this information from publicly available information and due to the accounting policies of PGF. No adjustments for potential synergy benefits have been included as the exact timing and amount of those benefits cannot be reliably estimated. However, the Pro Forma Statement of Financial Position does reflect the issue of New PGF Shares to PAF Shareholders, and other adjustments required as a result of the Scheme.

The Pro Forma Statement of Financial Position is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Combined Group after completion of the Scheme. In addition, the Pro Forma Statement of Financial Position is presented in a summary format and therefore does not contain all the disclosures required under the Corporations Act.

Except as required by law, PGF makes and give no representation or warranty, express or implied, as to the accuracy or completeness of this information. PGF has not verified any of the financial information relating to PAF used in the Explanatory Memorandum.

All pro forma financial information presented in this section should also be read in conjunction with, and having clear regard to, the risks set out in section 5.17, other information contained in this Explanatory Memorandum, and the accounting policies of PGF and PAF as disclosed in their 30 June 2021 Annual Reports.

The accounting policies of PGF and PAF are not considered materially different. The significant accounting policies adopted in the preparation of the historical financial information are disclosed in PGF's audited Annual Report for the year ended 30 June 2021.

7. Information about the New PGF Shares

Introduction

The information contained in this section has been prepared by PGF. The information concerning the New PGF Shares contained in this section is the responsibility of PGF. PAF and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

7.1 ASX listing

PGF will apply for official quotation on the ASX of all New PGF Shares (ASX:PGF) that will be issued as Scheme Consideration. New PGF Shares will rank equally with all existing PGF Shares. Confirmation statements will be despatched within 5 Business Days of the Implementation Date.

7.2 New PGF Shares

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

Full details of the rights attaching to PGF Shares are set out in the PGF Constitution, which can be obtained through ASIC or from the PGF company secretary.

7.2.1 Voting

At a general meeting of PGF, on a show of hands, every member present in person or by representative, proxy or attorney has one vote and on a poll, every member present in person or by representative, proxy or attorney has one vote for every PGF Share held (on which there is no money due and payable).

7.2.2 Transfer of securities

Generally, PGF Shares are freely transferrable, subject to satisfying the usual requirements of security transfers on the ASX. The directors of PGF may decline to register any transfer of PGF Shares, but only where permitted to do so under the PGF Constitution, the Corporations Act or the Listing Rules.

7.2.3 Dividends

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

7.2.4 Winding up

On a winding up, each PGF shareholder has the right to receive, in kind, the whole or any part of PGF's property in a winding up, subject to the rights of a liquidator to distribute surplus assets of PGF with the consent of members by special resolution.

7.2.5 Sale of non-marketable holdings

PGF may take steps in respect of non-marketable holdings of PGF Shares to effect an orderly sale of those PGF Shares in the event that holders do not take steps to retain their holdings. PGF may only take steps to eliminate non-marketable holdings in accordance with the PGF Constitution and the Listing Rules.

7.2.6 Future increases, alteration and reduction of capital

The allotment and issue of securities is under the control of the PGF Board. Subject to restrictions on the allotment of securities to related parties, the Listing Rules, the PGF Constitution and the Corporations Act, the PGF Board may allot, issue or otherwise dispose of new securities on such terms and conditions as they decide. PGF at a general meeting may convert securities into a larger or smaller number of securities, and subject to the Corporations Act and Listing Rules, PGF may reduce its share capital and buy-back PGF Shares.

7.2.7 Variation of rights

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

7.3 Recent price of PGF Shares

The latest recorded sale price for PGF Shares on the Last Practicable Trading Date was \$1.525 per share.

The highest and lowest recorded sale price for PGF Shares during the three months immediately before the Last Practicable Trading Date was \$1.65 and \$1.465 per share, respectively.

The last sale price for the PGF Shares immediately before announcement of the Scheme on 15 September 2021 was \$1.59 per share (which was cum dividend at that time).

8. Tax implications of the Scheme

8.1 General

This section 8 is intended to provide general information on the Australian tax implications of the exchange of PAF Shares for New PGF Shares under the Scheme. The general information in this section 8 is relevant only to PAF Shareholders who hold their PAF Shares on capital account. The information does not address the Australian tax consequences for PAF Shareholders who:

- i. hold their PAF Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or as revenue assets;
- ii. are subject to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) (**ITAA 1997**) in relation to gains and losses on their PAF Shares; or
- iii. are non-resident PAF Shareholders who hold their PAF Shares in carrying on a business at or through a permanent establishment in Australia.

The general information in this section 8 is not intended to be tax advice and should not be relied upon on that basis. PAF Shareholders are strongly encouraged to seek professional tax advice to take into account their individual circumstances.

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

If the Scheme is implemented, PGF will acquire all of the PAF Shares from the PAF Shareholders who hold PAF Shares on the Record Date and the PAF Shareholders will receive the Scheme Consideration.

The disposal of the PAF Shares to PGF under the Scheme will give rise to a CGT event for PAF Shareholders. The date of disposal of the PAF Shares for CGT purposes will be the Implementation Date. Subject to comments in section 8.2 below, an Australian resident PAF Shareholder who would otherwise make a capital gain on the disposal of their PAF Shares under the Scheme should be eligible to choose to apply CGT scrip for scrip roll-over relief.

8.2 Australian resident PAF Shareholders

8.2.1 Disposal of PAF Shares under the Scheme

The disposal of PAF Shares by PAF Shareholders to PGF under the Scheme will constitute a CGT event A1 for Australian CGT purposes. The time of the CGT event will be when PAF Shareholders transfer their PAF Shares to PGF under the Scheme, which will occur on the Implementation Date.

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

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

A capital gain that arises to an individual, a trust or a complying superannuation fund may be

entitled to a CGT discount if they have held their PAF Shares for at least 12 months before the Implementation Date. Where the CGT discount applies, the capital gain will be reduced by 50% for an individual or a trust, or 33^{1/3}% for a complying superannuation fund.

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

8.2.2 Cost base of PAF Shares

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

8.2.3 Capital proceeds

The capital proceeds for the disposal of the PAF Shares of a PAF Shareholder will be the Scheme Consideration. That is, the capital proceeds should equal the sum of the market value of the New PGF Shares received under the Scheme. The market value of the New PGF Shares will not be known until the Implementation Date.

8.2.4 CGT Scrip for scrip roll-over relief

Australian resident PAF Shareholders that make a capital gain under the Scheme may choose to apply CGT scrip for scrip roll-over relief to the capital gain arising from the Scheme. Relevantly, PGF will not make a choice under section 124-795(4) of the ITAA 1997 to deny CGT scrip for scrip roll-over relief.

a) Where scrip for scrip roll-over relief is chosen

Where an eligible PAF Shareholder chooses to obtain scrip for scrip rollover relief:

- i. the capital gain that is attributable to the receipt of the New PGF Shares will be disregarded;
- ii. the first element of the cost base of the New PGF Shares received as part of the Scheme Consideration should be equal to the proportion of the cost base of their original PAF Shares that were exchanged for Scheme Consideration. The first element of the reduced cost base is determined similarly; and
- iii. for the purposes of determining future eligibility for the CGT discount, the acquisition date of the New PGF Shares is taken to be the date when the PAF Shareholders originally acquired their PAF Shares.

The benefit of choosing CGT scrip for scrip roll-over relief will depend upon the individual circumstances of each PAF Shareholder.

PAF Shareholders who wish to choose to apply CGT scrip for scrip roll-over relief must make the choice by the time they lodge their income tax return for the year of income in which the Implementation Date occurs. The choice to apply CGT scrip for scrip roll-over is evidenced by the way in which the PAF Shareholder prepares their income tax return (i.e. excluding the capital gain and making specific disclosure in the tax return about making the choice).

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

The CGT scrip for scrip roll-over is not automatic and must be chosen by an eligible PAF Shareholder. Additionally, CGT scrip for scrip rollover will not be available:

- i. to a PAF Shareholder if they make a capital loss on the disposal of their PAF Shares under the Scheme; or
- ii. to a PAF Shareholder who is not a resident of Australia.

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

- i. the general CGT treatment in section 8.1 will apply;
- ii. the first element of the cost base of the New PGF Shares received should be an amount equal to the proportion of the market value of the PAF Share given to acquire the New PGF Shares, determined on the Implementation Date; and
- iii. the date of acquisition for CGT purposes will be the Implementation Date. This date will be relevant for any future qualifications for the CGT discount with respect to CGT events happening to the New PGF Shares.

8.2.5 Non-resident PAF Shareholders

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

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

For PAF Shareholders who are not Australian tax residents, no component of the PAF Shares should be taxable Australian property as their underlying value is not principally derived from Australian real property. For similar reasons, the foreign resident capital gains withholding tax should not apply.

8.2.6 Goods and Services Tax (GST)

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

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

8.2.7 Duties

No stamp duty should be payable by PAF Shareholders in relation to the disposal of their PAF Shares to PGF under the Scheme.

9. Additional information

Introduction

This section sets out additional statutory information, as well as some additional information that may be considered material to PAF Shareholders' decision as to how they should vote at the Scheme Meeting.

9.1 Substantial PAF Shareholders

As at the Last Practicable Trading Date, the following persons had notified PAF that they had voting power of 5% or more of PAF Shares:

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

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

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

9.2 Marketable securities held by or controlled by the PAF Board

As at the Last Practicable Trading Date, no marketable securities of PAF are held or controlled (directly or indirectly) by members of the PAF Board and no such persons are otherwise entitled to such securities other than as listed below:

Name	Number
Andrew McGill	Nil
Ben Skilbeck	10,000
Chris Knoblanche	Nil

Each member of the PAF Board intends to vote any PAF Shares in which he has a Relevant Interest in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of PAF Shareholders.

Except as stated above in this section 9.2 there are no marketable securities of PAF (or its Related Body Corporate) held by or on behalf of the members of the PAF Board as at the date of this Explanatory Memorandum.

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

9.3 Benefits and agreements

9.3.1 Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of PAF as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in PAF or in any of its Related Bodies Corporate as a result of the Scheme other than as set out in their existing employment agreement or as a result of them participating in the Scheme as a Scheme Shareholder.

PAF pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its directors and executive officers.

9.3.2 Agreements connected with or conditional on the Scheme

Except as set out below or otherwise disclosed in this section:

- (a) no member of the PAF Board has any other interests in a contract entered into by PGF;
- (b) there are no contracts or arrangements between a member of the PAF Board and any person, including PAF in connection with or conditional on the outcome of the Scheme; and
- (c) no member of the PAF Board has a material interest in relation to the Scheme, other than in their capacity as a PAF Shareholder.

9.3.3 Directors & Officers appointment agreements

Each PAF director and officer has an appointment agreement with PAF.

9.4 Capital structure of PAF

As at the date of this Explanatory Memorandum, PAF has 57,330,012 ordinary shares on issue, of which the PGF holds 11,424,181 ordinary shares (representing 19.93% of the voting power).

9.5 Pre-tax Net Tangible Assets and Franking Credits

While the Scheme Consideration is based on PAF NTA per share after tax, but before deferred tax assets, dividend by PGF NTA (on the same basis), the PAF Directors note the implied consideration on the basis of pre-tax net tangible assets plus franking credits per share.

The table below shows for each of PGF, PAF and WAM the 30 September 2021 pre-tax net tangible assets per share. In order to then estimate the pre-tax net tangible assets plus franking credits per share the following has been undertaken: (i) franking credits per share sourced from financial year 2021 annual reports, and in the case of PGF and PAF, reduced for financial year 2021 final dividends; and (ii) given pre-tax net tangible assets does not deduct current income tax payable, but, franking balances do include current income tax payable, current income tax per share has been deducted from 30 June 2021 franking so as to not double count current tax payable when adding franking credits per share to pre-tax net tangible assets per share. The estimated resultant pre-tax net tangible assets plus franking credits per share is shown in the table below.

The respective Scheme and WAM Takeover Bid exchange ratios are then applied to estimate the look-through pre-tax net tangible assets plus franking credits per share associated with each of the PGF Scheme and the WAM Takeover Bid.

Offer Consideration Based on Net Tangible Assets plus Franking Credits per Share

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

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

* Franking credits based on the respective FY'2021 Annual Reports of PAF, PGF and WAM. PGF and PAF adjusted for final dividends.

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

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

9.6 Independent Expert

The Independent Expert has prepared the Independent Expert's Report set out in Annexure A advising as to whether, in its opinion, the Scheme is fair and reasonable and, therefore, in the best interests of PAF Shareholders.

The Independent Expert has concluded that the Scheme is in fair and reasonable and therefore the best interests of PAF Shareholders in the absence of a Superior Proposal.

9.7 Consents

The following parties have given and have not withdrawn, before the registration of this Explanatory Memorandum by ASIC, their written consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Gresham Advisory Partners Limited as the corporate adviser to PAF;
- Baker McKenzie as legal adviser and tax adviser to PAF;
- Lonergan Edwards & Associates Limited as Independent Expert;
- Boardroom Pty Limited as PAF's share registry;
- HLB Mann Judd (NSW Partnership) as the auditor for both PAF and PGF; and
- PGF.

Lonergan Edwards & Associates Limited has also given and has not withdrawn, before the time of registration of this Explanatory Memorandum with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Explanatory Memorandum in the form and context in which it is included and to all references in this Explanatory Memorandum to the Independent Expert's Report in the form and context in which they appear.

PGF has also given and has not withdrawn, before the time of registration of this Explanatory Memorandum by ASIC, its written consent to the inclusion of the PGF Information in the form and context in which it is included and to all references in this Explanatory Memorandum to the PGF Information in the form and context in which they appear.

9.8 Disclaimers

None of the persons referred to in section 9.7 have authorised or caused the issue of this Explanatory Memorandum and they do not make or purport to make any statement in this Explanatory Memorandum other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in section 9.7 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Explanatory Memorandum other than as described in this section with that person's consent.

The PGF Information has been prepared by and is the responsibility of PGF. PAF does not assume responsibility for the accuracy or completeness of the PGF Information.

9.9 Fees

Each of the persons named in section 9.7 who is performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Explanatory Memorandum, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

9.10 Foreign jurisdictions

The distribution of this Explanatory Memorandum outside of Australia may be restricted by law and persons who come into possession of it should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. PAF disclaims all liabilities to such persons. PAF Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Explanatory Memorandum or any aspect of the acquisition in any jurisdiction outside of Australia.

This Explanatory Memorandum may not be distributed outside Australia, New Zealand, and except with the consent of PAF.

This document does not constitute an offer of New PGF Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New PGF Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: The contents of this Explanatory Memorandum have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Explanatory Memorandum, you should obtain independent professional advice.

This Explanatory Memorandum does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Explanatory Memorandum also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Explanatory Memorandum in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Explanatory Memorandum or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder. Copies of this Explanatory Memorandum may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Explanatory Memorandum, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of PAF Shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Explanatory Memorandum in Hong Kong.

This Explanatory Memorandum is confidential to the person to whom it is addressed and no person to whom a copy of this Explanatory Memorandum is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Explanatory Memorandum to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this Explanatory Memorandum is addressed.

New Zealand

This Explanatory Memorandum is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of New PGF Shares under the Scheme is being made to existing shareholders of PAF in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Explanatory Memorandum may not contain all the information that a disclosure document is required to contain under New Zealand law.

Singapore

This Explanatory Memorandum and any other document or material in connection with the Scheme or the New PGF Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of a prospectus included in the Securities and Futures Act, Cap. 289 (the "SFA") will not apply.

This Explanatory Memorandum and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of New PGF Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to New PGF Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this Explanatory Memorandum may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither PAF nor PGF is in the business of dealing in securities or holds itself out, or purports to be doing so. As such, PAF nor PGF are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Thailand

This Explanatory Memorandum is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This Explanatory Memorandum has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this Explanatory Memorandum and any other document relating to the Scheme may not be circulated or distributed, nor may the New PGF Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public in Thailand.

United Kingdom

Neither this Explanatory Memorandum nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New PGF Shares.

This Explanatory Memorandum does not constitute an offer of transferable securities to the public within the meaning of the Prospectus Regulation (2017/1129/EU) as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended), or the FSMA. Accordingly, this document does not constitute a prospectus for the purposes of the Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the transfer of the New PGF Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to PAF or PGF.

In the United Kingdom, this Explanatory Memorandum is being distributed only to, and is directed at, persons to whom it may lawfully be distributed or directed within the circumstances described in Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as "Relevant Persons"). The investment to which this Explanatory Memorandum relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Explanatory Memorandum or any of its contents.

9.11 Key terms of the Scheme Implementation Deed

PAF and PGF entered into the Scheme Implementation Deed on 15 September 2021. The Scheme Implementation Deed sets out the steps required to be taken by PAF and PGF to give effect to the Scheme. Key terms of the Scheme Implementation Deed are summarised in this section 9.11.

9.11.1 Conditions Precedent

The implementation of the Scheme is subject to various Conditions Precedent, including:

- (a) **Regulatory approvals:** before 8.00 am on the Second Court Date all approvals, consents, modifications, or waivers of a Governmental Agency which are reasonably necessary to implement the Scheme are obtained;
- (b) **Orders convening Scheme Meeting:** the Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act;
- (c) **PAF Shareholder approval:** before 8.00 am on the Second Court Date, the Scheme Resolution is approved by the requisite majorities of PAF Shareholders;
- (d) **Restraints:** no Government Agency takes any action, or imposes any legal restraint or prohibition, to prevent the implementation of the Scheme (or any transaction contemplated by the Scheme), which remains in force at 8.00 am on the Second Court Date;
- (e) **PGF Regulated Event:** no PGF Regulated Event occurs between the date of this

deed and 8.00 am on the Second Court Date;

- (f) **PGF Material Adverse Change:** no PGF Material Adverse Change occurs, or is discovered, announced, disclosed, or otherwise becomes known to PAF between the date of this deed and 8.00 am on the Second Court Date;
- (g) **PAF Regulated Event:** no PAF Regulated Event occurs between the date of this deed and 8.00 am on the Second Court Date;
- (h) **PAF Material Adverse Change:** no PAF Material Adverse Change occurs, or is discovered, announced, disclosed, or otherwise becomes known to PGF between the date of this deed and 8.00 am on the Second Court Date;
- (i) **Court approval of Scheme:** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act;
- (j) **Independent Expert's report:** the Independent Expert issues its report, which concludes that the Scheme is in the best interest of PAF Shareholders and the Independent Expert does not change or withdraw its conclusion in any update to its report or withdraw its report prior to 8.00 am on the Second Court Date;
- (k) **PGF Warranties:** the PGF Warranties being true and correct in all material respects on the date of this deed and at 8.00 am on the Second Court Date; and
- (l) **PAF Warranties:** the PAF Warranties being true and correct in all material respects on the date of this deed and at 8.00 am on the Second Court Date.

The final date to satisfy the Conditions Precedent is 28 February 2022 (unless the parties agree otherwise).

PAF may waive certain the Conditions Precedent, including:

- PGF Regulated Event
 - PGF Material Adverse Change
 - PGF Warranties
 - Independent Expert's report
- in its absolute discretion.

PGF may waive certain the Conditions Precedent, including:

- PAF Regulated Event
 - PAF Material Adverse Change
 - PAF Warranties
- in its absolute discretion.

An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

9.11.2 Exclusivity

PAF and its representatives may not, during the exclusivity period which runs until the "End Date" (being 28 February 2022 or such other date agreed by PGF and PAF in writing):

- (a) (No talk) directly or indirectly participate in any discussions or negotiations, provide or make available any information, negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into any agreement, arrangement or understanding in relation to, or which may reasonably be expected to encourage or lead to the making of an actual, proposed or potential Competing Proposal;
- (b) (no shop) solicit, invite, encourage or initiate any enquiries, expressions of interest, offers, discussions or proposals in relation to, or which may reasonably be expected to encourage or lead to the making of an actual, proposed or potential Competing Proposal, or otherwise communicate to any person an intention to do any of these things.

- (c) (no due diligence) provide or make available any information (including by way of providing information and access to perform due diligence) or otherwise solicit, initiate, facilitate or encourage any party to undertake due diligence.

PAF must promptly notify and disclose material details of the Competing Proposal and the proposed acquirer to PGF where it receives an unsolicited offer in respect of a Competing Proposal or a request for information which could lead to a Competing Proposal. PGF will have the right within 5 Business Days to provide a new or amended proposal that constitutes a matching or superior proposal to the actual, proposed or potential Competing Proposal.

PAF may undertake any action in relation to a potential or proposed bona fide Competing Proposal which was not solicited by it and was not otherwise brought about as a result of any breach by it of its obligations, where it is acting in good faith and after having considered written advice from its external legal advisers, determines that not undertaking that act or undertaking that act would be likely to constitute a breach of the PAF Board's fiduciary or statutory duties.

9.11.3 Conduct of business

Before implementation of the Scheme, each party must continue to conduct their respective businesses in the ordinary and proper course and in substantially the same manner as previously conducted.

Each of PGF and PAF must ensure, to the extent within their control, that certain events do not occur without the prior written consent of the other party. These events may include (but are not limited to) such things as: amendments to their issued capital (including new issues, splits, consolidations, buybacks), declaring or paying dividends, material change or amendment to its constitution, material contracts or financial encumbrances, negotiating of their debts, insolvency, and winding up.

Each party must also conduct its business in accordance with all applicable laws and their respective agreements with their investment manager, and regularly consult the other party on the conduct of their business.

9.11.4 Termination and break fees

The Scheme Implementation Deed includes various termination provisions, including that it may be terminated by mutual agreement or by either party if:

- (a) the Scheme has not become Effective on or before the "End Date", being 28 February 2022 (or such other date agreed by the parties in writing);
- (b) either party is in material breach of the Scheme Implementation Deed and the breach remains unremedied 10 Business Days after being notified;
- (c) either party is insolvent; or
- (d) the parties have failed to agree an acceptable solution in respect of a breach or nonsatisfaction of a Condition Precedent, or there is a failed appeal process in respect of the Court not approving the Scheme.

PAF may terminate the Scheme Implementation Deed if the Board determines that an unsolicited Competing Transaction is a Superior Proposal.

Other than allowed by certain exemptions, PGF may terminate the Scheme Implementation Deed, and PAF agrees to pay to PGF a break fee of \$500,000, if at any time on or after the date of the Scheme Implementation Deed and before the earlier of the Second Court Date or the End Date, any of the following events occur:

- (a) any PAF Director fails to recommend, or withdraws or adversely modifies their support or their recommendation that the Scheme be approved, or they recommend a Competing Proposal;

- (b) a Competing Proposal is announced which acquires a relevant interest in, becomes the holder (including a legal, beneficial or economic interest in or control), or otherwise acquires, directly or indirectly, 20% or more of PAF Shares;
- (c) due to a material breach by PAF.

Other than allowed by certain exemptions, PGF agrees to pay to PAF a break fee of \$500,000 if at any time on or after the date of the Scheme Implementation Deed and before the earlier of the Second Court Date or the End Date, PAF terminates the Scheme Implementation Deed due to a material breach by PGF.

9.11.5 Representatives and warranties

Both parties give customary power and capacity warranties, as well as a number of warranties in respect of the due diligence and information provided, compliance with the law (including continuous disclosure), and the securities each party has on issue.

9.12 Regulatory

All regulatory approvals that are Conditions Precedent to the Scheme are set out in clause 3.1 of the Scheme Implementation Deed. In addition, all the ASX and ASIC relief, approvals or consents that PAF consider are necessary to implement the Scheme as at the date of this Explanatory Memorandum have been granted or obtained.

9.13 Registration of this Explanatory Memorandum

This Explanatory Memorandum was registered with ASIC as required by sections 411(2)(b) and 412(6) of the Corporations Act.

9.14 No unacceptable circumstances

The PAF Board does not believe that the Scheme involves any circumstances in relation to the affairs of PAF that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

9.15 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Explanatory Memorandum, so far as the PAF Board are aware, 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 member of the PAF Board which has not previously been disclosed to PAF Shareholders.

9.16 Supplementary information

PAF will issue a supplementary document to this Explanatory Memorandum if it becomes aware, between the date of lodgement of this Explanatory Memorandum for registration by ASIC and the Effective Date:

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

Depending on the nature and timing of the changed circumstances, and subject to compliance with any relevant laws and/or obtaining any relevant approvals, PAF may circulate and publish any supplementary document by:

- (a) making an announcement to the ASX;
- (b) placing an advertisement in a prominently published newspaper which is circulated

- generally throughout Australia;
- (c) emailing (for those who have opted for email communications) or posting the supplementary document to PAF Shareholders to their email/postal address shown on the Register; and/or
 - (d) posting a statement on the PAF website (www.pmcapital.com.au/listed-investment-company/paf),
- as PAF, in its absolute discretion, considers appropriate.

10. Glossary

The following is a glossary of certain terms used in this Explanatory Memorandum.

\$ or AUD	Australian dollar.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 of the Corporations Act.
ASX	ASX Limited, or the securities market operated by it, as the context requires.
ASX Settlement Operating Rules	the rules of ASX Settlement Pty Limited (ACN 008 504 532).
ATO	the Australian Taxation Office.
Auditor	the auditor for each of PGF and PAF, being HLB Mann Judd (NSW Partnership).
Boardroom	Boardroom Pty Limited (ABN 14 003 209 836).
Business Day	means a day that is not a Saturday, Sunday or a public holiday or bank holiday in either Melbourne, Victoria, or Sydney, New South Wales.
Calculation Date	means the Second Court Date, expected to be 17 December 2021 or such other time and date as PAF and PGF agree in writing.
CGT	Australian capital gains tax.
Chair	means the chair of the Scheme Meeting.
Combined Group	the combined group of PGF and PAF that will exist after implementation of the Scheme.
Competing Proposal	means an agreement, transaction or arrangement pursuant to which a third party (either alone or together with any one or more of its associates) will, if the agreement, transaction or arrangement is entered into or completed: <ul style="list-style-type: none"> (a) acquire a relevant interest in, become the holder of, or otherwise acquire, have the right to acquire or have an economic interest in, directly or indirectly, more than 20% of PAF Shares (other than as custodian, nominee or bare trust); (b) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have a legal, beneficial or economic interest in or control of more than 20% by value of the business of the PAF Group; (c) acquire Control of PAF or a subsidiary which represents more than 20% of the economic value of the PAF Group; (d) otherwise directly or indirectly acquire or merge with PAF or a subsidiary which represents more than 20% of the economic value of the PAF Group; or (e) require PAF to abandon, or otherwise fail to proceed with, the Scheme, whether by way of a takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual listed company structure (or other synthetic merger) or other transaction or arrangement.
Conditions Precedent	the conditions precedent in clause 3.1 of the Scheme Implementation Deed, a summary of which are set out in section 9.11.1.
Corporations Act	the Corporations Act 2001 (Cth).
Corporations Regulations	the Corporations Regulations 2001 (Cth).
Court	the Federal Court of Australia (Victorian Registry) or such other court of competent jurisdiction under the Corporations Act agreed by PAF and PGF in writing.
Deed Poll	the deed poll dated 18 October 2021 executed by PGF under which it covenanted to perform its obligations under the Scheme. A copy of the Deed Poll is set out in Annexure C.
Effective	means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which an office copy of the Court order made under section 411(4)(b) of the Corporations Act approving the Scheme is lodged with ASIC.
Exchange Ratio	the PAF NTA divided by the PGF NTA.
Explanatory Memorandum	this booklet.
First Court Hearing	the hearing of the application made to the Court for an order pursuant to sections 411(1) of the Corporations Act convening the Scheme Meeting.
GST	has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth).
HIN	Holder Identification Number.
Implementation Date	the 5 th Business Day following the Record Date or such other date agreed in writing between the parties.
Independent Expert	Lonergan Edwards & Associates Limited (ABN: 53 095 445 560, AFSL: 246532).
Independent Expert's Report	means the report of the Independent Expert, as set out in Annexure A.
Ineligible Foreign PAF	means a PAF Shareholder whose address as shown in the PAF Register is a place outside

Shareholder	Australia and its external territories, New Zealand, Hong Kong, Singapore, Thailand and the United Kingdom.
Investment Manager	PM Capital Limited (ACN 083 644 731, AFSL 230222).
Last Practicable Trading Date	15 October 2021, being the last practicable trading date before the date of this Explanatory Memorandum.
LIC	means listed investment company.
Listing Rules	the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.
MSCI World Index	means the MSCI World Net Total Return Index (AUD).
New PGF Shares	the PGF Shares to be issued under the Scheme as Scheme Consideration.
Notice of Scheme Meeting	the notice convening the Scheme Meeting, as set out in Annexure D.
NTA	means the net tangible asset backing after tax of PAF or PGF (as the context requires) (excluding deferred tax assets) per PAF Share or PGF Share (as the case may be) calculated in accordance with the Corporations Act, Australian Accounting Standards and the Corporations Regulations.
PAF	PM Capital Asian Opportunities Fund Limited (ACN 168 666 171).
PAF Board	means the board of directors of PAF. It comprises Mr Chris Knoblanche, Mr Andrew McGill and Mr Ben Skilbeck.
PAF Board Committee	means the PAF board committee comprising the PAF Directors.
PAF Director	means a director of PAF excluding a director who is recused from the consideration, negotiation and progression of the Scheme (in their capacity as a director of PAF). They comprise Mr Andrew McGill and Mr Ben Skilbeck.
PAF Information	the information regarding PAF, other than the PGF Information and the Independent Expert's Report, contained in this Explanatory Memorandum (or any supplementary disclosure).
PAF Management Agreement	the Investment Management Agreement between PAF and the Investment Manager.
PAF NTA	the NTA of a PAF Share on the Calculation Date.
PAF Register	means the register of members of PAF.
PAF Share	a fully paid ordinary share in the capital of PAF.
PAF Shareholder	a person who is registered in the PAF Register as a holder of PGF Shares.
PGF	PM Capital Global Opportunities Fund Limited (ACN 166 064 875).
PGF Board	means the board of directors of PGF. It comprises Mr Chris Knoblanche, Mr Brett Spork and Mr Ben Skilbeck.
PGF Director	means a director of PGF excluding a director who is recused from the consideration, negotiation and progression of the Scheme (in their capacity as a director of PGF). They comprise Mr Chris Knoblanche and Mr Brett Spork.
PGF Information	the information prepared by PGF for inclusion in this Explanatory Memorandum (or any supplementary disclosure) and for which PGF is responsible.
PGF Management Agreement	the Investment Management Agreement between PGF and the Investment Manager.
PGF NTA	the NTA of a PGF Share on the Calculation Date.
PGF Register	Means the register of members of PGF.
PGF Share	a fully paid ordinary share in the capital of PGF.
PGF Shareholder	a person who is registered in the PGF Register as a holder of PGF Shares.
Record Date	7.00pm on the 2nd Business Day following the Effective Date or such other time and date as PAF and PGF agree in writing.
Register	the register of shareholders maintained by PAF in accordance with the Corporations Act.
Registered Address	means, in relation to a PAF Shareholder, the address of the PAF Shareholder as recorded in the Register as at the Record Date.
Regulatory Authority	Includes: <ul style="list-style-type: none"> • ASX, ASIC and the Takeovers Panel; • a government or governmental, semi-governmental or judicial entity or authority in Australia, including the ATO; • a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and • any regulatory organisation established under statute.
Relevant Interest	has the meaning given to it in sections 608 and 609 of the Corporations Act.
Requisite Majority	means in relation to the resolution to be put to PAF Shareholders at the Scheme Meeting, the resolution being passed by: <ul style="list-style-type: none"> (i) a majority in number (more than 50%) of PAF Shareholders, who are present and voting, either virtually or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and (ii) passed by at least 75% of the total votes cast on the resolution by PAF Shareholders who are present and voting, either virtually or by proxy, attorney or in the case of a

	corporation its duly appointed corporate representative.
Sale Agent	means the agent appointed in relation to the Scheme by PGF and PAF to sell the Scheme Consideration that would have otherwise been issued to Ineligible Foreign PAF Shareholders.
Sale Facility	the facility described in clauses 5.7 to 5.12 of the Scheme.
Sale Proceeds	the net proceeds of sale of the Scheme Consideration by the Sale Agent through the Sale Facility payable to each Ineligible Foreign PAF Shareholder (after deducting any applicable brokerage and other selling costs, taxes and charges).
Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between PAF and the Scheme Shareholders, the form of which is attached as Annexure B, or such other form as agreed in writing between the parties.
Scheme Consideration	means for each Scheme Share, that number of New PGF Shares determined by dividing the PAF NTA by the PGF NTA, as set out in the Scheme.
Scheme Costs	all of PAF's costs associated with implementing the Scheme (including portfolio transaction costs, fees for PAF's financial, taxation, legal and other professional advisers, counsel fees, fees of the Independent Expert, all fees payable to its service providers (including any termination payments and costs and expenses under the IMA), all claims arising in relation to or under the IMA, costs associated with D&O run-off insurance, and including GST paid on such costs to the extent not reduced by an input tax credit) referable in any way to the Scheme or the period up to the Calculation Date that remain unpaid as at the Calculation Date.
Scheme Implementation Deed	the document titled "Scheme Implementation Deed" between PGF and PAF dated 15 September 2021 as announced to ASX on 15 September 2021 (as amended from time to time).
Scheme Meeting	means the meeting of PAF Shareholders to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Share	means a PAF Share as at the Record Date, other than one held by PGF.
Scheme Shareholder	a PAF Shareholder recorded in the PAF Register at the Record Date other than PGF.
Second Court Date	means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
SRN	Securityholder Reference Number.
Superior Proposal	a Competing Proposal which the PAF Board, acting in good faith, and after taking written advice from its legal and financial advisers, determines: <ul style="list-style-type: none"> (a) is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal including any timing considerations, conditions precedent and the identity of the proponent; and (b) would, if completed substantially in accordance with its terms, be more favourable to PAF Shareholders than the Scheme taking into account all terms and conditions of the Competing Proposal including consideration, conditionality, funding, certainty and timing.
VWAP	volume weighted average price.
WAM	WAM Capital Limited
WAM Takeover Bid	the takeover bid by WAM for PAF of 1 WAM share for every 1.99 PAF Shares

Annexure A – Independent Expert’s Report

The PAF Board Committee
PM Capital Asian Opportunities Fund Limited
Level 11, 68 York Street
Sydney NSW 2000

3 November 2021

Subject: Proposed acquisition by way of Scheme

Dear PAF Board Committee members

Introduction

The Scheme

- 1 On 15 September 2021, PM Capital Asian Opportunities Fund Limited (PAF or the Company) and PM Capital Global Opportunities Fund Limited (PGF) announced that they had entered into a binding Scheme Implementation Deed (the Deed) under which PAF and PGF would effectively merge by way of PGF acquiring 100% of the share capital in PAF that it does not already own¹.
- 2 The proposed acquisition of PAF shares is to be implemented via a scheme of arrangement between PAF and its shareholders (other than PGF) (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme is approved and implemented, PAF shareholders² will receive PGF scrip as consideration. The number of PGF shares proposed to be exchanged for each PAF share (the Exchange Ratio) will be equal to PAF's after-tax net tangible assets (NTA) (before deferred tax assets) per share divided by PGF's after-tax NTA (before deferred tax assets) per share, calculated in a manner consistent with that published by the companies in their respective monthly Australian Securities Exchange (ASX) NTA announcements. The date for determining the Exchange Ratio will be the date the court approves the Scheme (Calculation Date).
- 4 The Exchange Ratio is expected to result in after-tax NTA per share neutrality for both PAF and PGF when comparing the respective after-tax NTAs immediately before and after the Calculation Date.

¹ PGF currently holds a 19.9% shareholding interest in PAF.

² For the purpose of our report "PAF shareholders" refers to PAF shareholders other than PGF.

Authorised Representatives:

Wayne Loneragan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

WAM Capital Offer

- 5 Subsequent to the announcement of the Scheme, on 28 September 2021, WAM Capital Limited (WAM Capital) announced an intention to make an off-market takeover offer for all of the fully paid ordinary shares in PAF subject to certain conditions (WAM Capital Offer). Under the WAM Capital Offer, PAF shareholders that accept the offer will receive 1 WAM Capital share for every 1.99 PAF shares they own. In the event the break fee imposed under the PGF Scheme is removed³, WAM Capital will increase its offer to 1 WAM Capital share for every 1.975 PAF shares⁴.
- 6 The WAM Capital Offer is subject to a number of conditions, including a 50.1% minimum acceptance, the PGF Scheme not proceeding, no material adverse change in respect of PAF or changes to the PAF Investment Management Agreement and a number of other conditions⁵.

PAF

- 7 PAF is a listed investment company (LIC) on the ASX that provides investors with an opportunity to invest in the Asian region (ex-Japan). PAF's investment mandate is to provide long term capital growth over a seven year plus investment horizon, through investment in a concentrated portfolio of 15 to 35 companies within Asia (ex-Japan) that are considered to be trading at prices below their respective intrinsic values. The objective of the Company is to outperform the benchmark returns of the Morgan Stanley Capital International (MSCI) Asia (ex-Japan) Equity Index (Net Dividends Reinvested, A\$). PAF commenced trading on the ASX on 22 May 2014 and is externally managed by PM Capital Limited (PM Capital).

PGF

- 8 PGF is an ASX listed LIC that provides investors with an opportunity to invest in global equities. PGF's investment mandate is to provide long term capital growth over a seven year plus investment horizon through investment in a concentrated portfolio of 25 to 45 global companies that are considered to be trading at prices different to their respective intrinsic values. The objective of PGF is to outperform the benchmark returns of the MSCI World Net Total Return Index in A\$. PGF commenced trading on the ASX on 12 December 2013 and is externally managed by PM Capital.

PM Capital

- 9 PM Capital, founded in 1998, is a globally-focussed fund manager that invests money on behalf of private clients, the clients of financial advisers and institutions. PM Capital is the investment manager for a number of managed funds, in addition to PAF and PGF.

WAM Capital

- 10 WAM Capital is an ASX LIC managed by Wilson Asset Management (International) Pty Limited (Wilson Asset Management). Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of growth companies listed on the ASX, with a focus on small-to-medium sized businesses. WAM Capital's

³ Under the PGF Scheme, a mutual break fee of \$500,000 is payable by each of PAF and PGF to the other in certain circumstances if the PGF Scheme does not proceed. WAM Capital is challenging this fee in the Takeovers Panel.

⁴ Notwithstanding WAM Capital has indicated it will increase the exchange ratio if the PGF Scheme break fee is waived, we have been advised that PGF has no intention of waiving this fee.

⁵ Refer to the WAM Capital Bidder's Statement dated 14 October 2021 for further information.

investment objective is to invest in undervalued companies to deliver a stream of fully franked dividends, provide capital growth and preserve capital.

- 11 Wilson Asset Management is the investment manager for eight ASX listed LICs⁶ and invests over \$5 billion on behalf of more than 110,000 retail investors.

Purpose of report

- 12 There are common directors between PAF and PGF. Accordingly, there is a regulatory requirement for an independent expert's report (IER) to be prepared for PAF shareholders pursuant to the *Corporations Act 2001* (Cth) (Corporations Act).
- 13 Furthermore, the Scheme is subject to a number of conditions precedent, including an independent expert concluding and continuing to conclude that the Scheme is in the best interests of PAF shareholders. In addition:
- (a) the PAF Board Committee recommendation of the Scheme is subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of PAF shareholders in the absence of a superior proposal
 - (b) as the Scheme is considered a change of control transaction, Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) also requires any appointed independent expert to provide an opinion on whether the Scheme is fair and reasonable.
- 14 Accordingly, the PAF Board Committee has requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of PAF shareholders and the reasons for that opinion.
- 15 Further, given the competing offer from WAM Capital, in Section VIII of this report we have also considered the merits of the WAM Capital Offer relative to the Scheme. However, LEA has not been commissioned to provide an opinion on whether the WAM Capital Offer is fair and reasonable (and has not done so).
- 16 LEA is independent of PAF, PGF and WAM Capital, and has no other involvement or interest in the proposed Scheme or the WAM Capital Offer.

Summary of opinion on the Scheme

- 17 In our opinion, the Scheme is fair and reasonable and in the best interests of PAF shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of PAF

- 18 We have calculated the value of PAF as at 31 October 2021 (based on the financial position of PAF as at that date).
- 19 As set out in Section III, the investment portfolio of PAF substantially comprises investments in listed securities. As there is a liquid and active market in respect of these investments, in

⁶ Including WAM Capital, WAM Leaders Limited, WAM Global Limited, WAM Microcap Limited, WAM Alternative Assets Limited, WAM Strategic Value Limited, WAM Research Limited and WAM Active Limited.

assessing the value of the equity in PAF we have had regard to the quoted price of the respective listed securities to determine the market value of the underlying investments. To allow for market fluctuations in the price of these securities, we have adopted a value for this portfolio of +/-5%.

- 20 On this basis we have assessed the (stand-alone) value of 100% of the shares in PAF (as at 31 October 2021) at \$1.05 to \$1.14 per share, as shown below:

Valuation of PAF		
	LEA assessed values	
	Low	High
	\$m	\$m
Investments	49.3	54.4
Cash and other assets ⁽¹⁾	12.0	12.0
Gross assets	61.2	66.4
Distribution payable (FY21 final dividend) ⁽²⁾	-	-
Accruals ⁽³⁾	(0.1)	(0.1)
Termination payment	-	-
Net asset value before tax adjustments	61.1	66.3
Income tax payable	(1.0)	(1.0)
Deferred tax assets (net)	-	-
Net tangible assets	60.2	65.4
Shares on issue (million)	57.3	57.3
PAF value per share	\$1.05	\$1.14

Note:

- 1 Includes accrued interest, outstanding settlements (net), forwards and foreign exchange assets and withholding tax.
- 2 The FY21 final dividend was paid on 14 October 2021.
- 3 Relates to outstanding fee liabilities owed to PM Capital.

Value of Scheme Consideration

Value of PGF shares offered as consideration

- 21 We have assessed the value of PGF shares offered as consideration pursuant to the Scheme at between \$1.50 and \$1.60 per share, which reflects a small discount / premium to the post-tax NTA of PGF shares as at 31 October 2021 of \$1.53 per share.

Exchange Ratio

- 22 The basis of determination of the Exchange Ratio is set out in paragraph 3 above. Whilst the actual Exchange Ratio will not be known until the Calculation Date, for the purposes of this report our calculation of the Exchange Ratio reflects:

- (a) PAF's after-tax NTA (before deferred tax assets) as at 31 October 2021; and
- (b) PGF's after-tax NTA (before deferred tax assets) as at 31 October 2021.

- 23 Our calculation of the exchange ratio for the purposes of this report (noting the actual exchange ratio will only be set as at the Calculation Date) is set out below:

Calculation of exchange ratio⁽¹⁾	
As at 31 October 2021	\$ per share
PAF reported after-tax NTA (before deferred tax assets)	1.09
PGF reported after-tax NTA (before deferred tax assets)	1.53
Exchange ratio	0.715

Note:

- 1 Rounding differences exist.

Value of Scheme Consideration

- 24 Based on the above, we have therefore assessed the value of the Scheme Consideration to be received by PAF shareholders pursuant to the Scheme as set out below:

Value of Scheme Consideration		
	Low	High
	\$	\$
Value of PGF post transaction – per share	1.50	1.60
Exchange ratio	0.715	0.715
Value of Scheme Consideration	1.07	1.14

Fairness

- 25 Pursuant to RG 111 a scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for PAF shares is shown below:

Position of PAF shareholders			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Scheme Consideration	1.07	1.14	1.105
Value of 100% of PAF	1.05	1.14	1.095
Extent to which the Scheme Consideration exceeds (or is less than) the value of PAF	0.02	-	0.01

- 26 As the value of the Scheme Consideration is consistent with our assessed valuation range for PAF shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to PAF shareholders when assessed based on the Guidelines set out in RG 111.

Assessment of reasonableness and in the best interests

- 27 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme is also reasonable.
- 28 There is no legal definition of the expression “in the best interests”. However RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.

- 29 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because, if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 30 We therefore consider that the Scheme is also “in the best interests” of PAF shareholders in the absence of a superior proposal.

Assessment of the Scheme

- 31 We summarise below the likely advantages and disadvantages of the Scheme for PAF shareholders.

Advantages

- 32 In our opinion the Scheme has the following benefits for PAF shareholders:
- (a) the implied value of the Scheme Consideration of \$1.07 to \$1.14 per share is consistent with our assessed value range for PAF shares on a 100% controlling interest basis
 - (b) the Scheme Consideration represents a significant premium to the recent market prices of PAF shares prior to the announcement of the Scheme on 15 September 2021
 - (c) in the absence of a change of control transaction (such as the Scheme or WAM Capital Offer), the price of PAF shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the difference between the value of PAF shares on a portfolio basis and the value ascribed to them pursuant to the exchange ratio under the Scheme
 - (d) the Scheme provides PAF shareholders with improved share market liquidity, as the value of PGF shares traded over the 12 months prior to the announcement of the Scheme was approximately 10 times larger than that for PAF.

Disadvantages

- 33 We do not consider that there are any significant disadvantages associated with the Scheme.

Conclusion on the Scheme

- 34 Given the above, in our view, the acquisition of PAF shares under the Scheme is fair and reasonable and in the best interests of PAF shareholders in the absence of a superior proposal.

Other considerations

- 35 PAF shareholders should note that the listed market price of PGF (and WAM Capital) shares is subject to daily fluctuation. The price at which PGF and/or WAM Capital shares may be sold may therefore be greater or less than our assessed realisable value.
- 36 PAF shareholders should also note that any decision to hold PGF (or WAM Capital) shares beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold PGF or WAM Capital shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

General

- 37 In preparing this report we have considered the interests of PAF 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.
- 38 The impact of approving the Scheme on the tax position of PAF shareholders depends on the individual circumstances of each investor. PAF shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 39 The ultimate decision whether to approve the Scheme should be based on each PAF shareholder's assessment of their own circumstances. If PAF 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.
- 40 For our full opinion on the Scheme (and our assessment of the WAM Capital Offer for the purpose of this report) and the reasoning behind our opinion, we recommend that PAF shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

41 An overview and key terms of the Scheme is set out at paragraphs 1 to 4.

Conditions

42 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Deed between PAF and PGF dated 15 September 2021:

- (a) respective regulatory approvals from ASIC, ASX and any other applicable government agency
- (b) orders by the Court convening the Scheme meeting, and subsequent approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
- (c) PAF shareholder approval by the requisite majorities at the Scheme meeting
- (d) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the transaction is in effect at 8.00am on the Second Court Date
- (e) no “Regulated Event” (as defined in clause 1.1 of the Deed) occurs in respect of either PAF or PGF on or before 8.00am on the Second Court Date
- (f) no “Material Adverse Change” (as defined in clause 1.1 of the Deed) occurs in respect of either PAF or PGF on or before 8.00am on the Second Court Date
- (g) the PAF and PGF Warranties (as defined in clause 1.1 of the Deed) are true and correct in all material respects both as at 15 September 2021 and at 8.00am on the Second Court Date
- (h) an independent expert issues a report which concludes (and continues to conclude) that the Scheme is in the best interests of PAF shareholders.

43 In addition, PAF has agreed that during the Exclusivity Period, it will not:

- (a) directly or indirectly solicit, invite, encourage, facilitate or initiate any enquiry, expression of interest, offer, proposal, discussion, negotiation or other communications in relation to, or which may reasonably be expected to lead to, a competing proposal
- (b) directly or indirectly facilitate, participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a competing proposal
- (c) communicate to any person any intention to do any of the things in (a) or (b)
- (d) solicit, invite, initiate, facilitate or encourage any third party to undertake due diligence on PAF
- (e) publicly recommend a competing proposal, and must not enter into any agreement, arrangement or understanding (whether or not in writing) to implement a competing proposal, subject to a mandatory matching right regime
- (f) make available or permit access to a third party for the purposes of that third party making, formulating, developing or finalising, or assisting such third party to make, formulate, develop or finalise, a competing proposal, any non-public information relating to PAF.

- 44 Certain of the exclusivity obligations (relating to “no talk” and “no due diligence”) do not apply in respect of a bona fide written competing proposal if PAF has complied with the various obligations set out in the Deed and the PAF Board Committee determines, acting in good faith:
- (a) based on written advice from its financial advisers, that the competing proposal is, or may reasonably be expected to lead to, a Superior Proposal (as defined in Schedule 1.1 of the Deed)⁷; and
 - (b) based on written advice from its external legal advisers, that compliance with its exclusivity obligations would be reasonably likely to be contrary to the fiduciary or statutory duties of the PAF Board Committee.
- 45 A mutual break fee of \$0.5 million is payable by each of PAF and PGF to the other in certain limited circumstances (as specified in the Deed)⁸.

Resolution

- 46 PAF shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 47 If the resolution is passed by the requisite majorities, PAF must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all PAF shareholders who hold PAF shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

⁷ Subject to any potential breach of fiduciary duties (in certain circumstances), PAF must notify PGF if it receives a superior competing proposal and give PGF five business days to match that competing proposal.

⁸ Subject to any orders which the Takeovers Panel may make in this regard.

II Scope of our report

Purpose

- 48 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 member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 49 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.
- 50 Whilst the relevant interest of PGF in PAF shares is only 19.9%, there are common directors between PAF and PGF. Accordingly, there is a regulatory requirement for an IER to be prepared for PAF shareholders pursuant to the Corporations Act.
- 51 Furthermore, the Scheme is subject to a number of conditions precedent, including an independent expert concluding and continuing to conclude that the Scheme is in the best interests of PAF shareholders. In addition:
- (a) the PAF Board Committee recommendation of the Scheme is subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of PAF shareholders in the absence of a superior proposal
 - (b) as the Scheme is considered a change of control transaction, RG 111 also requires any appointed independent expert to provide an opinion on whether the Scheme is fair and reasonable.
- 52 The PAF Board Committee has therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in PAF by PGF under the Scheme is fair and reasonable and in the best interests of PAF shareholders and the reasons for that opinion.
- 53 Further, given the competing offer from WAM Capital, in Section VIII we have also considered the merits of the WAM Capital Offer relative to the Scheme. However, LEA has not been commissioned to provide an opinion on whether the WAM Capital Offer is fair and reasonable (and has not done so).
- 54 This report has been prepared by LEA for the benefit of PAF shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to PAF 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 PAF shareholders
- 55 The ultimate decision whether to approve the Scheme should be based on each PAF 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

- 56 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111 which, inter alia, provides guidance as to how an expert should assess the merits of a transaction.
- 57 When an IER is prepared for a scheme that involves a change of control (like the proposed Scheme concerning PAF)⁹, ASIC expects the form of the analysis undertaken by the expert to be substantially the same as for a takeover bid. That is, the expert is required to assess and provide an opinion on whether the scheme is “fair” and “reasonable” to the shareholders of the company which is the subject of the scheme (in addition to the inclusion of a statement as to whether the scheme is “in the best interests” of shareholders, being the opinion required under Part 3 of Schedule 8 of the Corporations Regulations).
- 58 Fairness involves the application of a strict quantitative test that compares the value of the consideration offered against the value of the shares that are the subject of the scheme (assuming 100% ownership of the target company and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length, noting that any special value that may be derived by a particular “bidder” should not be taken into account). A scheme is “fair” if the value of the scheme consideration is equal to, or greater than the value of the shares that are the subject of the scheme. Fairness effectively measures whether shareholders (in the company the subject of the scheme) are being compensated for the actual (or deemed) change of “control” in ownership.
- 59 Reasonableness involves the consideration of other significant quantitative and qualitative factors that shareholders might consider prior to accepting a proposal (e.g. the bidder’s existing shareholding in the company, the likely market price of the company’s shares if the scheme is unsuccessful, the likelihood of a superior alternative offer emerging etc). A scheme is considered “reasonable” if it is “fair”. A scheme may also be considered “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for shareholders to vote in favour of the scheme, in the absence of a superior proposal.
- 60 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 61 Similarly, RG 111 notes that if an expert concludes that a scheme is “not fair and not reasonable”, then the expert would need to conclude that the scheme is “not in the best interests” of members of the company.
- 62 Having regard to the above, our report therefore considers:

Fairness

- (a) the market value of 100% of the shares in PAF
- (b) the value of the consideration offered by PGF (based on the minority interest value of PGF shares post implementation of the Scheme)

⁹ A transaction where a person’s voting power increases from below 20% to more than 20%, or from a starting point that is above 20% but below 90%.

- (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)

Reasonableness

- (d) the extent to which a control premium is being paid to PAF shareholders
- (e) the comparative position of PAF shareholders both prior to and on the assumption the Scheme is implemented
- (f) the extent to which PAF shareholders are being paid a share of any synergies likely to be generated pursuant to the proposed transaction
- (g) the listed market price of the shares in PAF, both prior to and subsequent to the announcement of the proposed Scheme
- (h) the likely market price of PAF shares if the proposed Scheme is not approved
- (i) the value of PAF to an alternative offeror and the likelihood of a superior proposal in respect of PAF being tabled prior to the date of the Scheme meeting
- (j) the advantages and disadvantages of the Scheme from the perspective of PAF shareholders
- (k) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 63 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.
- 64 Our report is also based upon financial and other information provided by PAF and PGF 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. 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.
- 65 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 PAF 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
- 66 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. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

- 67 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.
- 68 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 69 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 PAF

Overview

- 70 PAF is an ASX listed LIC that provides investors with an opportunity to invest in the Asian region (ex-Japan). PAF commenced trading on the ASX on 22 May 2014 and is externally managed by PM Capital.
- 71 PAF's investment mandate is to provide long term capital growth over a seven year plus investment horizon, through investment in a concentrated portfolio of approximately 15 to 35 companies within Asia (ex-Japan) that are considered to be trading at prices below their respective intrinsic values. The objective of the Company is to outperform the benchmark returns of the MSCI Asia (ex-Japan) Equity Index (Net Dividends Reinvested, A\$).

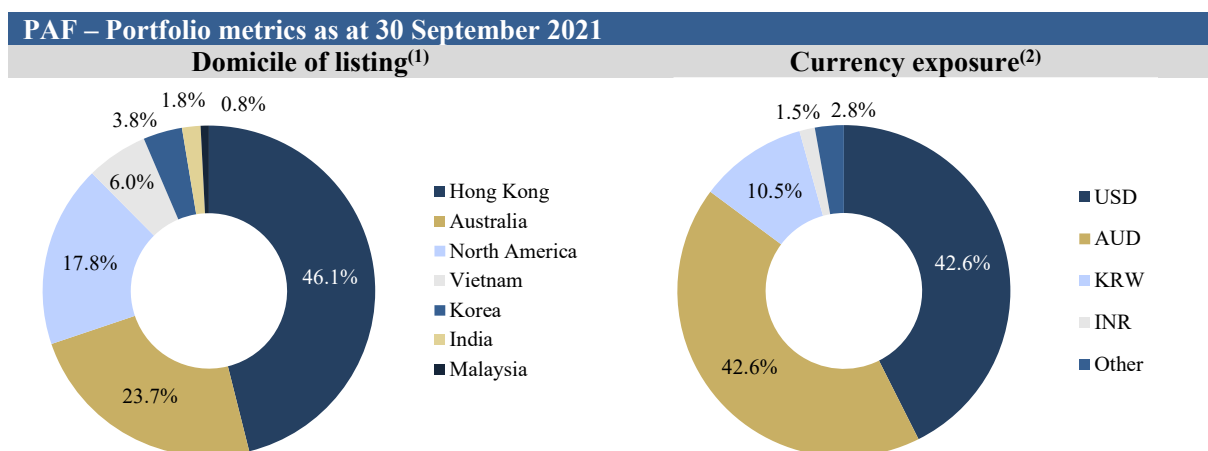
Portfolio

- 72 A breakdown of PAF's investment portfolio as at 30 June 2021 is set out below¹⁰:

PAF – Portfolio composition			
Investment	PM Capital Theme Category	30 Jun 21	
		\$000	% total
Frontier Digital Ventures	Online Classifieds & Ecommerce	4,990	7.9
iCar Asia Limited	Online Classifieds & Ecommerce	3,643	5.8
CNOOC LTD	Energy	3,135	5.0
Turquoise Hill Resources Ltd	Materials	2,974	4.7
Sinopec Kantons Holdings	Infrastructure	2,930	4.6
Wynn Resorts Limited	Gaming	2,843	4.5
Kunlun Energy Co Ltd	Infrastructure	2,611	4.1
Freeport-McMoran Inc	Materials	2,580	4.1
China Construction Bank	Financials	2,558	4.1
China Mobile Ltd	Communication Services	2,467	3.9
MGM China Holdings Ltd	Gaming	2,284	3.6
Crisil Ltd	Financials	2,196	3.5
Travelsky Technology Ltd	Technology	2,143	3.4
Samsung Electronics Co Ltd	Technology	2,068	3.3
Shinhan Financial Group Ltd	Financials	2,056	3.3
Melco Crown Entertainment Ltd	Gaming	2,010	3.2
Dali Foods Group Co Ltd	Food and beverage	1,813	2.9
China Merchants Holdings	Infrastructure	1,422	2.3
Las Vegas Sands Corp	Gaming	1,319	2.1
Astro Malaysia Holdings BHD	Communication Services	1,227	1.9
MMG Limited	Materials	1,179	1.9
CARE Ratings	Financials	977	1.6
Donaco International Limited	Gaming	343	0.5
Total listed equities		51,769	82.1
Cash assets		12,433	19.7
Swaps		67	0.1
Currency forward contracts		10	0.0
Options		(382)	(0.6)
Total interest bearing liabilities		(870)	(1.4)
Total portfolio		63,027	100.0

¹⁰ Per the FY21 Financial Report. As the individual holdings of PAF's investment portfolio are considered commercially sensitive, we have been requested not to set out a breakdown of PAF's current investment portfolio.

- 73 In addition to the above, we set out below a breakdown of PAF's investment portfolio by domicile of listing and currency as at 30 September 2021¹¹:



Note:

- 1 Domicile of listing represents the location of stock exchange listing of each entity's head office.
2 United States of America (US) dollar (USD), Australian dollar (AUD), South Korean won (KRW), Indian rupee (INR).

- 74 The following table sets out the composition of PAF's listed investment portfolio (based on GICS¹² sector classifications) over the three reporting periods to 30 June 2021:

PAF – composition of listed investment portfolio				
GICS sector	Allocation of listed equities (%)			
	Jun 19	Jun 20	Jun 21	
Consumer services	18.0	18.0	16.0	
Software & services	10.0	16.0	13.0	
Materials	11.0	11.0	12.0	
Energy	10.0	13.0	11.0	
Media & entertainment	13.0	11.0	9.0	
Food, beverage & tobacco	9.0	9.0	9.0	
Banks	12.0	4.0	8.0	
Diversified financials	6.0	5.0	6.0	
Utilities	-	-	5.0	
Technology hardware & equipment	4.0	6.0	4.0	
Telecommunication services	-	-	4.0	
Transportation	-	3.0	3.0	
Household & personal products	4.0	4.0	-	
Food and staples retailing	4.0	-	-	
Automobiles & components	3.0	-	-	
Real estate	(4.0)	-	-	
Total	100.0	100.0	100.0	

- 75 As indicated above, since 30 June 2019, PAF has reduced its portfolio weighting from a number of traditional sectors (e.g. banking, food and staples retailing and household and

¹¹ Being the latest publicly disclosed information as at the date of our report.

¹² Global Industry Classification Standard (GICS).

personal product sectors) and has increased its exposure to software, e-commerce, telecommunication services and utilities.

- 76 The portfolio is actively managed. The total volume of transactions of securities in PAF's investment portfolio during each of the periods above has remained relatively consistent, as set out below:

PAF – implied portfolio turnover			
	FY19 \$000	FY20 ⁽¹⁾ \$000	FY21 \$000
Number of share transactions (#)	81	101	108
Total brokerage paid (net of RITC) ⁽²⁾	77.3	68.5	43.7
Proceeds from sale of investments	23,594	41,044	12,552
Closing value of investments at period end	51,197	40,448	51,846
<i>Implied turnover</i>	<i>46.1%</i>	<i>101.5%</i>	<i>24.2%</i>
Purchases of investments	18,962	34,289	11,579
Closing value of investments at period end	51,197	40,448	51,846
<i>Implied turnover</i>	<i>37.0%</i>	<i>84.8%</i>	<i>22.3%</i>

Note:

- 1 FY20 had higher than normal transactions (by value) as a number of investments hit exit level targets.
- 2 Reduced Income Tax Credit (RITC).

Investment management

- 77 As indicated above, PAF has outsourced its investment management function to PM Capital (Investment Manager). In consideration for the performance of its duties as Investment Manager of the Company, PM Capital is paid a management fee of 1% per annum of the portfolio net asset value, calculated on the last day of each month. In addition, PM Capital is entitled to receive a performance fee equal to 15% of the investment return above the benchmark return¹³ multiplied by the portfolio net asset value. The performance fee for each month for the year is aggregated and will be payable if it is a positive amount at 30 June of each year¹⁴.
- 78 The Investment Management Agreement was automatically extended on 16 May 2019¹⁵ for a further five year term. The Investment Manager may terminate the Agreement at any time by giving the Company at least three months' written notice. PAF may also terminate the Investment Management Agreement by giving three months prior written notice and payment of termination fees where applicable. However, there is no requirement to terminate the Investment Management Agreement following a change of control event involving PAF.
- 79 If the Investment Management Agreement is terminated, then in certain circumstances¹⁶ the Investment Manager is also entitled to a termination payment equal to 5%, reduced by one

¹³ Being the MSCI Asia (ex-Japan) Equity Index (Net Dividends Reinvested, A\$).

¹⁴ No performance fees have been paid by PAF during the three year period FY19 to FY21.

¹⁵ Being five years from the initial public offering allotment date.

¹⁶ Further details are set out on page 41 of PAF's Prospectus dated 7 April 2014.

sixtieth for each calendar month elapsed between the commencement of the extended term and the termination date, of the NTA backing of the Company.

Statement of financial performance

80 The financial performance of PAF for the three years ended 30 June 2021 (FY21) is set out below:

PAF – statement of financial performance⁽¹⁾			
	FY19	FY20	FY21
	\$000	\$000	\$000
Dividend income	1,296.1	1,281.1	2,059.6
Gains / (losses) on investments at fair value	(5,907.4)	(6,620.2)	14,163.8
Gains / (losses) on foreign exchange	547.0	260.7	(11.4)
Interest income	45.8	17.3	1.0
Other income	0.0	10.0	10.0
Total revenue / (loss)	(4,018.5)	(5,051.0)	16,223.0
Management fees	(626.3)	(571.8)	(605.4)
Insurance	(47.7)	(60.0)	(84.7)
Director fees	(65.0)	(69.9)	(65.0)
ASX fees	(64.1)	(53.0)	(54.5)
Brokerage and trading fees	(77.3)	(71.7)	(48.6)
Audit fees	(41.3)	(43.1)	(42.8)
Finance costs	-	(74.7)	(24.3)
Other expenses	(95.4)	(105.4)	(143.4)
Total expenses	(1,017.1)	(1,049.5)	(1,068.6)
Profit / (loss) before tax	(5,035.6)	(6,100.5)	15,154.4
Income tax benefit / (expense)	1,373.3	1,885.5	(4,488.4)
Profit / (loss) after tax	(3,662.3)	(4,215.0)	10,666.0

Note:

1 Rounding differences may exist.

Historical performance

81 PAF's reported operating profit is heavily reliant on capital gains (both realised and unrealised) and the ordinary distributions of profits from the financial securities in which it invests.

Dividends and distributions

82 Dividends and distributions from investments are recognised as income on the date that the respective investment trades "ex-dividend", with any related foreign withholding tax recorded against dividend income. The Company incurs withholding tax imposed by certain countries on dividend income. These withholding taxes can be used to offset income tax payable.

Investments

83 Investments held at fair value through profit or loss are initially recognised at fair value, including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are accounted for at fair value, with changes to such values recognised in profit or loss. Further details with respect of the fair value of PAF's investments are set out at paragraph 85 below.

Financial position

84 The financial position of PAF as at 30 June 2020 and 30 June 2021 is set out below:

PAF – statement of financial position⁽¹⁾		
	30 Jun 20	30 Jun 21
	\$000	\$000
Cash and cash equivalents	11,870.2	12,433.2
Financial assets	40,447.7	51,845.8
Receivables	280.2	1,701.4
Deferred tax assets	5,278.6	1,907.9
Total assets	57,876.8	67,888.3
Interest bearing liabilities	-	869.9
Financial liabilities	231.9	382.3
Payables	1,661.2	216.2
Income tax payable	53.7	701.1
Deferred tax liabilities	83.7	395.0
Total liabilities	2,030.6	2,564.5
Net assets	55,846.2	65,323.8
<i>Number of shares outstanding at period end (000s)</i>	<i>57,611.3</i>	<i>57,230.3</i>
<i>NTA before tax accruals (\$ per share)</i>	<i>0.88</i>	<i>1.13</i>
<i>NTA after tax excluding deferred tax assets (\$ per share)</i>	<i>0.88</i>	<i>1.11</i>

Note:

1 Rounding differences may exist.

Financial assets and liabilities

85 A breakdown of PAF's financial assets and liabilities is set out below:

PAF – financial assets and liabilities⁽¹⁾		
	30 Jun 20	30 Jun 21
	\$000	\$000
Listed equity securities	40,447.7	51,768.8
Swaps	-	67.3
Currency forward contracts	-	9.6
Total financial assets	40,447.7	51,845.8
Options	(3.9)	(382.3)
Swaps	(228.0)	-
Total financial liabilities	(231.9)	(382.3)

Note:

1 Rounding differences may exist.

86 The fair values of financial assets and liabilities traded in active markets (i.e. PAF's listed equity securities, swaps and options) are based on the quoted market prices at the close of trading at the end of the reporting period, without any deduction for estimated future selling costs. Currency forward contracts, which are not traded in an active market, are valued with reference to external third-party pricing information.

Deferred tax assets (net)

87 As at 30 June 2021, PAF had net deferred tax assets of \$1.5 million, calculated as follows:

PAF – Deferred tax assets (net)		
	30 Jun 20	30 Jun 21
	\$000	\$000
Unrealised losses on investments	5,267.7	1,897.6
Audit fees	9.5	9.7
Foreign exchange losses on outstanding trades	1.4	0.6
Deferred tax assets	5,278.6	1,907.9
Tax on dividends receivable	(83.7)	(395.0)
Deferred tax liabilities	(83.7)	(395.0)
Deferred tax assets (net)	5,194.9	1,512.9

88 The utilisation of deferred tax assets is dependent on future gains on the investment portfolio and/or the related generation of taxable profits.

Interest bearing liabilities

89 Interest bearing liabilities relate to an overdraft facility offered by the Custodian, Morgan Stanley & Co. International Plc (Morgan Stanley). Morgan Stanley, in its role as prime broker, has been granted a floating charge over the assets of the Company to secure any related facility liabilities.

Franking credits

90 As at 30 June 2020 and 30 June 2021, PAF had the following franking credit balances (based on a tax rate of 30%):

PAF – Franking credit balances		
	30 Jun 20	30 Jun 21
Franking credit balance (\$000)	4,580.1	5,020.7
Number of shares on issue at period end (000s)	57,611.3	57,230.3
Franking credits per share (cents per share)	7.95	8.77

91 During FY21, a profit reserve was established which grew to over \$2.1 million as at 30 June 2021. The profit reserve will allow PAF to pay franked dividends in periods where there are insufficient retained earnings to allow the Company to fully frank dividends. The Board intends to transfer the maximum allowable amounts from retained earnings to the profit reserve and continue to pay fully franked dividends from retained earnings, until exhausted.

Share capital and performance

92 As at 1 November 2021, PAF had 57.3 million shares on issue. There are no other PAF options, rights, shares, convertible instruments or other equity securities other than under the Company's dividend reinvestment plan.

93 On 13 August 2020, the Company announced an off-market share buy-back on an equal access basis allowing shareholders to sell up to a maximum of 5% of their holdings in the Company at a price set at a 5% discount to the post-tax NTA (excluding deferred tax assets). The buy-back offer period commenced on 23 September 2020 and closed on

23 October 2020. On 28 October 2020, a total of 702,138 shares were bought back and cancelled for a total consideration of \$627,711 (equivalent to a buy-back price of approximately \$0.89 per share).

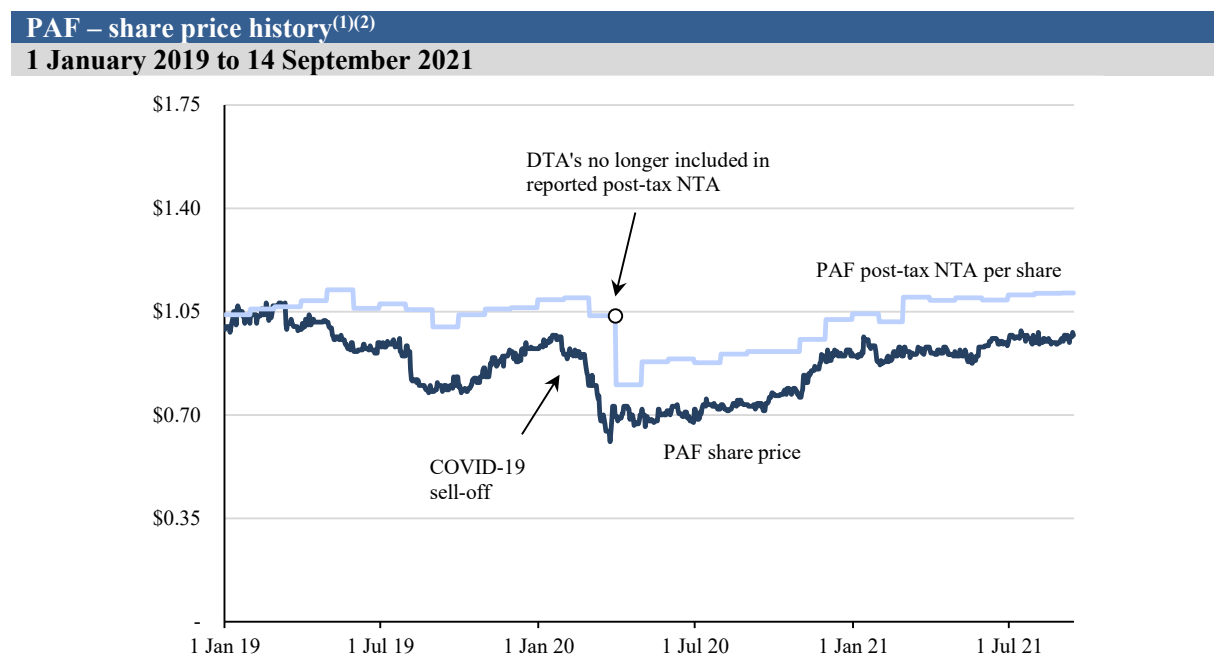
Significant shareholders

94 As at 1 November 2021, there were two substantial shareholders¹⁷ in PAF, details of whom are set out below:

PAF – substantial shareholders		
	Shares held (million)	% total
PGF	11.4	19.93
Paul Moore and associated entities	7.5	13.06

Share price performance

95 The following chart illustrates the movement in the share price of PAF from 1 January 2019 to 14 September 2021¹⁸ relative to its reported post-tax NTA per share:



Note:

1 Based on closing prices.

2 From 31 March 2020, given the change in ASX Listing Rules, PAF stopped including deferred tax assets in its reported post-tax NTA.

Source: Bloomberg.

96 As indicated above, PAF has consistently traded at a discount to its reported post-tax NTA, generally in the order of 10% to 20%. From 31 March 2020, given the change in ASX Listing Rules, PAF stopped including deferred tax assets in its reported post-tax NTA. Since this

¹⁷ Being shareholders that held an interest of 5.0% or more of the voting shares in PAF.

¹⁸ Being the last trading day prior to the announcement of the Scheme.

date, PAF has traded at an average discount of 15.6% to its reported post-tax NTA (excluding deferred tax assets).

Liquidity in PAF shares

- 97 The liquidity in PAF shares based on trading on the ASX over the 12 month period prior to 14 September 2021¹⁹ is set out below:

PAF – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	15 Aug 21	14 Sep 21	1,097	57,230	1.9	23.0
3 months	15 Jun 21	14 Sep 21	3,921	57,230	6.9	27.4
6 months	15 Mar 21	14 Sep 21	7,254	57,230	12.7	25.4
1 year	15 Sep 20	14 Sep 21	13,625	57,177	23.8	23.8

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 98 As indicated above, liquidity in PAF shares (on an annualised basis) has remained relatively consistent over each of the periods set out above. In addition, we note that PAF's free float has been impacted by the considerable portion of shares that have been historically held by its substantial shareholders.

¹⁹ Being the last trading day prior to the announcement of the Scheme.

IV Profile of PGF

Overview

- 99 PGF is an ASX listed LIC that provides investors with an opportunity to invest in global equities. PGF commenced trading on the ASX on 12 December 2013 and is externally managed by PM Capital
- 100 PGF's investment mandate is to provide long term capital growth over a seven year plus investment horizon, through investment in a concentrated portfolio of approximately 25 to 45 global companies that are considered to be trading at prices below their respective intrinsic values. The objective of PGF is to outperform the benchmark returns of the MSCI World Net Total Return Index in A\$.

Portfolio

- 101 A breakdown of PGF's investment portfolio (including its largest 15 investments) as at 30 June 2021 is set out below²⁰:

PGF – Portfolio composition		
Investment	30 Jun 21	
	\$000	% total
Apollo Global Management	49,164	8.1
Royal Dutch Shell Plc B Shares	39,401	6.5
Teck Resources Ltd Class B	37,122	6.1
ING Groep NV	33,350	5.5
Howard Hughes Corp	32,577	5.4
Freeport-McMoran Copper	31,063	5.1
Wells Fargo & Company	30,897	5.1
Bank of America Corp	30,191	5.0
Lloyds Banking Group PLC	28,560	4.7
Wynn Resorts Limited	26,298	4.3
JP Morgan Chase	22,728	3.8
Oracle Corp	22,727	3.8
First Quantum Minerals	21,236	3.5
Siemens AG	19,503	3.2
AIB Group Plc	18,478	3.0
Other listed equities	192,873	31.8
Short positions	(25,146)	(4.1)
Total listed equities	611,022	100.8
Total cash assets	25,266	4.2
Collateral Accounts	7,736	1.3
Options	82	0.0
Currency forward contracts	(4,049)	(0.7)
Futures	(1,977)	(0.3)
Total interest bearing liabilities	(32,115)	(5.3)
Total portfolio	605,964	100.0

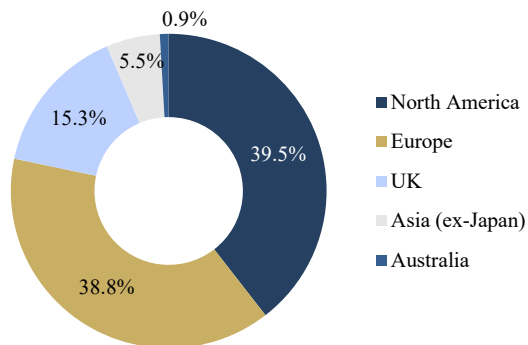
²⁰ Per the FY21 Financial Report. As the individual holdings of PGF's investment portfolio are considered commercially sensitive, we have been requested not to set out a breakdown of PGF's current investment portfolio.

102 As set out in Section VI, PGF holds some 11.4 million shares in PAF which had a fair value of \$10.8 million as at 30 June 2021. PGF's investment in PAF is reflected in "other listed equities" in the table above.

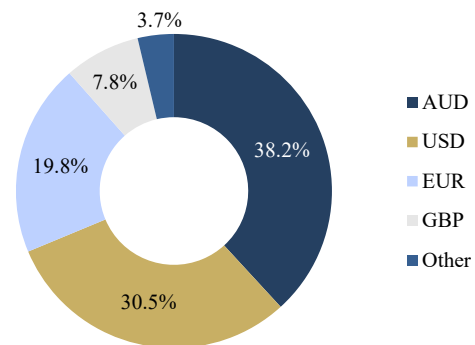
103 In addition to the above, we set out below a breakdown of PGF's investment portfolio by domicile of listing and currency as at 30 September 2021²¹:

PGF – Portfolio metrics as at 30 September 2021

Domicile of listing⁽¹⁾



Currency exposure⁽²⁾



Note:

- 1 Domicile of listing represents the location of stock exchange listing of each entity's head office.
- 2 Euro (EUR), British pound (GBP).

104 The following table sets out the composition of PGF's listed investment portfolio (based on GICS sector classifications) over the three reporting periods to 30 June 2021:

PGF – composition of listed investment portfolio⁽¹⁾

GICS sector	Allocation of listed equities (%)		
	Jun 19	Jun 20	Jun 21
Banks	37.0	30.0	34.0
Materials	4.0	17.0	20.0
Real estate	7.0	8.0	13.0
Diversified financials	21.0	15.0	9.0
Consumer services	3.0	4.0	7.0
Energy	-	2.0	7.0
Software & services	14.0	15.0	4.0
Capital goods	2.0	5.0	4.0
Commercial & professional services	-	2.0	3.0
Retailing	-	-	(2.0)
Consumer durables & apparel	8.0	2.0	-
Technology hardware & equipment	1.0	2.0	-
Food, beverage & tobacco	(1.0)	(2.0)	-
Household & personal products	(1.0)	(2.0)	-
Media	3.0	-	-
Pharmaceuticals, biotechnology & life sciences	-	-	-
Others	2.0	2.0	2.0
Total	100.0	100.0	100.0

Note:

- 1 Negative values represent a net short position.

²¹ Being the latest publicly disclosed information as at the date of our report.

- 105 As indicated above, banks have consistently accounted for the largest proportion of PGF's portfolio over the period set out above. In addition we note that PGF has significantly increased its exposure to the materials sector, through holdings such as Royal Dutch Shell and Teck Resources, with the materials sector accounting for the second largest proportion of the portfolio. In comparison, PGF has significantly reduced its exposure to Diversified Financials which has reduced from 21% to 9% and has divested its Consumer Durable and Apparel holdings.
- 106 The portfolio is actively managed. The total volume of transactions of securities in PGF's investment portfolio during each of the periods above has remained relatively consistent, as set out below:

PGF – implied portfolio turnover			
	FY19 \$000	FY20 \$000	FY21 \$000
Number of share transactions (#)	223	284	248
Total brokerage paid (net of RITC)	426.4	529.8	457.1
Proceeds from sale of investments	134,207	167,193	215,230
Investments (closing)	490,656	410,208	611,103
<i>Implied turnover</i>	27.4%	40.8%	35.2%
Purchase of investments	106,947	135,893	186,603
Investments (closing)	490,656	410,208	611,103
<i>Implied turnover</i>	21.8%	33.1%	30.5%

Investment management

- 107 As indicated above, PGF has outsourced its investment management function to PM Capital. In consideration for the performance of its duties as Investment Manager of PGF, PM Capital is paid a management fee of 1% per annum of the portfolio net asset value, calculated on the last day of each month. In addition, PM Capital is entitled to receive a performance fee equal to 15% of the investment return above the benchmark return²² multiplied by the portfolio net asset value. The performance fee for each month for the year is aggregated and will be payable if it is a positive amount at 30 June of each year²³.
- 108 The Investment Management Agreement was automatically extended on 6 December 2018²⁴ for a further five year term. The Investment Manager may terminate the Investment Management Agreement at any time by giving the Company at least three months' written notice. PGF may also terminate the Investment Management Agreement by giving three months prior written notice and payment of termination fees where applicable.
- 109 If the Investment Management Agreement is terminated, then in certain circumstances²⁵ the Investment Manager is also entitled to a termination payment equal to 5%, reduced by one

²² Being the MSCI World Net Total Return Index (A\$).

²³ A performance fee was paid by PGF in respect of FY21.

²⁴ Being five years from the initial public offering allotment date.

²⁵ Further details are set out on page 42 of PGF's Replacement Prospectus dated 18 November 2013.

sixtieth for each calendar month elapsed between the commencement of the extended term and the termination date, of the net tangible asset backing of the Company.

Statement of financial performance

110 The financial performance of PGF for the three years ended 30 June 2021 (FY21) is set out below:

PGF – statement of financial performance			
	FY19	FY20	FY21
	\$000	\$000	\$000
Dividend income	10,550	7,430	6,815
Gains / (losses) on investments at fair value	(4,560)	(29,680)	194,525
Gains / (losses) on foreign exchange	999	(2,066)	16,836
Interest income	2,270	2,001	376
Other income	16	176	10
Total revenue / (loss)	9,275	(22,140)	218,563
Management fees	(4,607)	(4,585)	(5,053)
Performance fees	-	-	(3,643)
Brokerage and trading fees	(426)	(664)	(529)
Registry fees	(145)	(129)	(177)
Insurance	(78)	(103)	(149)
ASX fees	(113)	(97)	(105)
Director fees	(75)	(81)	(75)
Audit fees	(43)	(46)	(45)
Finance costs	(1,070)	(60)	(442)
Other	(338)	(233)	(302)
Total expenses	(6,893)	(5,998)	(10,521)
Profit / (loss) for the year	2,381	(28,138)	208,042
Income tax benefit / (expense)	501	9,466	(61,655)
Profit / (loss) after tax	2,883	(18,672)	146,387

Note:

1 Rounding differences may exist.

Historical performance

111 PGF's reported operating profit is heavily reliant on capital gains (both realised and unrealised) and the ordinary distributions of profits from the financial securities in which it invests.

Dividends and distributions

112 Dividends and distributions from investments are recognised as income on the date that the respective investment trades "ex-dividend" with any related foreign withholding tax recorded against dividend income. PGF incurs withholding tax imposed by certain countries on dividend income. These withholding taxes can be used to offset income tax payable.

Investments

113 Investments held at fair value through profit or loss are initially recognised at fair value including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are accounted for at fair

value, with changes to such values recognised in profit or loss. Further details with respect of the fair value of PGF's investments are set out at paragraph 85 below.

Financial position

114 The financial position of PGF as at 30 June 2020 and 30 June 2021 is set out below:

PGF – statement of financial position		
	30 Jun 20	30 Jun 21
	\$000	\$000
Cash and cash equivalents	4,885	25,266
Collateral accounts	5,760	7,736
Financial assets	410,208	611,103
Receivables	33,706 ⁽²⁾	244
Income tax receivable	5,832	-
Deferred tax assets	42	50
Total assets	460,432	644,400
Interest bearing liabilities	27,391	32,115
Financial liabilities	1,931	6,026
Payables	18,880 ⁽²⁾	5,332
Income tax payable	-	24,296
Deferred tax liabilities	1,794	39,110
Total liabilities	49,996	106,880
Net assets	410,436	537,520
<i>Number of shares outstanding at period end (000s)</i>	<i>354,176</i>	<i>352,804</i>
<i>NTA before tax accruals (\$ per share)</i>	<i>1.15</i>	<i>1.70</i>
<i>NTA after tax excluding deferred tax assets (\$ per share)</i>	<i>1.16</i>	<i>1.52</i>

Note:

- 1 Rounding differences may exist.
- 2 Primarily relate to outstanding settlements.

Financial assets and liabilities

115 A breakdown of PGF's financial assets and liabilities is set out below:

PGF – financial assets and liabilities		
	30 Jun 20	30 Jun 21
	\$000	\$000
Listed securities	396,309	611,022
Options	-	82
Debt securities	7,566	-
Currency forward contracts	6,333	-
Total financial assets	410,208	611,103
Futures	(44)	(1,977)
Currency forward contracts	-	(4,049)
Options	(1,683)	-
Swaps	(205)	-
Total financial liabilities	(1,931)	(6,026)

Note:

- 1 Rounding differences may exist.

- 116 The fair value of financial assets and liabilities traded in active markets (i.e. PGF's listed equity securities, options and futures) are based on the quoted market prices at the close of trading at the end of the reporting period, without any deduction for estimated future selling costs. Currency forward contracts, debt securities and swaps, which are not traded in an active market, are valued with reference to external third-party pricing information.

Deferred tax liability (net)

- 117 As at 30 June 2021, PGF had a significant net deferred tax liability of \$39.1 million, calculated as follows:

PGF – Deferred tax liability (net)		
	30 Jun 20 \$000	30 Jun 21 \$000
Accruals	31	34
Insurances	11	16
Deferred tax assets	42	50
Unrealised gains on investments	(1,793)	(39,051)
Tax on Dividends receivable	(1)	(60)
Deferred tax liabilities	(1,794)	(39,110)
Deferred tax liability (net)	(1,752)	(39,060)

- 118 As indicated above, PGF has a significant deferred tax liability in relation to unrealised gains on its investment portfolio which primarily arose during FY21.

Interest bearing liabilities

- 119 Interest bearing liabilities relate to an overdraft facility offered by the Custodian, Morgan Stanley. Morgan Stanley, in its role as prime broker, has been granted a floating charge over the assets of PGF to secure any related facility liabilities.

Franking credits

- 120 As at 30 June 2020 and 30 June 2021, PGF had the following franking credit balances (based on a tax rate of 30%):

PGF – Franking credit balances		
	30 Jun 20	30 Jun 21
Franking credit balance (\$000)	16,632	33,258
Number of shares on issue at period end (000s)	354,176	352,804
Franking credits per share (cents per share)	4.70	9.43

- 121 During FY21, a profit reserve was established which grew to over \$59.3 million as at 30 June 2021. The profit reserve will allow PGF to pay franked dividends in periods where there are insufficient retained earnings to allow the company to fully frank dividends. The Board intends to transfer the maximum allowable amounts from retained earnings to the profit reserve and continue to pay fully franked dividends from retained earnings, until exhausted.

Share capital and performance

- 122 As at 1 November 2021, PGF had 390.8 million shares on issue. There are no other PGF options, rights, shares, convertible instruments or other equity securities other than under the PGF dividend reinvestment plan.
- 123 On 13 August 2020, PGF announced an off-market share buy-back on an equal access basis allowing shareholders to sell up to a maximum of 5% of their holdings in the company at a price set at a 5% discount to the post-tax NTA (excluding deferred tax assets). The buy-back commenced on 23 September 2020 and closed on 23 October 2020. On 28 October 2020, a total of 4,465,411 shares were bought back and cancelled for a total consideration of \$5,085,210 (equivalent to a buy-back price of approximately \$1.14 per share).
- 124 On 12 August 2021, PGF announced a Share Purchase Plan (SPP). The SPP opened on 16 August 2021 and enabled eligible shareholders to purchase up to \$30,000 worth of PGF shares without paying any brokerage or other costs that would normally apply to an on-market purchase of PGF shares. Shareholders who participated in the SPP are entitled to the 5.0 cents per share fully franked final dividend (to be paid on 14 October 2021). On 13 September 2021, PGF issued 37.3 million shares under the SPP for total consideration of \$56 million, representing an issue price of \$1.50 per share.

Significant shareholders

- 125 As at 1 November 2021, there was one substantial shareholder²⁶ in PGF, being Paul Moore and associated entities²⁷ who held 66.0 million shares, or some 16.9% of the total shares on issue.

Share price performance

- 126 The following chart illustrates the movement in the share price of PGF from 1 January 2019 to 14 September 2021²⁸ relative to its reported post-tax NTA per share:

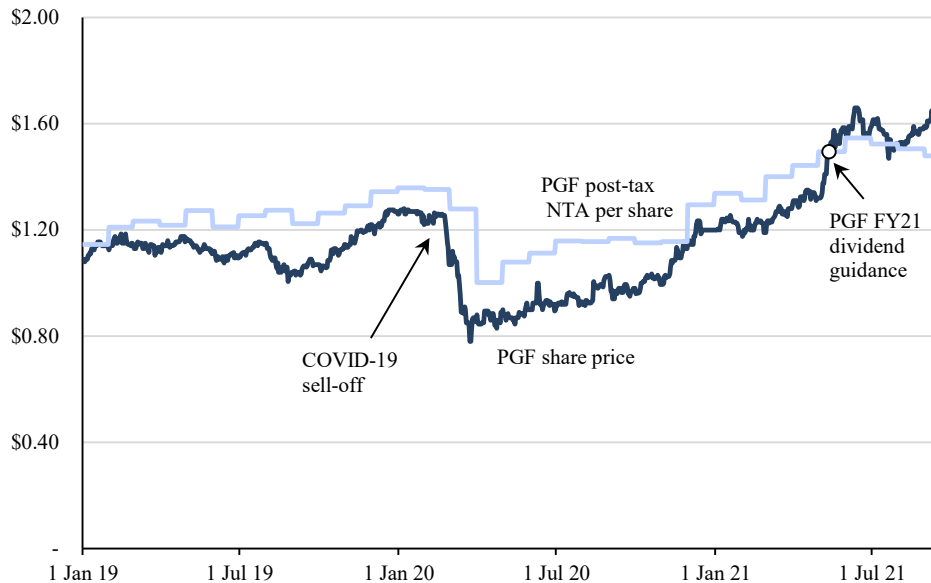
²⁶ Being shareholders that held an interest of 5% or more of the voting shares in PGF.

²⁷ These interests are held by Roaring Lion Pty Ltd as trustee for the Roaring Lion Super Fund and Horizon Investments Australia Pty Limited.

²⁸ Being the last trading day prior to the announcement of the Scheme.

PGF – share price history⁽¹⁾⁽²⁾

1 January 2019 to 14 September 2021



Note:

1 Based on closing prices.

2 From 31 March 2020, given the change in ASX Listing Rules, PGF stopped including deferred tax assets in its reported post-tax NTA (albeit these amounts have historically been immaterial over the period set out above).

Source: Bloomberg.

- 127 As indicated above, PGF generally traded at a discount to its reported post-tax NTA, typically in the order of 10% to 20% over the period from January 2019 to May 2021. On 12 May 2021, PGF announced an intention to increase the FY21 fully franked final dividend from 2.5 to 4.0 cents per share and announced an intention to maintain a minimum annual dividend of 8.0 cents per share. Since then, PGF has traded at an average premium of 3.7% to its reported post-tax NTA (excluding deferred tax assets), noting this premium has slightly increased in the more recent period prior to the announcement of the Scheme.

Liquidity in PGF shares

- 128 The liquidity in PGF shares based on trading on the ASX over the 12 month period prior to 14 September 2021²⁹ is set out below:

PGF – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS outstanding 000	Implied level of liquidity Period⁽¹⁾ %	Annual⁽²⁾ %
1 month	15 Aug 21	14 Sep 21	11,372	371,456	3.1	36.7
3 months	15 Jun 21	14 Sep 21	25,073	362,130	6.9	27.7
6 months	15 Mar 21	14 Sep 21	56,078	357,467	15.7	31.4
1 year	15 Sep 20	14 Sep 21	90,279	355,674	25.4	25.4

Note:

1 Number of shares traded during the period divided by WANOS.

2 Implied annualised figure based upon implied level of liquidity for the period.

²⁹ Being the last trading day prior to the announcement of the Scheme.

- 129 As indicated above, liquidity in PGF shares (on an annualised basis) has remained relatively consistent over each of the periods set out above. Trading in PGF is relatively liquid, with some \$81.8 million of shares traded over the six months prior to the announcement of the Scheme.

V Valuation of PAF

Methodology

- 130 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to unitholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect the value of a security on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 131 As PAF is a listed investment company the market value of its shares has been determined by assessing the market value of its underlying investment portfolio³⁰ less an allowance (as appropriate) for:
- (a) the selling costs which would be incurred upon a sale of the portfolio
 - (b) any CGT liability which would crystallise upon a sale of the portfolio
 - (c) any investment management expenses or other costs associated with a notional realisation and distribution of the portfolio.
- 132 Pursuant to RG 111, in considering whether the Scheme is fair, we are required to assess the value of PAF on a 100% controlling interest basis. In this regard, in considering the extent (if any) to which a notional acquirer of PAF would pay a premium over the underlying value of PAF's investment portfolio when acquiring a 100% interest in PAF we have had regard to the following:
- (a) the PAF investment portfolio primarily comprises portfolio interests in a number of underlying listed investments, together with cash and cash equivalents
 - (b) given the nature and composition of the portfolio an investor could readily replicate the portfolio
 - (c) whilst transaction costs would be incurred in replicating the portfolio, these are unlikely to be material for professional / sophisticated investors and would likely be not greater than (and most likely less than) the unavoidable corporate / regulatory costs, delays and

³⁰ Together with cash and cash equivalents, other assets and net of creditors and other liabilities.

uncertainties that would be incurred by a notional acquirer seeking a 100% controlling interest in PAF

- (d) it is unlikely that a notional acquirer would want an investment in all the entities that comprise the PAF portfolio, nor the proportionate distribution thereof and would therefore be acquiring some shares to immediately sell them (with associated transaction costs).

133 Based on the above, we are of the view that a notional acquirer of PAF would not pay a premium over the underlying value of PAF's investment portfolio when acquiring a 100% interest in PAF.

Stock market value of underlying listed investments

134 As set out in Section III, the investment portfolio of PAF primarily comprises a number of investments in listed securities. As there is a liquid and active market in respect of these investments³¹, in assessing the value of the equity in PAF we have had regard to the quoted price of the respective listed securities (converted to Australian dollars where applicable³²) to determine the market value of the underlying investments. We note that this approach is consistent with that adopted by PAF in respect of its listed investment portfolio when announcing its updated (pre and post-tax) NTA backing per share to the ASX on a weekly basis.

135 As noted above, for the purpose of this report we have adopted a valuation date of 31 October 2021. We have therefore initially had regard to the value attributed by PAF to its listed investment portfolio when calculating the pre-tax NTA as at that date.

136 PAF has attributed an aggregate value of \$51.8 million to its investment portfolio as at 31 October 2021. For the purpose of this report we have ranged this value by +/- 5% to allow for both:

- (a) market fluctuations in underlying share prices
- (b) the selling costs which would be incurred upon a (notional) sale of the portfolio.

137 We have therefore attributed a value to the listed investment portfolio of \$49.3 million to \$54.4 million.

Gain / (loss) on realisation of portfolio

138 As at 31 October 2021, PAF had reported deferred tax assets of some \$1.8 million, primarily relating to unrealised losses on PAF's investment portfolio. Our adopted value of PAF's investment portfolio above results in a net capital loss of some \$3.7 to \$8.8 million, the tax benefit of which is some \$1.1 to \$2.6 million³³.

³¹ PAF also holds some currency forward contracts which are not traded in an active market and are valued for financial reporting purposes by reference to external third-party pricing information. That said, these derivative investments are not material in the context of PAF's total investment portfolio.

³² Based on the prevailing daily exchange rate.

³³ Assuming a 30% tax rate.

- 139 The utilisation of capital losses is dependent on future gains on the investment portfolio and/or the related generation of taxable profit. For the purposes of our report we do not consider these capital losses to have any material value, particularly given our valuation assumes a notional realisation of the existing portfolio (i.e. there are no investments from which future gains can be generated).

Investment Management expenses

- 140 As our valuation of PAF notionally assumes the portfolio is liquidated (rather than retained) we do not consider it appropriate to allow for any ongoing administration expenses. That said, as indicated in Section III, PAF may be liable to pay the Investment Manager termination fees in certain circumstances³⁴ equal to 5%, reduced by one sixtieth for each calendar month elapsed between the commencement of the extended term and the termination date, of the net tangible asset backing of the Company. As at 31 October 2021, PAF was some 2.5 years through the five year term which was automatically extended on 16 May 2019.
- 141 A summary of the estimated termination fee as at 31 October 2021 on this basis is some \$1.6 million, calculated as follows:

PAF – estimated termination fee

Existing Investment Management Agreement end date	16 May 2024
Valuation date	31 October 2021
Period remaining (months)	31
Period remaining (%)	51.7%
Management fee payable	2.6% ⁽¹⁾
PAF NTA 31 October 2021	\$64.5 million
PAF deferred tax assets as at 31 October 2021	\$1.8 million
PAF NTA (ex deferred tax assets)	\$62.8 million
Termination fee	\$1.6 million ⁽²⁾

Note:

- 1 Being 5% times 51.7%.
2 Being \$62.8 million times 2.6%.

- 142 Notwithstanding the above, we note that a 100% owner of PAF may be able to liquidate the PAF investment portfolio and distribute the proceeds without incurring the termination fee. Accordingly, for the purposes of our report we have not allowed for any termination payments when assessing the value of PAF on a 100% controlling interest basis.

Dividends

- 143 As noted above, we have adopted a valuation date of 31 October 2021. On 12 August 2021, PAF declared a fully franked final dividend of 2.5 cents per share representing a total dividend payment of \$1.431 million. The record date for the dividend payment was 16 September 2021 and the dividend was paid on 14 October 2021. Accordingly, for the purposes of our valuation, no adjustment is required for the FY21 final dividend.

³⁴ We understand that a change of control event does not automatically result in the termination of the Investment Management Agreement or the payment of a termination fee.

Valuation of PAF

144 Based on the above we have assessed the (stand-alone) value of 100% of the shares in PAF (as at 31 October 2021) at \$1.05 to \$1.14 per share, as shown below:

Valuation of PAF ⁽¹⁾			
	Carrying value \$m	LEA assessed values	
		Low \$m	High \$m
Investments	51.8	49.3	54.4
Cash and other assets ⁽²⁾	12.0	12.0	12.0
Gross assets	63.8	61.2	66.4
Distribution payable (FY21 final dividend)	-	-	-
Accruals ⁽³⁾	(0.1)	(0.1)	(0.1)
Termination payment	-	-	-
Net asset value before tax adjustments	63.7	61.1	66.3
Income tax payable	(1.0)	(1.0)	(1.0)
Deferred tax assets (net)	1.7	-	-
Net tangible assets	64.5	60.2	65.4
Shares on issue (million)	57.3	57.3	57.3
NTA per share	\$1.13	\$1.05	\$1.14
NTA per share (ex deferred tax assets)	\$1.09	\$1.05	\$1.14

Note:

- 1 Rounding differences exist.
- 2 Includes accrued interest, outstanding settlements (net), forwards and foreign exchange assets and withholding tax.
- 3 Relates to outstanding fee liabilities owed to PM Capital.

Comparison with share market trading

- 145 In the one month period prior to the announcement of the Scheme on 15 September 2021 the volume weighted average price (VWAP) of PAF shares was \$0.95 per share, with the corresponding figure for the three month period prior to the announcement of the Scheme being \$0.96 per share.
- 146 Our assessed value of 100% of the shares in PAF therefore exceeds the prices at which shares in PAF have recently traded (prior to the announcement of the Scheme), reflective of, inter alia, the elimination of the discount to NTA at which PAF shares have historically traded on a minority interest or portfolio basis.

VI Valuation of Scheme Consideration

Approach

- 147 As set out in Section I, if the Scheme is approved and implemented, PAF shareholders will receive PGF scrip as consideration (the Scheme Consideration).
- 148 The exchange ratio (being the number of PGF shares for each PAF share) will be determined as at the Calculation Date³⁵ based on the respective after-tax NTA (before deferred tax assets) of PAF and PGF.
- 149 In this section of the report we consider:
- (a) the determination of the exchange ratio
 - (b) the valuation of PGF following implementation of the Scheme, having regard to:
 - (i) share market trading in PGF subsequent to the announcement of the Scheme on 15 September 2021; and
 - (ii) the underlying NTA of PGF shares
 - (c) our assessed value of the Scheme Consideration.

The Exchange Ratio

- 150 The Exchange Ratio will be based on PAF's after-tax NTA (before deferred tax assets) per share divided by PGF's after-tax NTA (before deferred tax assets) per share, calculated in a manner consistent with that published by the companies in the respective monthly ASX NTA announcements.
- 151 For the purpose of our report we have adopted a valuation date of 31 October 2021. Our calculation of the Exchange Ratio therefore reflects PAF's and PGF's reported after-tax NTA (before deferred tax assets) of \$1.09 and \$1.53 respectively as at that date. We note that the reported NTAs as at 31 October 2021 reflect the payment of the FY21 final dividends which were paid by PAF and PGF on 14 October 2021.
- 152 Our calculation of the Exchange Ratio for the purposes of this report (noting the actual exchange ratio will only be set as at the Calculation Date) is set out below:

Calculation of Exchange Ratio⁽¹⁾	
As at 31 October 2021	\$ per share
PAF reported after-tax NTA (before deferred tax assets)	1.09
PGF reported after-tax NTA (before deferred tax assets)	1.53
Exchange Ratio	0.715

Note:

- 1 Rounding differences exist.

³⁵ Being the date the Court approves the proposed Scheme.

153 Based on this Exchange Ratio we have calculated both the number of PGF shares to be issued to PAF shareholders, together with the number of PGF shares on issue subsequent to implementation of the Scheme. This calculation reflects:

- (a) PAF shares on issue as at 1 November 2021 of 57.3 million, of which 11.4 million (representing a 19.93% interest in PAF) are already held by PGF. The number of PAF shares to be acquired pursuant to the Scheme is therefore 45.9 million
- (b) PGF shares on issue at 1 November 2021 of 390.8 million³⁶.

PGF shares on issue (post implementation of Scheme)	
	million
PAF shares to be acquired pursuant to Scheme	45.9
Exchange Ratio	0.715
PGF shares issued to PAF shareholders	32.8
PGF shares on issue pre-transaction	390.8
PGF shares on issue post-transaction	423.6

154 As noted above, based on the assumed Exchange Ratio, the number of shares to be issued by PGF as consideration under the Scheme will therefore represent approximately 7.8% of the enlarged capital base of PGF.

Valuation of PGF following implementation of the Scheme

155 It is customary in transactions where scrip is offered as consideration to rely upon the listed market price of the bidder's shares³⁷ (in this case PGF) as the reference point for estimating the realisable value of the consideration offered. This is principally because:

- (a) the listed market prices of PGF shares are likely to represent a reasonable proxy for the amount that PAF shareholders could expect to realise if they sold any PGF shares received as consideration either immediately or in the short term
- (b) any decision to continue to hold PGF shares beyond the immediate to short term is a separate investment decision which should 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.

156 Accordingly, in our opinion, the recent market prices of PGF shares are the appropriate reference point for estimating the value of the Scheme Consideration offered. In doing so, we have also considered the depth of the market for those securities and the volatility of the share price.

157 We have also cross-checked the reasonableness of our assessed value of PGF shares being offered as consideration by reference to the underlying NTA of PGF shares.

³⁶ This includes 37.3 million shares issued by PGF on 13 September 2021 under the recent SPP and the 0.7 million shares issued on 14 October 2021 under the dividend reinvestment plan with respect of the FY21 final dividend.

³⁷ Provided there is sufficient market liquidity in the bidder's shares.

Recent share prices

Recent share trading history (pre and post announcement of Scheme)

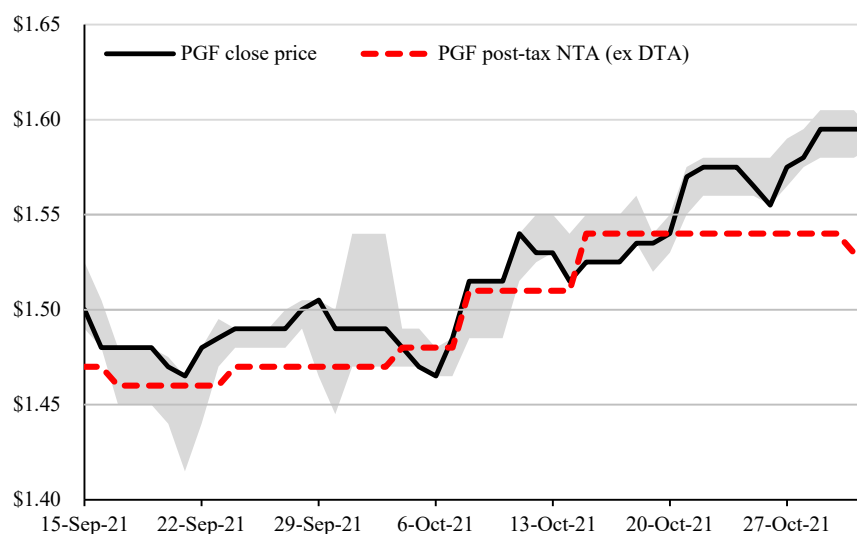
- 158 The historical share prices for PGF are set out in Section IV. More recent trading in PGF shares prior to the announcement of the Scheme is shown below:

PGF – share price history (pre announcement)					
Time periods up to and including 14 Sep 21	Low \$	High \$	VWAP \$	Number traded (m)	Value traded \$m
1 month	1.55	1.65	1.59	11.4	18.1
3 months	1.47	1.69	1.57	25.1	39.5
6 months	1.25	1.69	1.46	56.1	81.8

Source: Bloomberg.

- 159 As indicated above, shares in PGF have generally traded at a VWAP around \$1.55 to \$1.60 per share in the more recent period prior to the announcement of the Scheme. We note that this is consistent with the recent SPP, which was undertaken at \$1.50 per share and reflected a discount to the PGF share price of 6% (based on the share price prevailing at the time of announcement).
- 160 For the purpose of assessing the value of the PGF shares offered as consideration we believe more regard should be given to the price of PGF shares since the Scheme was announced on 15 September 2021. This is because we consider the PGF share prices subsequent to 15 September 2021 to be more representative of the share price assuming the Scheme is implemented than the prices before that date. We note that PGF shares have traded ex an entitlement to the PGF FY21 final dividend effective from 15 September 2021.
- 161 Share trading in PGF subsequent to the announcement of the Scheme up to 1 November 2021 is shown below:

PGF share trading post announcement⁽¹⁾⁽²⁾



Note:

- 1 The intraday high and low PGF price is represented by the grey shaded area.
- 2 PGF post-tax NTA above includes an allowance for the 5.0 cents FY21 final dividend which was paid on 14 October 2021.

Source: Bloomberg.

- 162 The following table sets out the prices at which PGF shares have traded in the period subsequent to the announcement of the Scheme up to 1 November 2021:

PGF – share price history (post announcement of Scheme)					
Time periods	Low \$	High \$	VWAP \$	Number traded (m)	Value traded \$m
15 September 2021 ⁽¹⁾ to 1 November 2021	1.42	1.61	1.51	9.5	14.5
10 trading days to 1 November 2021	1.52	1.61	1.57	2.5	3.9

Note:

- 1 Being the first day of trading subsequent to the announcement of the Scheme.

Source: Bloomberg.

- 163 As noted above, subsequent to the announcement of the Scheme, shares in PGF have traded between \$1.42 and \$1.61, with a VWAP of \$1.51 per share.

- 164 Further, we note that:

- (a) the value of PGF shares traded since the announcement of the Scheme has been reasonable, with some \$14.5 million of PGF shares traded since the announcement of the Scheme to 1 November 2021
- (b) the trading range of PGF shares since the announcement of the Scheme is broadly consistent with the post-tax NTA of PGF shares (which as at 31 October 2021 was \$1.53 per share).

Conclusion

- 165 In summary, in assessing the value of the PGF shares offered as consideration under the Scheme we have had regard to:

- (a) the recent trading range of PGF shares
- (b) the number of shares to be issued by PGF under the Scheme compared to the enlarged number of PGF shares on issue post completion of the Scheme
- (c) the likely level of on-market trading in PGF shares subsequent to implementation of the Scheme
- (d) recent stock market conditions
- (e) the underlying NTA of PGF shares.

- 166 Based on the above we have assessed the value of PGF shares offered as consideration pursuant to the Scheme at between \$1.50 and \$1.60 per share, which reflects a small discount / premium to the post-tax NTA of PGF shares as at 31 October 2021 of \$1.53 per share.

Assessed value of Scheme Consideration

- 167 We have therefore assessed the value of the Scheme Consideration to be received by PAF shareholders pursuant to the Scheme as set out below:

Value of Scheme Consideration		
	Low	High
	\$	\$
Value of PGF post transaction – per share	1.50	1.60
Exchange Ratio	0.715	0.715
Value of Scheme Consideration	1.07	1.14

Other considerations

- 168 PAF shareholders should note that the listed market price of PGF shares is subject to daily fluctuation. The price at which PGF shares may be sold may therefore be greater or less than our assessed realisable value of PGF shares of \$1.50 to \$1.60 per share.
- 169 Shareholders should note that the low end of our range implies a small discount to PGF's reported post-tax NTA as at 31 October 2021 of some 2% while the high end of our range implies a small premium of around 4.6% to PGF's reported post-tax NTA as at 31 October 2021.
- 170 PAF shareholders should also note that any decision to hold PGF shares beyond the short term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold PGF shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

VII Evaluation of the Scheme

171 In our opinion, the Scheme is fair and reasonable and in the best interests of PAF shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of the Scheme

Value of PAF

172 As set out in Section VI we have assessed the value of PAF between \$1.05 and \$1.14 per share.

Value of Scheme Consideration

173 If the Scheme is approved and implemented the Scheme Consideration to be received by PAF shareholders comprises PGF shares, based on the exchange ratio as at the Calculation Date³⁸. As set out in Section VII we have assessed the value of the Scheme Consideration between \$1.07 and \$1.14 per share³⁹.

Fairness

174 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Scheme. This comparison for PAF shareholders is shown below:

Comparison of Scheme Consideration to value of PAF			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme Consideration	1.07	1.14	1.105
Value of 100% of PAF	1.05	1.14	1.095
Extent to which the Scheme Consideration exceeds the value of PAF	0.02	-	0.01

175 As the value of the Scheme Consideration is consistent with our assessed valuation range for PAF shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to PAF shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness and in the best interests

176 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme is also reasonable.

177 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.

178 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders in the absence of a superior proposal. This is because, if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving

³⁸ Being the date the court approves the proposed Scheme.

³⁹ Assessed based on a PGF share price range of \$1.50 to \$1.60 per share.

consideration for their shares which is consistent with the full underlying value of those shares.

- 179 We therefore consider that the Scheme is also “in the best interests” of PAF shareholders in the absence of a superior proposal.

Other considerations

- 180 In assessing whether the Scheme is reasonable and in the best interests of PAF shareholders LEA has also considered, in particular:

- (a) the extent to which a control premium is being paid to PAF shareholders
- (b) the comparative position of PAF shareholders both prior to and on the assumption the Scheme is implemented
- (c) the extent to which PAF shareholders are being paid a share of any synergies likely to be generated pursuant to the proposed transaction
- (d) the listed market price of the shares in PAF, both prior to and subsequent to the announcement of the proposed Scheme
- (e) the likely market price of PAF shares if the proposed Scheme is not approved
- (f) the value of PAF to an alternative offeror and the likelihood of a superior proposal in respect of PAF being tabled prior to the date of the Scheme meeting
- (g) the advantages and disadvantages of the Scheme from the perspective of PAF shareholders
- (h) other qualitative and strategic issues associated with the Scheme.

- 181 These issues are discussed in detail below.

Extent to which a control premium is being paid

- 182 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of PAF shares (as traded on the ASX) for periods up to and including 14 September 2021 (being the last trading day prior to the announcement of the Scheme). As noted above, trading in PAF shares during this period included an entitlement to the PAF FY21 final dividend of 2.5 cents per share⁴⁰.
- 183 For implied premium calculation purposes we have taken the mid-point of our assessed valuation range of the Scheme Consideration of \$1.109 per share⁴¹. For like-with-like comparison purposes (when calculating the implied premium) we have increased the Scheme Consideration by 2.5 cents per share to reflect the payment of the PAF FY21 final dividend.
- 184 The implied offer premium relative to PAF share prices up to 14 September 2021 is shown below:

⁴⁰ PAF shares traded ex an entitlement to the FY21 final dividend effective 15 September 2021.

⁴¹ As noted above, our assessed value of the Scheme Consideration has been based on trading in PGF shares ex an entitlement to the PGF FY21 final dividend of 5.0 cents per share.

Implied offer premium relative to recent PAF share prices		
	PAF share price	Implied offer premium
	\$	%
Scheme Consideration plus PAF FY21 final dividend	1.13 ⁽¹⁾	
Closing share price on:		
14 September 2021 ⁽²⁾	0.97	16.5
VWAP:		
1 month up to and including 14 September 2021	0.95	19.0
3 months up to and including 14 September 2021	0.96	17.7
Note:		
1 Mid-point of value of Scheme Consideration plus the 2.5 cents FY21 final dividend,		
2 The last trading day prior to the announcement of the Scheme.		

- 185 In our opinion, more regard should be had to the VWAPs above rather than the share price on a single day (notwithstanding the consistency in the data). Having regard to the VWAPs, we note that the Scheme Consideration to be received by PAF shareholders provides PAF shareholders with a significant premium above the PAF share prices prior to the announcement of the Scheme. This primarily reflects that (as noted in Section III), PAF shares were trading at a discount to the underlying value of PAF's investment portfolio prior to the announcement of the Scheme.
- 186 Notwithstanding this implied premium above the listed market prices, in Section V when assessing the valuation of PAF, we have expressed our opinion that a notional acquirer of PAF would generally not pay a premium over the underlying value of PAF's investment portfolio to acquire a 100% interest in PAF (for the reasons stated). In this regard, we note that the value of the Scheme Consideration is broadly consistent with our assessed value of PAF shares and the post-tax NTA of PAF shares as at 31 October 2021.
- 187 Accordingly, in our view, PAF shareholders are being appropriately compensated for the fact that 100% of control of PAF will pass to PGF if the Scheme is approved and implemented.

Comparative position of PAF shareholders

- 188 As noted in Sections III and IV respectively, both PAF and PGF have comparable high conviction investment mandates, being to hold a relatively concentrated portfolio of equities that are considered to be trading at prices different to their intrinsic values to provide long term capital growth over a seven year plus investment horizon. That said, we note that PAF has a focus on Asia (ex-Japan) while PGF has a global focus.
- 189 Whilst subsequent to implementation of the Scheme PAF shareholders will therefore be invested in a company with similar objectives, for the purpose of our report we have considered specifically four key criteria for shareholders invested in LICs, being annual dividends, total shareholder return, NTA backing per share and portfolio composition.

Dividends

- 190 To provide PAF shareholders with an indication of their likely future dividend position relative to recent history, we set out below a comparison of dividends paid by both PAF and PGF for the three years ended FY21.

Analysis of comparable dividends ⁽¹⁾			
	FY19 cps ⁽²⁾	FY20 cps	FY21 cps
PGF			
Interim	1.8	2.0	2.5
Final	2.0	2.5	5.0
Total	3.8	4.5	7.5
Exchange Ratio ⁽³⁾	0.715	0.715	0.715
Implied dividend to PAF shareholders	2.7	3.2	5.4
PAF			
Interim	2.0	1.5	1.5
Final	2.0	1.5	2.5
Total	4.0	3.0	4.0
Indicated increase / (reduction) in annual dividend	(1.3)	0.2	1.4

Note:

- 1 All dividends fully-franked.
- 2 Cents per share.
- 3 It should be noted that the actual Exchange Ratio will be determined on the Calculation Date, which will be the date the Court approves the proposed Scheme. The exchange ratio used above is what the Exchange Ratio would have been had it been determined as at 31 October 2021.

- 191 As indicated, based on the recent comparable level of dividends paid by the respective companies, PAF shareholders would generally have received a higher level of dividend income had the Scheme been implemented effective from FY19. Further, we note that PGF has provided forward guidance (prior to the announcement of the Scheme) of:

“A minimum 10.0 cents fully franked dividends in Financial Year 2022, through an interim dividend of at least 5.0 cents and final dividend of at least 5.0 cents to be announced in February and August 2022, respectively.”

- 192 Based on the calculated exchange ratio above, this would equate to approximately 7.2 cents per PAF share, which significantly exceeds the level of dividends paid by PAF over the periods set out above. However, PAF shareholders should note that:

- (a) the proposed FY22 PGF dividend of at least 10 cents per share may not be sustainable
- (b) in our view, the total shareholder return (inclusive of dividend income) is a more appropriate investment metric than the level of dividend income.

- 193 We note that dividends paid by both PAF and PGF were fully-franked. In this regard:

- (a) both PAF and PGF had considerable franking credits as at 30 June 2021. These franking credits were equal to some 8.77 cents per share and 9.43 cents per share respectively as at 30 June 2021
- (b) during FY21, both PAF and PGF established a profit reserve to enable the companies to pay franked dividends in periods where there are insufficient retained earnings to allow the company to fully frank dividends. As at 30 June 2021, the profit reserve for PAF

and PGF was some \$2.1 million and \$59.3 million respectively, equating to some 3.7 cents and 16.8 cents per share respectively.

Total shareholder return

194 Set out in the table below are the reported total shareholder returns (TSR) for PAF and PGF over various periods to 30 September 2021⁴²:

TSRs to 30 September 2021 ⁽¹⁾		
	PAF % p.a. ⁽²⁾	PGF % p.a. ⁽²⁾
1 year	26.0	53.0
3 years	4.2	13.4
5 years	7.4	17.1
7 years	7.5	14.1
Since inception	6.2	13.1

Note:

- 1 Net of fees. Performance adjusted for capital flows including those associated with the payment of dividends and tax, share issuance as a result of option exercise and the dividend reinvestment plan.
- 2 Percentage return per annum.

195 As indicated, PGF's TSRs have exceeded those of PAF for each of the periods set out above. Further, we note that PGF generally has a more diversified portfolio than PAF, typically holding around 40 globally listed equities compared to PAF which typically holds between 15 and 35 stocks at any point in time. A further comparison of the portfolios of PAF and PGF is set out from paragraph 199 below.

NTA backing per share

196 As noted in Section III there has historically been a close correlation between the price at which PAF shares have traded and the corresponding post-tax NTA (excluding deferred tax assets) per share. The share price has been at a discount of around 10% to 20% to post-tax NTA (excluding deferred tax assets).

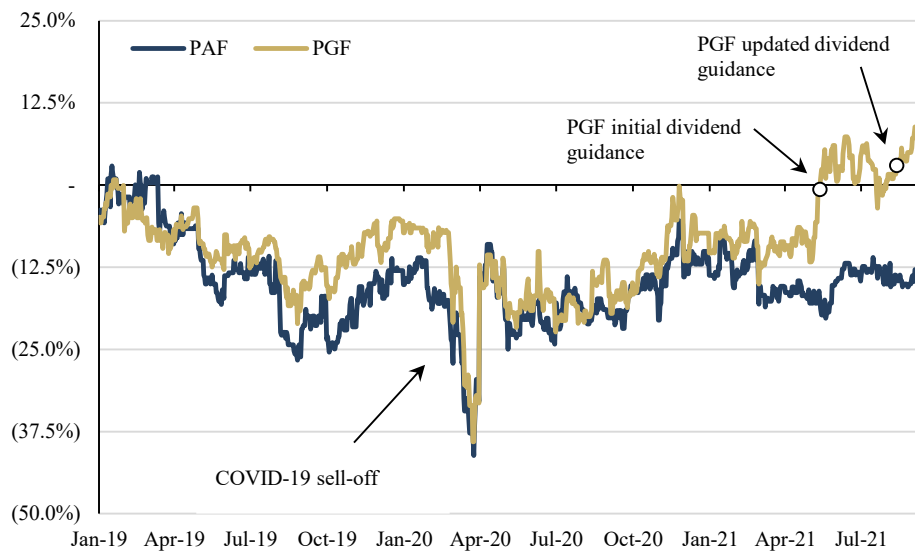
197 In contrast, as indicated in Section IV, PAF shareholders should note that in the more recent period prior to the announcement of the Scheme, PGF shares have traded at share prices that imply a slight premium to post-tax NTA (excluding deferred tax assets).

198 The chart below sets out the premium / (discount) to post-tax NTA (excluding deferred tax assets⁴³) of PAF and PGF prior to the announcement of the Scheme:

⁴² Being the latest publicly disclosed information as at the date of our report.

⁴³ As indicated in Sections III and IV, from March 2020 PAF and PGF stopped including deferred tax assets in their reported post-tax NTA.

PAF and PGF premium / (discount) to post-tax NTA (excluding deferred tax assets)



Source: Bloomberg.

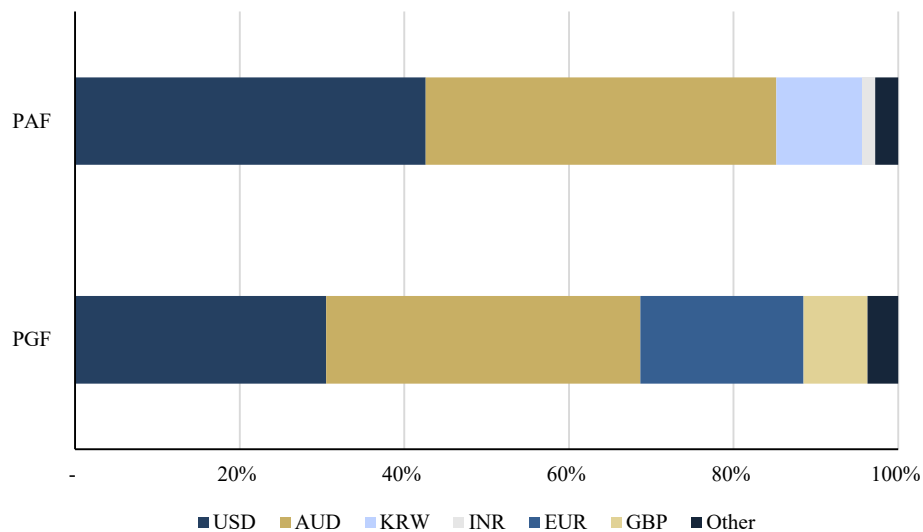
Portfolio composition

199 As set out in Sections III and IV, PAF and PGF have different portfolio constructions based on their individual investment mandates. The table below sets out a comparison of the key objectives of PAF and PGF:

Investment criteria	PAF	PGF
Investment horizon (years)	7 years +	7 years +
Geographic focus	Asia (ex-Japan)	Global
Typical number of stocks held	15-35	40
Gearing level / leverage permitted (% net asset value)	None	30%
Maximum short position (% net asset value)	30%	30%

200 As indicated above, the primary difference between PAF and PGF is the targeted geographical region of investments, noting PAF is focused on investment opportunities in Asia (ex-Japan) while PGF has a global investment approach. That said, we note that both PAF and PGF are primarily exposed to listed investments denoted in US\$ and A\$:

Currency exposure – PAF and PGF (% of investment portfolio)
As at 30 September 2021⁽¹⁾



Note:

1 Being the latest publicly disclosed information as at the date of our report.

- 201 In addition, we note that the sector allocations also vary between PAF and PGF. For instance, Online classifieds and Ecommerce, Infrastructure, Gaming and Materials (primarily copper) accounted for some 50% of PAF's portfolio as at 30 September 2021. In comparison, PGF's portfolio is primarily weighted towards the global domestic banking, materials and housing in Ireland and Spain, which collectively accounted for over 65% of PGF's portfolio as at 30 September 2021.

Extent to which PAF shareholders are being paid a share of synergies

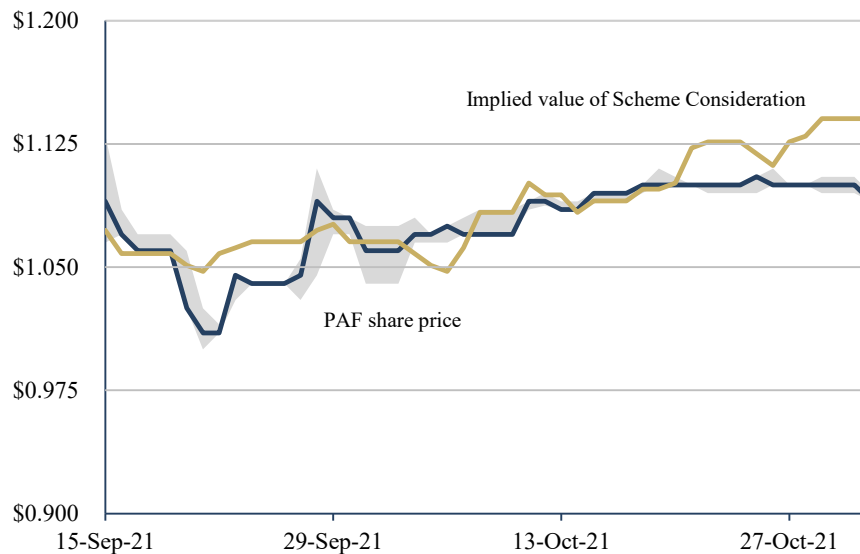
- 202 Whilst PAF and PGF have comparable long-term objectives, such operational synergies as may arise from the future investment operations of the combined companies are expected to be modest. PAF management have estimated that any synergies associated with the Scheme are likely to be confined to cost savings resulting from the potential delisting of PAF from the ASX and related regulatory matters no longer required. The value of these cost savings is very minor relative to the value of PAF.

Recent share prices subsequent to the announcement of the Scheme

- 203 Shareholders should note that in the period since the Scheme was announced up to 1 November 2021, PAF shares have traded on the ASX in the range of \$1.00 to \$1.13 per share, with the VWAP for the period being \$1.08.
- 204 We have compared trading in PAF shares in this period with the corresponding trading in PGF shares⁴⁴, adjusted for the Exchange Ratio, which has been adopted as 0.715 for the purpose of this report:

⁴⁴ Shares in both PAF and PGF traded ex an entitlement to their respective FY21 final dividends effective 15 September 2021.

PAF share trading post announcement⁽¹⁾
15 September 2021 to 1 November 2021



Note:

1 PAF's intraday high and low trading range is represented by the grey shaded area.

Source: Bloomberg, LEA analysis.

- 205 As indicated above, since the announcement of the Scheme there is a reasonable degree of correlation between the share market trading in PAF and PGF. In addition, we note that recent trading in PAF is generally slightly below the implied value of the Scheme Consideration (based on PGF closing prices adjusted for the Exchange Ratio), suggesting that the market consensus view is that PAF will either be acquired by PGF under the Scheme or by WAM Capital (refer Section VIII).

Likely price of PAF shares if the Scheme is not implemented

- 206 In the absence of a change of control transaction (such as the Scheme or the WAM Capital Offer), we would expect that, at least in the short term, PAF shares will trade at a significant discount to our valuation and the Scheme Consideration due to the difference between the value of PAF shares on a portfolio basis and the value ascribed to them pursuant to the Exchange Ratio under the Scheme. In this regard, we note PAF shares last traded at \$0.97 per share on 14 September 2021 (being the last trading day prior to the announcement of the Scheme).

Likelihood of a superior proposal

- 207 As noted in Section I, on 28 September 2021, WAM Capital announced its intention to make an off-market takeover offer for all of the issued fully paid ordinary shares in PAF, subject to certain conditions. Our analysis of the WAM Capital Offer (relative to the PGF Scheme) is set out in Section VIII.

Summary of opinion on the Scheme

- 208 We summarise below the likely advantages and disadvantages for PAF shareholders if the Scheme proceeds.

Advantages

209 In our opinion the Scheme has the following benefits for PAF shareholders:

- (a) the implied value of the Scheme Consideration of \$1.07 to \$1.14 per share is consistent with our assessed value range for PAF shares on a 100% controlling interest basis
- (b) the Scheme Consideration represents a significant premium to the recent market prices of PAF shares prior to the announcement of the Scheme on 15 September 2021
- (c) in the absence of a change of control transaction (such as the Scheme or WAM Capital Offer), the price of PAF shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the difference between the value of PAF shares on a portfolio basis and the value ascribed to them pursuant to the Exchange Ratio under the Scheme
- (d) the Scheme provides PAF shareholders with improved share market liquidity, as the value of PGF shares traded over the 12 months prior to the announcement of the Scheme was approximately 10 times larger than that for PAF.

Disadvantages

210 We do not consider that there are any significant disadvantages associated with the Scheme.

Conclusion

211 Given the above, in our view, the acquisition of PAF shares under the Scheme is fair and reasonable and in the best interests of PAF shareholders in the absence of a superior proposal.

VIII The alternative offer from WAM Capital

Overview

- 212 On 28 September 2021, WAM Capital announced an intention to make an off-market takeover offer for all of the fully paid ordinary shares in PAF subject to certain conditions. Under the WAM Capital Offer, PAF shareholders that accept the offer will receive 1 WAM Capital share for every 1.99 PAF shares they own. In the event the break fee imposed under the PGF Scheme is removed⁴⁵, WAM Capital will increase its offer to 1 WAM Capital share for every 1.975 PAF shares⁴⁶.
- 213 The WAM Capital Offer is subject to a number of conditions, including a 50.1% minimum acceptance, the PGF Scheme not proceeding, no material adverse change in respect of PAF or changes to the PAF Investment Management Agreement and a number of other conditions⁴⁷.
- 214 Given the competing offer for PAF from WAM Capital, we have also considered the merits of the WAM Capital Offer relative to the Scheme. However, PAF shareholders should note that LEA has not been commissioned to provide an opinion on whether the WAM Capital Offer is fair and reasonable (and has not done so).

WAM Capital overview

- 215 WAM Capital is an ASX LIC managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of growth companies listed on the ASX, with a focus on small-to-medium sized businesses. WAM Capital's investment objective is to invest in undervalued companies to deliver a stream of fully franked dividends, provide capital growth and preserve capital.
- 216 Wilson Asset Management is the investment manager for eight ASX listed LICs⁴⁸ and invests over \$5 billion on behalf of more than 110,000 retail investors.

Portfolio overview

- 217 A summary of WAM Capital's key portfolio metrics as at 30 September 2021⁴⁹ is set out below:

⁴⁵ Under the PGF Scheme, a mutual break fee of \$500,000 is payable by each of PAF and PGF to the other in certain circumstances if the PGF Scheme does not proceed. WAM Capital is challenging this fee in the Takeovers Panel.

⁴⁶ Notwithstanding WAM Capital has indicated it will increase the exchange ratio if the PGF Scheme break fee is waived, we have been advised that PGF has no intention of waiving this fee.

⁴⁷ Refer to the WAM Capital Bidder's Statement.

⁴⁸ Including WAM Capital, WAM Leaders Limited, WAM Global Limited, WAM Microcap Limited, WAM Alternative Assets Limited, WAM Strategic Value Limited, WAM Research Limited and WAM Active Limited.

⁴⁹ Being the latest publicly available information as at the date of our report.

WAM Capital portfolio metrics

	30 Sep 21
Share price (\$ per share)	2.37
Shares on issue (million)	878.3
Market capitalisation (\$m)	<u>2,081.6</u>
Gross assets (\$m)	1,768.0
Listed equities (\$m)	1,547.1
NTA before tax (cents per share)	197.70
NTA after tax (cents per share)	200.08
NTA after tax (excluding deferred tax assets) ⁽¹⁾	191.89

Note:

- 1 NTA after tax less 1.12 cents per share of tax assets resulting from the acquisition of unlisted investment companies and 7.07 cents per share of income tax losses.

- 218 In addition to the above, we set out below a breakdown of WAM Capital's portfolio by sector and largest 20 holdings as at 30 September 2021⁵⁰:

WAM Capital – Portfolio overview



Note:

- 1 Other includes Healthcare (6.3%), Energy (4.0%) and Real Estate (1.4%).

- 219 PAF shareholders should note that WAM Capital's asset allocation is focused on Australian listed equities, compared to PAF and PGF which have an Asian and global equities focus respectively. In addition, WAM Capital's investment approach inherently has a much higher portfolio turnover than PAF and PGF, as set out below:

⁵⁰ Being the latest publicly available information as at the date of our report.

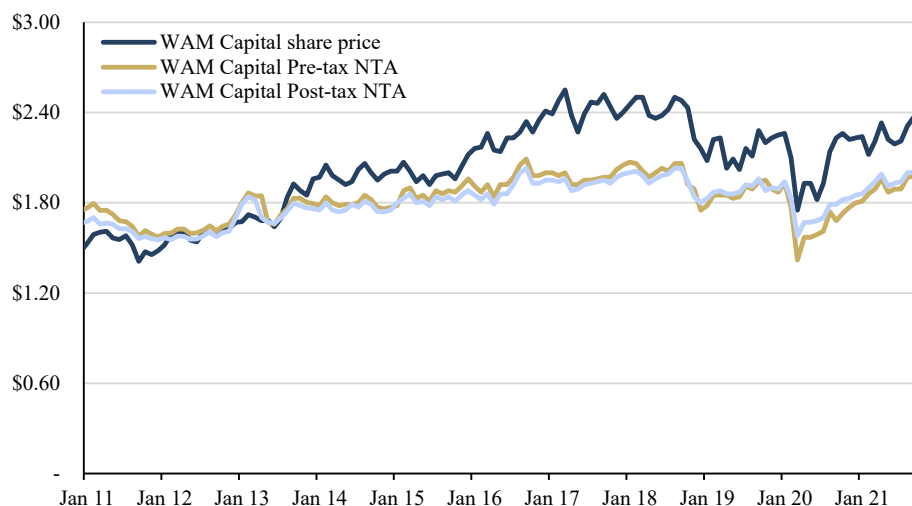
WAM Capital – implied portfolio turnover

	FY20	FY21
	\$m	\$m
Proceeds from sale of investments	3,724	3,689
Closing value of investments at period end	964	1,567
<i>Implied turnover</i>	386.5%	235.4%
Purchases of investments	3,737	3,657
Closing value of investments at period end	964	1,567
<i>Implied turnover</i>	387.8%	233.4%

Historical share price performance and NTA per share

220 The following chart illustrates the monthly movement in the share price of WAM Capital from January 2011 to September 2021⁵¹ relative to its reported post-tax NTA per share:

WAM Capital – historical share price performance



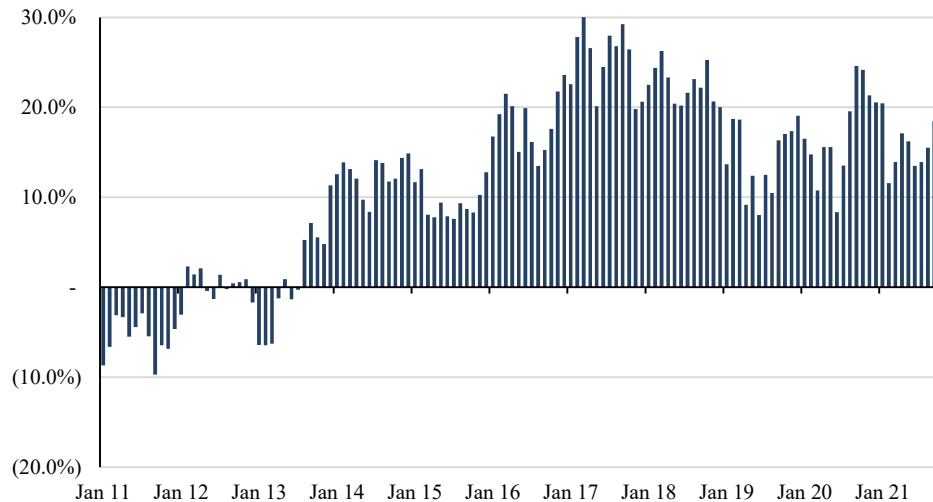
Source: Morningstar monthly LIC reports, WAM Capital ASX announcements, Bloomberg and LEA analysis.

221 As indicated above, WAM Capital has generally traded at a significant premium to both its pre and post-tax NTA per share since mid-2013. As shown in the chart below, WAM Capital's premium to post-tax NTA⁵² has generally ranged between 10% and 20% in the more recent periods:

⁵¹ Being WAM Capital's most recent monthly update as at the date of our report.

⁵² We note that WAM Capital's post tax NTA appears to include deferred tax assets associated with tax assets resulting from the acquisition of unlisted investment companies and share of income tax losses available to the Company.

WAM Capital – Premium / (discount) to post-tax NTA



Source: Morningstar monthly LIC reports, WAM Capital ASX announcements, Bloomberg and LEA analysis.

222 WAM Capital's observed premium to its reported NTA per share is likely to reflect (inter alia):

- (a) WAM Capital's high dividend yield, noting WAM Capital has paid fully franked dividends in excess of 14 cents per share since FY15⁵³. As at 30 September 2021, WAM Capital was trading on a fully franked dividend yield of 6.5%⁵⁴
- (b) WAM Capital's reported investment management track record, noting WAM Capital has outperformed the S&P / ASX All Ordinaries Accumulation Index every year since FY00 (except FY05, FY08, FY17 and FY19) as evidenced below:

WAM Capital portfolio performance relative to benchmark			
	WAM Capital Investment Portfolio⁽¹⁾	S&P / ASX All Ordinaries Accumulative Index	Outperformance
Financial year	%	%	%
1999/2000	33.3	11.3	22.0
2000/2001	30.2	8.9	21.3
2001/2002	32.7	(4.5)	37.2
2002/2003	12.3	(1.1)	13.4
2003/2004	27.3	22.4	4.9
2004/2005	13.9	24.8	(10.9)
2005/2006	27.4	24.2	3.2
2006/2007	44.1	30.3	13.8
2007/2008	(23.0)	(12.1)	(10.9)

⁵³ We note that WAM Capital only had a franking account balance of \$35.4 million as at 30 June 2021 (equivalent to around 4.0 cents per share). WAM Capital's ability to continue to fully frank dividends in future will therefore largely depend on its ability to generate future taxable income from gains on its investment portfolio. In contrast, PAF and PGF had larger franking credit balances than WAM Capital relative to their size, as their franking account balances were equal to approximately 8.8 cents and 9.4 cents per share respectively as at 30 June 2021.

⁵⁴ Based on the WAM Capital closing price of \$2.37 on 30 September 2021 and the FY21 fully franked dividend of 15.5 cents per share (excluding the attached franking credit).

WAM Capital portfolio performance relative to benchmark			
Financial year	WAM Capital Investment Portfolio ⁽¹⁾ %	S&P / ASX All Ordinaries Accumulative Index %	Outperformance %
2008/2009	(3.2)	(22.1)	18.9
2009/2010	29.8	13.8	16.0
2010/2011	17.9	12.2	5.7
2011/2012	4.2	(7.0)	11.2
2012/2013	22.7	20.7	2.0
2013/2014	19.2	17.6	1.6
2014/2015	14.7	5.7	9.0
2015/2016	21.6	2.0	19.6
2016/2017	11.7	13.1	(1.4)
2017/2018	15.0	13.7	1.3
2018/2019	2.0	11.0	(9.0)
2019/2020	(2.8)	(7.2)	4.4
2020/2021	37.5	30.2	7.3

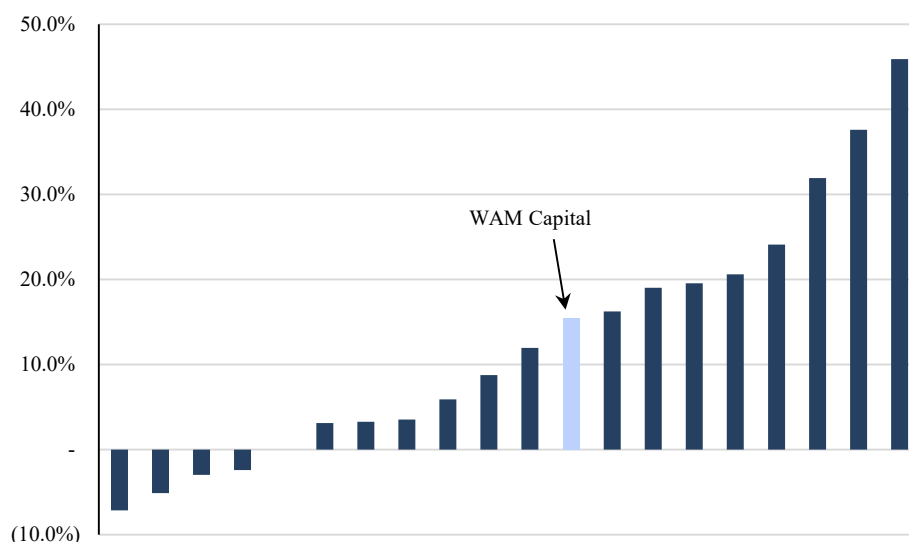
Note:

1 WAM Capital investment portfolio performance is before expenses, fees and taxes.

Source: WAM Capital FY21 Report.

- 223 In addition to the above, we note that there are a number of other ASX listed LICs that focus on investing in Australian shares that are also trading at a premium to their reported post-tax NTA. The table below sets out the implied premium / (discount) to reported post-tax NTA for the Australian LICs which focus on investment in Australian shares, which have a market capitalisation greater than \$300 million:

Premium / (discount) to post-tax NTA – ASX listed LIC's focused on Australian shares
As at 31 August 2021



Source: Morningstar LICs – 31 August 2021, LEA analysis.

- 224 As indicated above, a large number of the LICs are trading at a premium to their post-tax NTA, noting the average premium for the LICs in the table above was some 12.5%. WAM

Capital's observed premium to its reported post-tax NTA is therefore broadly consistent with this average.

Implied value of WAM Capital Offer

- 225 As indicated above, under the WAM Capital Offer, PAF shareholders that accept the offer will receive 1 WAM share for every 1.99 PAF shares held⁵⁵.
- 226 Accordingly, we set out below our analysis of recent share trading in WAM Capital shares. This analysis has only been done to consider the merits of the WAM Capital Offer relative to the Scheme.

Recent share trading

- 227 On 19 August 2021, WAM Capital announced a FY21 final dividend of 7.75 cents per share. The ex-dividend date for the FY21 Final Dividend was 18 October 2021 and the payment date was 29 October 2021. We note that WAM Capital shares have generally declined on average by the gross dividend amount on the ex-dividend date over the past three years, and on 18 October 2021 fell by 11.0 cents (compared to the gross dividend amount including attached franking credits of 11.07 cents per share⁵⁶).
- 228 PAF shareholders who accept the WAM Capital Offer will not receive the WAM Capital FY21 final dividend.
- 229 Accordingly, we set out below:
- (a) the traded market prices of WAM Capital shares from 1 October 2021 up to 15 October 2021 (being the last trading day before the ex-dividend date). We note that the WAM Capital share price over this period includes an entitlement to the FY21 final dividend of 7.75 cents per share
 - (b) the traded market prices of WAM Capital shares since 18 October 2021 up to 1 November 2021. We note that the WAM Capital share price over this period does not include any entitlement to the FY21 final dividend:

WAM Capital – share price history					
Time periods	Low \$	High \$	VWAP \$	Number traded (m)	Value traded \$m
1 October 2021 to 15 October 2021	2.35	2.40	2.37	14.4	34.0
18 October 2021 to 1 November 2021	2.27	2.33	2.30	13.8	31.8

Note:

1 WAM Capital shares did not trade on 16 or 17 October 2021 as this was a weekend.

Source: Bloomberg.

⁵⁵ Notwithstanding WAM Capital has indicated it will increase the exchange ratio to 1 WAM share for every 1.975 PAF shares if the PGF Scheme break fee is waived, we have been advised that PGF has no intention of waiving this fee.

⁵⁶ Based on a 30% corporate tax rate.

- 230 As indicated above, recent trading in WAM Capital shares (excluding any entitlement to the FY21 final dividend) from 18 October 2021 up to 1 November 2021 has ranged from \$2.27 to \$2.33 per share, with a VWAP of \$2.30 per share.

Recent share placement

- 231 We note that on 18 October 2021 WAM Capital issued 16,678,217 new shares as consideration for the acquisition of all the issued capital of an unlisted investment company. These new shares were issued at a price of \$2.1735 per WAM Capital share.
- 232 No further details regarding the terms of the acquisition, or how the issue price of WAM Capital shares was determined, was disclosed. However, we note that the issue price represented a significant discount (some 5%) to the closing share price on that date of \$2.29 per share.

Conclusion on realisable value of WAM Capital shares

- 233 Based on the above we have adopted a WAM Capital share price of \$2.25 to \$2.35 to determine the implied value of the WAM Capital Offer consideration.

Value of WAM Capital Offer consideration relative to Scheme consideration

- 234 On this basis, we set out below a comparison of the WAM Capital Offer consideration relative to the PGF Scheme Consideration (based on share market trading in PGF and WAM Capital subsequent to the announcement of the WAM Capital Offer):

Comparison of the PGF Scheme Consideration and WAM Capital Offer consideration		
	PGF Scheme	WAM Capital
	\$	Offer
	\$	\$
Adopted PGF / WAM Capital share price (ex-dividend)		
Low	1.50	2.25
High	1.60	2.35
Exchange Ratio	0.715	0.50
Implied value of Scheme consideration		
Low	1.07	1.13
High	1.14	1.18

- 235 As indicated above, based on respective share market trading to the date of this report, the implied value of the WAM Capital Offer consideration is higher than the implied value of the PGF Scheme Consideration. However, as noted in our analysis of other relevant factors below, we consider that this indicated higher offer consideration is offset by the significantly higher risks associated with the WAM Capital Offer.

Other relevant considerations

- 236 In addition to a comparison of the implied value consideration under the two proposals, we have also considered other factors we consider relevant from the perspective of PAF shareholders when comparing the PGF Scheme proposal with the WAM Capital Offer.

Relative NTA per share position

237 We note that relative to the PGF Scheme, the WAM Capital Offer will result in significant NTA per share dilution for PAF shareholders, as set out below:

Comparable NTA per share backing ⁽¹⁾		
	PGF 31 Oct 21 \$	WAM Capital 30 Sep 21 ⁽²⁾ \$
Reported post-tax NTA ex deferred tax assets	1.53 ⁽³⁾	1.92 ⁽⁴⁾
Adjustment for FY21 final dividend	-	(0.08)
Adjusted post-tax NTA ex FY21 final dividend	1.53	1.84
Exchange Ratio (scrip shares per PAF share)	0.715	0.50
Post-tax NTA contributed by PGF / WAM Capital to merged entity (per PAF share)	1.09	0.93
PAF post-tax NTA 31 October 2021 (ex FY21 final dividend)	1.09	1.09
Post-tax NTA accretion / (dilution) ⁽⁵⁾	-	(15.5%)

Note:

- 1 Rounding differences may exist.
- 2 Being the latest publicly available information as at the date of our report.
- 3 The FY21 final dividend was paid on 14 October 2021.
- 4 Based on the reported post tax NTA of 200.08 cents per share less 1.12 cents per share of tax assets resulting from the acquisition of investment companies and 7.07 cents per share of income tax losses.
- 5 The above NTA calculation (by definition) does not consider franking account balances. As at 30 June 2021 (being the last reported franking account position) PAF had a franking account balance of approximately 8.8 cents per share, whereas WAM Capital's franking account balance was approximately 4.0 cents per share.

238 In our view, the significant NTA dilution under the WAM Capital Offer is not reasonably compensated by the potentially higher consideration under the WAM Capital Offer.

239 Further, we note that the significant NTA dilution under the WAM Capital Offer is acknowledged by WAM Asset Management (the manager of WAM Capital). Mr Geoff Wilson (WAM Asset Management's Chairman and Chief Investment Officer) referred to the WAM Capital Offer in a related September 2021 investment update, and stated that (our emphasis added):

"The scrip consideration issued under the Offer allows WAM Capital Shareholders to benefit from the issuance of shares at a premium to the underlying net tangible assets (NTA), which is accretive to WAM Capital's pre-tax NTA."

Comparison of investment mandates

240 As indicated above, WAM Capital's investment mandate is to provide investors a stream of fully franked dividends, provide capital growth and preserve capital by investing in an actively managed portfolio of undervalued growth companies listed on the ASX. WAM Capital also aims to provide exposure to relative value arbitrage and market mispricing opportunities. In this respect, we note that WAM Capital has a relatively high turnover of its portfolio, typically transacting 2 to 3 times its portfolio value per annum. WAM Capital also holds a relatively diversified portfolio, noting as at 30 June 2021 WAM Capital held investments in over 100 ASX listed securities.

- 241 In comparison, PGF's investment mandate is to create long term wealth through a more concentrated portfolio of approximately 25 to 45 global companies that are considered to be trading at prices different to their intrinsic values. In this respect we note that PGF's portfolio includes a number of securities which are also held by PAF (for example iCar Asia, Frontier Digital Ventures, Freeport-McMoran, MGM China Holdings and Wynn Resorts). PGF's annual portfolio turnover is also much lower than that of WAM Capital, typically ranging between 30% and 40% of its portfolio value.

Conditionality of WAM Capital Offer

- 242 The PGF Scheme and WAM Capital Offer are both subject to a number of customary conditions, such as no material adverse change in respect of PAF. However, the WAM Capital Offer is also highly conditional in a number of aspects, including, inter alia:
- (a) a 50.1% minimum acceptance
 - (b) no material transactions in respect of PAF's investment portfolio⁵⁷
 - (c) restrictions on others acquiring PAF shares⁵⁸
 - (d) the reported pre-tax NTA of PAF is not to decline by 5% or more below the pre-tax NTA of PAF of \$1.10 per share as at 24 September 2021
 - (e) the S&P / ASX All Ordinaries Accumulation Index is not to fall by 5% or more below the level of the index on the trading day immediately prior to the Announcement Date (being 27 September 2021)
 - (f) a number of other conditions⁵⁹.
- 243 Should any of these conditions not be met, settlement of the WAM Capital Offer will not occur unless WAM Capital waives any outstanding conditions.

CGT consequences

- 244 The PGF Scheme is expected to provide CGT rollover relief to PAF shareholders. In comparison there is a high risk that PAF shareholders who accept the WAM Capital Offer will not receive CGT rollover relief as:
- (a) the WAM Capital Offer is conditional on a 50.1% minimum acceptance condition, which is below the 80% threshold required for CGT rollover relief purposes
 - (b) the two largest shareholders in PAF would both likely need to accept the WAM Capital Offer in order for WAM Capital to acquire at least 80% of the shares in PAF.
- 245 Thus, there is a high risk that PAF shareholders who accept the WAM Capital Offer will (most likely) need to pay CGT on any gain on their PAF shares based on the value of the

⁵⁷ The WAM Capital Offer requires PAF to seek the written consent of WAM Capital to acquire interests in one or more companies or assets for an amount in any single transaction of more than \$250,000 or an amount in aggregate of \$250,000 or make an announcement about such an acquisition or acquisitions.

⁵⁸ Pursuant to the WAM Capital Offer, no person or entity other than WAM Capital or an associate of WAM Capital can gain or increase their voting power in PAF by 5% or more.

⁵⁹ Refer to the WAM Capital Bidder's Statement.

consideration under the WAM Capital Offer (even if they retain WAM Capital shares received as consideration).

Summary

- 246 As indicated above, the WAM Capital Offer may provide slightly higher consideration in the short term relative to the PGF Scheme. However in our opinion, the WAM Capital Offer is less attractive than the PGF Scheme due to (inter alia):
- (a) the risk that the significant premium to post-tax NTA⁶⁰ implicit in recent trading in WAM Capital shares (of 23.5% as at 30 September 2021) may reduce, notwithstanding that the majority of the larger ASX listed LICs which invest in ASX listed equities generally also trade at a premium to their reported post-tax NTA (refer Appendix C). In this regard we note that if WAM Capital's premium to reported NTA reduced to around 20% (which would still be at the high end of recently observed premiums) the higher consideration under the WAM Capital Offer would largely eliminate
 - (b) the significant NTA per share dilution of some 15% (as at 31 October 2021) which PAF shareholders will suffer under the WAM Capital Offer⁶¹
 - (c) the fact that there is a high risk that PAF shareholders who accept the WAM Capital Offer will not receive CGT rollover relief.
- 247 In contrast, the PGF Scheme provides CGT rollover relief and is not subject to the above inherent risks associated with the WAM Capital Offer. In our view, PAF investors should logically therefore prefer the PGF Scheme.
- 248 PAF shareholders should also note that PGF's investment portfolio allocation, investment management and investment style is more closely aligned with that of PAF than WAM Capital.

⁶⁰ Excluding deferred tax assets.

⁶¹ In contrast, under the PGF Scheme the post-tax NTA per share position of PAF shareholders remains unchanged. Refer paragraph 237.

Appendix A

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 2001 (Cth)* (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 PAF 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 fee estimated at \$120,000 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 Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh 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 hundreds of IERs.
- 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 27 years and 35 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 PAF Board Committee to accompany the Scheme Booklet to be sent to PAF 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 PAF 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 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, PAF 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 PAF 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.

Appendix C

Premiums / discounts to NTA

- 1 The following tables show the share price premiums and discounts to pre- and post-tax NTA for LICs listed on the ASX that invest in international equities. The companies are divided into two groups, being those with market capitalisation greater than \$300 million, and those with market capitalisation of \$20 million to \$300 million, as at 31 August 2021.

Global equities - market capitalisation greater than \$300 million						
	Market cap \$m	Share price \$	Pre-tax NTA \$	Premium / (discount) to pre-tax NTA %	Post-tax NTA \$	Premium / (discount) to post-tax NTA %
Magellan Global Fund	3,102	1.83	2.03	(9.9)	2.03	(9.9)
MFF Capital Investments	1,701	2.99	3.45	(13.3)	2.92	2.3
VGI Partners Global Investments	835	2.16	2.47	(12.6)	2.47	(12.6)
Future Generation Global	646	1.65	1.84	(10.5)	1.66	(1.0)
WAM Global	636	2.66	2.81	(5.4)	2.70	(1.5)
Antipodes Global Investment	568	1.17	1.26	(7.4)	1.23	(4.7)
PM Capital Global Opportunities	559	1.59	1.71	(7.4)	1.53	3.6
VGI Partners Asian Investments	472	2.12	2.51	(15.5)	2.51	(15.5)
Regal Funds Management	468	4.04	3.67	10.1	3.67	10.1
Platinum Capital	425	1.46	1.63	(10.5)	1.56	(6.5)
Platinum Asia Investments	424	1.16	1.25	(6.9)	1.19	(2.7)
Pengana International Equities	374	1.47	1.56	(6.2)	1.49	(1.6)
Templeton Global Growth Fund	312	1.58	1.73	(8.8)	1.61	(1.9)
Average discount				(8.0)		(3.2)
Median discount				(8.8)		(1.9)
Largest discount				(15.5)		(15.5)
Highest premium				10.1		10.1

Source: Morningstar *ASX Listed investment companies – 31 August 2021.*

Appendix C

Global equities - market capitalisation between \$20 million and \$300 million						
	Market cap \$m	Share price \$	Pre-tax NTA \$	Premium / (discount) to pre-tax NTA %	Post-tax NTA \$	Premium / (discount) to post-tax NTA %
WCM Global Growth	291	1.65	1.92	(14.5)	1.67	(1.3)
Global Value Fund	213	1.23	1.26	(2.1)	1.19	3.7
Zeta Resources	209	0.37	0.53	(30.5)	0.53	(30.5)
Thorney Technologies	181	0.44	0.50	(12.5)	0.49	(11.0)
Ellerston Asian Investments	154	1.17	1.29	(9.6)	1.23	(5.3)
Tribeca Global Natural Resources	129	2.10	2.57	(18.4)	2.55	(17.7)
Cordish Dixon PE Fund III	122	1.70	2.47	(31.2)	2.47	(31.2)
Cordish Dixon PE Fund II	81	1.48	2.10	(29.8)	2.10	(29.8)
Morphic Ethical Equities Fund	68	1.29	1.56	(17.1)	1.42	(8.9)
Lion Selection Group	66	0.44	0.64	(31.5)	0.62	(29.3)
PM Capital Asian Opportunities	55	0.96	1.16	(17.0)	1.14	(15.7)
Fat Prophets Global Contrarian	51	1.18	1.38	(14.8)	1.30	(9.6)
Cordish Dixon PE Fund I	44	1.14	1.53	(25.5)	1.53	(25.5)
Lowell Resources Fund	39	1.40	1.64	(14.6)	1.64	(14.6)
Global Masters Fund	26	2.45	3.20	(23.4)	2.65	(7.7)
Average discount				(19.5)		(15.6)
Median discount				(17.1)		(14.6)
Largest discount				(31.5)		(31.2)
Smallest discount / Highest premium				(2.1)		3.7

Source: Morningstar ASX Listed investment companies – 31 August 2021.

Appendix C

- 2 In addition to the above, we set out below the share price premiums and discounts to pre- and post-tax NTA for LICs listed on the ASX that invest in Australian equities with a market capitalisation greater than \$300 million, as at 31 August 2021:

Australian equities - market capitalisation greater than \$300 million						
	Market cap \$m	Share price \$	Pre-tax NTA \$	Premium / (discount) to pre-tax NTA %	Post-tax NTA \$	Premium / (discount) to post-tax NTA %
Australian Foundation Investment Company	10,286	8.39	7.71	8.8	6.36	31.9
Argo Investments	6,851	9.45	9.27	1.9	7.94	19.0
Milton Corporation	4,693	6.96	5.62	23.8	4.77	45.9
WAM Capital	2,029	2.31	1.97	17.3	2.00	15.5
WAM Leaders	1,514	1.47	1.46	0.7	1.42	3.5
Australian United Investment Company	1,287	10.30	10.63	(3.1)	8.86	16.3
BKI Investment Company	1,219	1.65	1.73	(4.6)	1.60	3.1
Diversified United Investments	1,145	5.38	5.50	(2.2)	4.50	19.6
Hearts and Minds Investments	983	4.35	4.41	(1.4)	4.00	8.7
Carlton Investments	850	32.10	41.23	(22.1)	33.83	(5.1)
Ophir High Conviction Fund	808	3.78	3.66	3.3	3.66	3.3
Djerriwarrh Investments	738	3.12	3.50	(10.9)	3.36	(7.1)
Mirrabooka Investments	689	3.92	3.77	4.0	3.25	20.6
Whitefield	613	5.56	5.86	(5.1)	5.25	5.9
Future Generation Investment Fund	574	1.43	1.54	(7.1)	1.43	-
Perpetual Equity Investment Company	484	1.30	1.42	(8.5)	1.34	(3.0)
WAM Microcap	427	2.06	1.76	17.0	1.66	24.1
AMCIL	392	1.31	1.36	(3.7)	1.17	12.0
Cadence Capital	361	1.22	1.16	5.2	1.25	(2.4)
WAM Research	337	1.72	1.26	36.5	1.25	37.6
Average premium				2.5		12.5
Median (discount) / premium				(0.3)		10.4
Largest discount				(22.1)		(7.1)
Highest premium				36.5		45.9

Source: Morningstar ASX Listed investment companies – 31 August 2021.

Appendix D

Glossary

Term	Meaning
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD / A\$	Australian dollar
Calculation Date	The date for determining the Exchange Ratio (being the date the court approves the Scheme)
CGT	Capital gains tax
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	Corporations Regulations 2001
DCF	Discounted cash flow
Deed	Scheme Implementation Deed between PAF and PGF dated 15 September 2021
EUR / €	Euro
Exchange Ratio	The number of PGF shares proposed to be exchanged for each PAF share
FSG	Financial Services Guide
FY	Financial year
GBP / £	British pound
GICS	Global Industry Classification Standard
IER	Independent expert's report
INR	Indian rupee
Investment Manager	PM Capital
KRW	South Korean won
LEA	LonerGAN Edwards & Associates Limited
LIC	Listed investment company
Morgan Stanley	Morgan Stanley & Co. International Plc
MSCI	Morgan Stanley Capital International
NTA	Net tangible assets
PAF / the Company	PM Capital Asian Opportunities Fund Limited
PGF	PM Capital Global Opportunities Fund Limited
PM Capital	PM Capital Limited
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RITC	Reduced Income Tax Credit
Scheme	The proposed acquisition of PAF shares by PGF, to be implemented via a scheme of arrangement between PAF and its shareholders (other than PGF)
Scheme Consideration	The number of PGF shares received upon completion of the Scheme, which is determined based on the relative post-tax NTA of PAF and PGF shares at completion
SPP	Share Purchase Plan
TSR	Total shareholder return
US	United States of America
USD / US\$	US dollar
VWAP	Volume weighted average price
WAM Capital	WAM Capital Limited
WAM Capital Offer	WAM Capital's off-market takeover offer for all of the issued fully paid ordinary shares in PAF, subject to certain conditions
WANOS	Weighted average number of shares outstanding
Wilson Asset Management	Wilson Asset Management (International) Pty Limited

Annexure B – Scheme of Arrangement

Scheme of Arrangement

**PM Capital Asian Opportunities Fund
Limited**

**The holders of fully paid ordinary shares in
PAF as at the Scheme Record Date**

**Pursuant to section 411 of the *Corporations Act*
2001 (Cth)**

Title	Scheme of Arrangement
Parties	PM Capital Asian Opportunities Fund Limited (ACN 168 666 171) of Level 11, 68 York Street, Sydney NSW 2000 (PAF)
	The holders of fully paid ordinary shares in PAF as at the Scheme Record Date

Recitals

- A PAF is a public company incorporated in the state of Victoria and is admitted to the official list of ASX.
- B PM Capital Global Opportunities Fund Limited (**PGF**) is a public company incorporated in the state of Victoria and is admitted to the official list of ASX.
- C PAF and PGF have entered into the Scheme Implementation Deed, pursuant to which, amongst other things, PAF has agreed to propose this Scheme to PAF Shareholders, and each of PAF and PGF has agreed to take certain steps to give effect to the Scheme.
- D If the Scheme becomes Effective, then:
- all the Scheme Shares will be transferred to PGF and the Scheme Consideration will be provided by PGF to the Scheme Shareholders in accordance with the provisions of the Scheme; and
 - PAF will enter the name and address of PGF in the PAF Register as the holder of the Scheme Shares.
- E PGF has entered into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform the obligations contemplated of it under the Scheme.

Operative provisions

1. Definitions and interpretation

Definitions

- 1.1 In this document, the following definitions apply unless the context requires otherwise.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the stock exchange operate by it (as the context requires).

ASX Listing Rules means the official listing rules of ASX.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in either Melbourne, Victoria, or Sydney, New South Wales.

Calculation Date means the Second Court Date or such other time and date as PGF and PAF agree in writing.

CHESS means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Conditions means the conditions precedent to this Scheme set out in clause 2.1.

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

Court means a court of competent jurisdiction under the Corporations Act.

Deed Poll means the deed poll dated 18 October 2021 executed by PGF in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which an office copy of the Court order made under section 411(4)(b) of the Corporations Act approving the Scheme is lodged with ASIC.

Eligible Scheme Shareholder means a Scheme Shareholder other than an Ineligible Foreign PAF Shareholder.

End Date means 28 February 2022, or such later date as PGF and PAF may agree in writing.

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity, and includes ASIC, ASX (and any other stock exchange) and the Takeovers Panel.

Implementation Date means the fifth Business Day following the Scheme Record Date or such other date agreed in writing between the parties.

Ineligible Foreign PAF Shareholder means a PAF Shareholder whose address as shown in the PAF Register is a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore, Thailand and the United Kingdom.

New PGF Shares means PGF Shares to be issued under the Scheme as Scheme Consideration.

Nominee means the person nominated by PGF to sell the New PGF Shares that are attributable to Ineligible Foreign PAF Shareholders under the terms of the Scheme (and/or a nominee of that person).

NTA means the net tangible asset backing after tax of PAF or PGF (as the context requires) (excluding deferred tax assets) per PAF Share or PGF Share (as the case may be) calculated in accordance with the Corporations Act, Australian Accounting Standards and the Corporations Regulations.

PAF NTA means the NTA of a PAF Share as at the Calculation Date, as determined in accordance with clause 5.1(f) of the Scheme Implementation Deed.

PAF Register means the register of members of PAF.

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

PAF Share Registry means Boardroom Pty Limited.

PAF Shareholder means a person who is registered in the PAF Register as a holder of PAF Shares.

PGF means PM Capital Global Opportunities Fund Limited (ACN 166 064 875).

PGF Group means PGF and each of its Related Bodies Corporate and a reference to a **PGF Group Member** or a **member of the PGF Group** is to PGF or any of its Related Bodies Corporate.

PGF NTA means the NTA of a PGF Share on the Calculation Date, as determined in accordance with clause 5.3(c) of the Scheme Implementation Deed.

PGF Register means the register of members of PGF.

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

Related Body Corporate has the meaning given in the Corporations Act.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between PAF and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by PGF and PAF.

Scheme Consideration means for each Scheme Share, that number of New PGF Shares determined by dividing the PAF NTA by the PGF NTA.

Scheme Implementation Deed means the Scheme Implementation Deed dated 15 September 2021 between PAF and PGF.

Scheme Meeting means the meeting of PAF Shareholders to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00 pm (Sydney time) on the second Business Day following the date on which the Scheme becomes Effective, or such time and date as the parties may agree in writing.

Scheme Share means a PAF Share as at the Scheme Record Date, other than one held by PGF.

Scheme Shareholder means a PAF Shareholder recorded in the PAF Register as at the Scheme Record Date, other than PGF.

Second Court Date means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

Takeovers Panel means the Australian Takeovers Panel.

Interpretation

1.2 In this document:

- (a) unless the context requires another meaning, a reference:
 - (i) to the singular includes the plural and vice versa;
 - (ii) to a gender includes all genders;

- (iii) to a document (including this document) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;
- (iv) to an agreement includes any undertaking, representation, deed, agreement or legally enforceable arrangement or understanding whether written or not;
- (v) to a party means a party to this document;
- (vi) to an item, Recital, clause, Schedule or Annexure is to an item, Recital, clause, Schedule or Annexure of or to this document;
- (vii) to a notice means a notice, approval, demand, request, nomination or other communication given by one party to another under or in connection with this document;
- (viii) to a person (including a party) includes:
 - (A) an individual, company, other body corporate, association, partnership, firm, joint venture, trust or Governmental Agency; and
 - (B) the person's successors, permitted assigns, substitutes, executors and administrators; and
- (ix) to a law includes any legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, and is a reference to that law as amended, consolidated, supplemented or replaced and includes a reference to any regulation, by-law or other subordinate legislation;
- (x) to proceedings includes litigation, arbitration and investigation;
- (xi) to a judgment includes an order, injunction, decree, determination or award of any court or tribunal;
- (xii) to time is to prevailing Melbourne time; and
- (xiii) to \$ means the lawful currency of Australia;
- (b) the words "including" or "includes" means "including, but not limited to", or "includes, without limitation" respectively;
- (c) unless otherwise defined in this document, a term defined in or for the purposes of the Corporations Act has the same meaning when used in this document;
- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) headings are for convenience only and do not affect interpretation of this document;
- (f) if a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day; and
- (g) if a period must be calculated from, after or before a day or the day of an act or event, it must be calculated excluding that day.

Construction

- 1.3 This document may not be construed adversely to a party only because that party or its legal advisers were responsible for preparing it.

Payments

- 1.4 Unless otherwise expressly provided in this document, where an amount is required to be paid to a party (the **Receiving Party**) by another party under this document, that amount must be paid:
- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties agree; and
 - (b) without deduction, withholding or set-off.

In this clause 1.4, a Receiving Party does not include a Scheme Shareholder.

2. Conditions

Conditions to the Scheme

- 2.1 This Scheme is conditional on, and will not become Effective until and unless, each of the following conditions precedent are satisfied:
- (a) as at 8.00 am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition relating to the approval of the Court set out in clause 3.1(i) (Court approval of Scheme) of the Scheme Implementation Deed) has been satisfied or waived in accordance with the terms of the Scheme Implementation Deed;
 - (b) neither the Scheme Implementation Deed nor the Deed Poll having been terminated as at 8.00 am on the Second Court Date;
 - (c) the Court approving this Scheme under section 411(4)(b) of the Corporations Act with or without modification;
 - (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to PGF and PAF having been satisfied; and
 - (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

Conditions precedent to binding effect

- 2.2 The satisfaction of each Condition is a condition precedent to the binding effect of the Scheme.

Certificates

- 2.3 On the Second Court Date, PAF and PGF will provide to the Court a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the Conditions in clauses 2.1(a) and 2.1(b) have been satisfied or waived as at 8.00 am on the Second Court Date.
- 2.4 The certificate referred to in clause 2.3 will, in the absence of manifest error, be conclusive evidence that such Conditions were satisfied, waived or taken to be waived.

Termination of Scheme Implementation Deed

- 2.5 Without limiting any rights under the Scheme Implementation Deed, in the event that the Scheme Implementation Deed is terminated in accordance with its terms before 8.00 am on the Second Court Date, PAF and PGF are each released from:
- (a) any further obligation to take steps to implement the Scheme; and
 - (b) any liability with respect to the Scheme.
-

3. Scheme

- 3.1 Subject to clause 3.2, the Scheme will take effect on and from the Effective Date.
- 3.2 The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date or the Scheme Implementation Deed is terminated in accordance with its terms, unless PAF and PGF otherwise agree in writing.
-

4. Implementation of the Scheme

Lodgement

- 4.1 If the Conditions are satisfied (other than the Condition Precedent in clause 2.1(e)), PAF must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme as soon as possible after, and in any event by no later than 4.00 pm on the Business Day following, the date on which the Court approves the Scheme or such other Business Day as PAF and PGF agree in writing.

Transfer of Scheme Shares

- 4.2 On the Implementation Date, subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.3 and 5, and PGF having provided PAF with written confirmation thereof, all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to PGF without the need for any further act by any Scheme Shareholder (other than acts performed by PAF or its directors as attorney or agent for Scheme Shareholders under this Scheme), by PAF effecting a valid transfer or transfers of the Scheme Shares to PGF under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:
- (a) PAF delivering to PGF a completed share transfer form or forms (which may be a master transfer form) to transfer all of the Scheme Shares to PGF duly executed by PAF as the attorney and agent of each Scheme Shareholder under clause 8.1 of this Scheme;
 - (b) PGF executing and delivering the share transfer form or forms to PAF; and
 - (c) PAF immediately after receipt of the share transfer form or forms under clause 4.2(b), entering, or procuring the entry of, the name and address of PGF in the PAF Register as the holder of all of the Scheme Shares.

PGF to provide Scheme Consideration

- 4.3 In consideration of the transfer of the Scheme Shares to PGF on the Implementation Date, PGF will provide, or procure the provision of, the Scheme Consideration in respect of each Scheme Shareholder to that Scheme Shareholder in accordance with clause 5.

5. Scheme Consideration

Provision of Scheme Consideration

- 5.1 On the Implementation Date, as consideration for the transfer to PGF of each Scheme Share:
- (a) PGF will issue to each Eligible Scheme Shareholder the number of New PGF Shares that the Eligible Scheme Shareholder is entitled to as Scheme Consideration under this clause 5;
 - (b) PGF will issue to the Nominee in accordance with this clause 5 such number of New PGF Shares as are attributable to the Ineligible Foreign PAF Shareholders; and
 - (c) PGF will procure the entry in the PGF Register:
 - (i) of the name of each Eligible Scheme Shareholder in respect of the New PGF Shares issued to them; and
 - (ii) of the name of the Nominee in respect of those New PGF Shares that would otherwise be issued to those Scheme Shareholders who are Ineligible Foreign PAF Shareholders.
- 5.2 Within 5 Business Days after the Implementation Date, PGF will send or procure the despatch to:
- (a) each Scheme Shareholder whose New PGF Shares are held on the issuer sponsored subregister of PGF, by prepaid post to their address (as recorded in the PAF Register as at the Scheme Record Date); and
 - (b) the Nominee, by prepaid post to its registered address or such other address as it has notified to PAF prior to the Implementation Date,
- of uncertificated holding statements for the New PGF Shares issued to the Scheme Shareholder or the Nominee (as the case may be) as Scheme Consideration in accordance with this Scheme.

Entitlement to Scheme Consideration

- 5.3 Subject to clauses 5.4, 5.5, 5.7 to 5.12 and 5.16, each Scheme Shareholder will be entitled to receive, as consideration, the Scheme Consideration for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date.

Fractions

- 5.4 If a fractional entitlement to a New PGF Share arises from the calculation of the total Scheme Consideration in respect of a Scheme Shareholder, then that fractional entitlement must be rounded up or down to the nearest whole number of New PGF Shares.

Shareholding splitting or division

- 5.5 If PGF is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.4) have, before the Scheme Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, PGF may give notice to those Scheme Shareholders:
- (a) setting out their names and registered addresses as shown in the PAF Register;

- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of this Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the other provisions of this Scheme, be taken to hold no Scheme Shares. PGF, in complying with the other provisions of this Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.

Binding instruction or notifications

- 5.6 Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and PAF relating to Scheme Shares as at the Scheme Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from PAF) will, from the Scheme Record Date, be deemed (except to the extent determined otherwise by PGF in its sole discretion) to be a similarly binding instruction or notification to, and accepted by PGF, in respect of the New PGF Shares issued to the Scheme Shareholder until that instruction or notification is revoked or amended in writing addressed to PGF at PGF's share registry, provided that any such instructions or notifications accepted by PGF will apply to and in respect of the issue of New PGF Shares as Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

Ineligible Foreign PAF Shareholders

- 5.7 PGF will be under no obligation under the Scheme to issue, and will not issue, any New PGF Shares to any Ineligible Foreign PAF Shareholder as Scheme Consideration, and instead PGF will issue the New PGF Shares to which that Ineligible Foreign PAF Shareholder would otherwise have been entitled as Scheme Consideration (if they were an Eligible Scheme Shareholder) to the Nominee.
- 5.8 PGF will procure that, as soon as reasonably practicable and in any event not more than 20 Business Days after the Implementation Date, the Nominee:
 - (a) sells on the financial market conducted by ASX all of the New PGF Shares issued to the Nominee pursuant to clause 5.7 in such manner, at such price and on such other terms as the Nominee determines in good faith and at the risk of the Ineligible Foreign PAF Shareholders; and
 - (b) remits to PGF the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).
- 5.9 Promptly after the last sale of New PGF Shares in accordance with clause 5.8, PGF will pay to each Ineligible Foreign PAF Shareholder such fraction of the net proceeds of sale received by PGF pursuant to clause 5.8(b) as is equal to the number of New PGF Shares which would have been issued to that Ineligible Foreign PAF Shareholder as Scheme Consideration (if they were an Eligible Scheme Shareholder) divided by the total number of New PGF Shares issued to the Nominee pursuant to clause 5.7, in full satisfaction of PGF's obligations to that Ineligible Foreign PAF Shareholder under the Scheme in respect of the Scheme Consideration.

- 5.10 PGF will pay the relevant fraction of the net proceeds of sale referred to in clause 5.9 to each Ineligible Foreign PAF Shareholder by either:
- (a) sending, or procuring the dispatch, to that Ineligible Foreign PAF Shareholder by prepaid post to that Ineligible Foreign PAF Shareholder's registered address at the Scheme Record Date, a cheque in the name of that Ineligible Foreign PAF Shareholder; or
 - (b) making a deposit in an account with any ADI (as defined in the *Banking Act 1959* (Cth)) in Australia notified by that Ineligible Foreign PAF Shareholder to PGF (or the PAF Share Registry) and recorded in or for the purposes of the PAF Register at the Scheme Record Date,
- for the relevant amount (denominated in A\$).
- 5.11 Each Ineligible Foreign PAF Shareholder appoints PAF as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Nominee is required to provide to Ineligible Foreign PAF Shareholders under the Corporations Act.
- 5.12 Each Ineligible Foreign PAF Shareholder acknowledges and agrees that:
- (a) none of PAF, PGF or the Nominee give any assurance as to the price that will be achieved for the sale of the New PGF Shares described in clause 5.8(a); and
 - (b) PAF, PGF and the Nominee each expressly disclaim any fiduciary duty to any Ineligible Foreign PAF Shareholder which may arise in connection with this clause 5.

Status of New PGF Shares

- 5.13 The New PGF Shares must, on their issue:
- (a) be duly and validly issued;
 - (b) be fully paid; and
 - (c) rank equally in all respects with all other PGF Shares then on issue.
- 5.14 PGF will apply to ASX for the official quotation of the New PGF Shares and use all reasonable endeavours to ensure that the New PGF Shares are approved for official quotation on ASX by 8.00 am on the Business Day following the Effective Date (or such later day as ASX may require), initially on a deferred settlement basis, and with effect from the first Business Day after the Implementation Date on an ordinary (T+2) basis (which approval may be conditional on the issue of those New PGF Shares and other conditions customarily imposed by ASX).

Joint holders

- 5.15 In the case of Scheme Shares held in joint names:
- (a) any holding statements for New PGF Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders; and
 - (b) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders,
- and will be forwarded to the holder whose name appears first in the PAF Register as at the Scheme Record Date.

Orders of a court

- 5.16 In the case of notice having been given to PAF (or the PAF's Share Registry) of an order made by a court of competent jurisdiction:
- (a) which requires consideration to be provided to a third party (either through payment of a sum or issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder in accordance with this clause 5, then PAF must procure that provision of that consideration is made in accordance with that order; or
 - (b) which would prevent PAF from providing consideration to any particular Scheme Shareholder in accordance with this clause 5 or the payment or issuance of such consideration is otherwise prohibited by applicable law, PAF shall be entitled to direct PGF not to issue, or to issue to a trustee or nominee, such number of New PGF Shares as that Scheme Shareholder would otherwise be entitled to under this clause 5.
-

6. Dealings in PAF Shares

Dealings in PAF Shares by Scheme Shareholders

- 6.1 For the purposes of establishing who are Scheme Shareholders, dealings in PAF Shares will be recognised by PAF provided that:
- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the PAF Register as the holder of the relevant PAF Shares by the Scheme Record Date; and
 - (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the PAF Register is kept by 5:00 pm on the day which is the Scheme Record Date (in which case PAF must register such transfers before 7:00 pm on that day),

and PAF will not accept for registration, or recognise for the purpose of establishing who are Scheme Shareholders, any transmission application or transfer in respect of PAF Shares received after such times on the Scheme Record Date.

PAF Register

- 6.2 PAF will, until the Scheme Consideration has been paid and PGF has been entered in the PAF Register as the holder of all of the Scheme Shares, maintain the PAF Register in accordance with the provisions of this clause 6 and the PAF Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

Information to be made available to PGF

- 6.3 PAF must procure that as soon as practicable following the Scheme Record Date, details of the names, registered addresses and holdings of PAF Shares of every Scheme Shareholder shown in the PAF Register at the Scheme Record Date are made available to PGF in such form as PGF may reasonably require.

Effect of share certificates and holding statements

- 6.4 As from the Scheme Record Date, all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the PAF Register at

that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

No disposals after Scheme Record Date

- 6.5 If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Scheme Record Date.

7. Suspension and termination of quotation of PAF Shares

Suspension

- 7.1 PAF must apply to ASX for suspension of trading of the PAF Shares on ASX with effect from the close of business on the Effective Date.

Termination

- 7.2 PAF must apply to ASX for termination of official quotation of the PAF Shares on ASX and the removal of PAF from the official list of ASX with effect from the Business Day immediately following the Implementation Date.

8. General Provisions

Appointment of agent and attorney

- 8.1 Each Scheme Shareholder, without the need for any further act, irrevocably appoints PAF as its agent and attorney for the purpose of:
- (a) executing any document or form or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of each share transfer to be delivered under clause 4.2(a) and the giving of the Scheme Shareholders' consent under clause 8.3(a); and
 - (b) enforcing the Deed Poll against PGF,
- and PAF accepts such appointment. PAF, as agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

Enforcement of Deed Poll

- 8.2 PAF undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against PGF on behalf of and as agent and attorney for the Scheme Shareholders.

Scheme Shareholders' consent

- 8.3 Each Scheme Shareholder irrevocably:
- (a) consents to PAF and PGF doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme; and
 - (b) acknowledges that the Scheme binds PAF and all of the PAF Shareholders from time to time (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

Scheme Shareholder's agreements

8.4 Under the Scheme:

- (a) each Scheme Shareholder to whom New PGF Shares are to be issued in accordance with the Scheme:
 - (i) agrees to become a member of PGF and to have their name entered in the PGF Register; and
 - (ii) accepts the New PGF Shares issued under the Scheme on the terms and conditions of the constitution of PGF and agrees to be bound by the constitution of PGF as in force from time to time in respect of the New PGF Shares,without the need for any further act by a Scheme Shareholder; and
- (b) each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to PGF in accordance with the terms of the Scheme.

Warranty by Scheme Shareholders

8.5 Each Scheme Shareholder is deemed to have warranted to PGF that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to PGF, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares together with any rights and entitlements attaching to such shares.

Title to and rights in Scheme Shares

- 8.6 To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- 8.7 PGF will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by PAF of PGF in the PAF Register as the holder of the Scheme Shares.

Appointment of PGF as sole proxy

- 8.8 On and from the Implementation Date and until registration by PAF of PGF in the PAF Register as the holder of the Scheme Shares, each Scheme Shareholder:
- (a) without the need for any further act irrevocably appoints PGF and each of its directors, officers and secretaries (jointly and each of them separately) as its agent and attorney to appoint an officer or agent nominated by PGF as its sole proxy and where applicable, corporate representative to:
 - (i) attend shareholders' meetings of PAF;
 - (ii) exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder; and
 - (iii) sign any shareholders' resolution of PAF;

- (b) undertakes not to attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than under clause 8.8(a);
 - (c) must take all other actions in the capacity of a registered holder of Scheme Shares as PGF reasonably directs; and
 - (d) acknowledges and agrees that in exercising the powers referred to in this clause 8.8, PGF and each of the directors, officers and secretaries of PGF may act in the best interests of PGF as the intended registered holder of the Scheme Shares.
- 8.9 PAF undertakes in favour of each Scheme Shareholder that it will appoint the officer or agent nominated by PGF as that Scheme Shareholder's proxy or, where applicable, corporate representative in accordance with clause 8.8(a).

Alterations and conditions

- 8.10 PAF may, by its counsel or solicitors, and with the consent of PGF, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to the Scheme which the Court thinks fit to impose.

No liability when acting in good faith

- 8.11 PAF nor PGF, nor any of their respective officers or agents, will be liable to an PAF Shareholder for anything done or omitted to be done in the performance of the Scheme in good faith.

Notices

- 8.12 Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to PAF, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at PAF's registered office.
- 8.13 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any PAF Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

Inconsistencies

- 8.14 This Scheme binds PAF and all PAF Shareholders, and to the extent of any inconsistency, overrides the PAF constitution.

Further assurance

- 8.15 PAF will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

Stamp duty

- 8.16 PGF will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to PGF.

Governing law

- 8.17 This Scheme is governed by the laws of the State of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria, Australia for any proceedings in connection with the Scheme.

Annexure C – Deed Poll

Deed Poll

**PM Capital Global Opportunities Fund
Limited**

Title **Deed Poll**

Date 18 October 2021

Parties **PM Capital Global Opportunities Fund Limited** (ACN 166 064 875) of
Level 11, 68 York Street, Sydney NSW 2000 (**PGF**)

in favour of each holder of fully paid ordinary shares in the capital of PM Capital Asian
Opportunities Fund Limited PAF (ACN 168 666 171) (**PAF**) on issue as at the
Scheme Record Date (**Scheme Shareholders**)

Recitals

- A PAF and PGF have entered into a scheme implementation deed dated 15 September 2021 (the **Scheme Implementation Deed**).
- B PAF has agreed in the Scheme Implementation Deed to propose a scheme of arrangement between PAF and the holders of fully paid ordinary shares in PAF.
- C The effect of the Scheme will be that PGF acquires all of the Scheme Shares from Scheme Shareholders, as consideration for the issue to them of PGF Shares as the Scheme Consideration.
- D In accordance with the Scheme Implementation Deed, PGF is entering into this Deed Poll to covenant in favour of the Scheme Shareholders that it will observe and perform its obligations under the Scheme, including providing (or procuring the provision of) the Scheme Consideration to the Scheme Shareholders.

Operative provisions

1. Definitions and interpretations

Definitions

1.1 In this Deed Poll:

- (a) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between PAF and the Scheme Shareholders, a copy of which is set out in Annexure 2 of the Scheme Implementation Deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by PAF and PGF; and
- (b) capitalised terms have the meaning given to them in the Scheme, unless the context requires otherwise.

Interpretation

- 1.2 The rules specified in clauses 1.2, 1.3 and 1.4 of the Scheme apply in interpreting this Deed Poll, unless the contrary intention appears or the context requires otherwise.

Nature of Deed Poll

1.3 PGF acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints PAF and each of the directors and officers of PAF (jointly and severally) as its agent and attorney to (amongst other things) enforce this Deed Poll against PGF.

2. Conditions precedent and termination

Conditions precedent

2.1 Each of PGF's obligations under this Deed Poll are subject to the Scheme becoming Effective.

Termination

2.2 If the Scheme Implementation Deed is terminated or the Scheme does not become Effective on or before the End Date, the obligations of PGF under this Deed Poll automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless PAF and PGF otherwise agree in accordance with the Scheme Implementation Deed.

Consequences of termination

- 2.3 If this Deed Poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it:
- (a) PGF is released from its obligations to further perform this Deed Poll except those obligations under clause 7.1 and any other obligations which by their nature survive termination; and
 - (b) each Scheme Shareholder retains any rights, powers or remedies the Scheme Shareholder has against PGF in respect of any breach of its obligations under this Deed Poll which occurred before it terminated.

3. Compliance with Scheme obligations

Scheme Consideration

- 3.1 Subject to clause 2, as consideration for the transfer of each Scheme Share in accordance with the Scheme, on the Implementation Date, PGF will issue to:
- (a) each Eligible Scheme Shareholder, such number of PGF Shares as that Eligible Scheme Shareholder is entitled to as Scheme Consideration for each Scheme Share held by them in accordance with the terms of the Scheme; and
 - (b) the Nominee such number of PGF Shares as are attributable to the Ineligible Foreign PAF Shareholders in accordance with the Scheme.

Manner and timing of satisfaction

3.2 Pursuant to and subject to the Scheme and subject to clause 2 of this Deed Poll, the obligations of PGF to provide Scheme Consideration to each applicable Eligible Scheme

Shareholder will be satisfied by PGF complying with its obligations under clauses 4.3 and 5 of the Scheme.

Provision of Scheme Consideration to Ineligible Foreign PAF Shareholders

- 3.3 In the case of each Scheme Shareholder that is an Ineligible Foreign PAF Shareholder, PGF must comply with clause 5.7 to 5.10 of the Scheme.

Shares to rank equally

- 3.4 PGF covenants in favour of each Scheme Shareholder that the New PGF Shares which are issued to Scheme Shareholders as Scheme Consideration in accordance with the Scheme will:
- (a) be duly and validly issued and be fully paid; and
 - (b) rank equally in all respects with all other PGF Shares then on issue.

Other obligations

- 3.5 Subject to clause 2, PGF covenants in favour of the Scheme Shareholders to perform all other obligations that are attributed to it under the Scheme, as if named as a party to the Scheme.

4. Warranties

- 4.1 PGF represents and warrants that:
- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
 - (b) the execution and delivery by it of this Deed Poll has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to perform or cause to be performed its obligations under this Deed Poll and to carry out or cause to be carried out the transactions contemplated by this Deed Poll; and
 - (c) this Deed Poll will constitute legally, valid and binding obligations on it enforceable in accordance with its terms (subject to any necessary stamping) and does not conflict with or result in a breach of or default under:
 - (i) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate; or
 - (ii) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound.

5. Continuing obligations

- 5.1 This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:
- (a) PGF has fully performed its obligations under this Deed Poll; or
 - (b) the earlier termination of this Deed Poll under clause 2.2.

6. Notices

- 6.1 Any notice or other communication to PGF in respect of this deed poll (**Notice**):

- (a) is only effective if:
- (i) it is in writing and in English, signed by or on behalf of the party giving it;
 - (ii) it is directed to PGF's address for notices as follows:

Address: Level 11, 68 York Street Sydney, NSW 2000
Facsimile: N/A
Email: rmatthews@pmcapital.com.au
Attention: Company Secretary
- (b) must be signed by the person making the communication or by a person duly authorised by that person;
- (c) takes effect when received (or at a later time specified in it), and is taken to be received:
- (i) if hand delivered, on delivery;
 - (ii) if sent by prepaid post, the fifth Business Day after the date of posting (or the tenth Business Day after the date of posting if posted to or from outside Australia);
 - (iii) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight hours after the transmission, the recipient informs the sender that it has not received the entire Notice; or
 - (iv) if sent by email:
 - (A) when the sender receives an automated message confirming delivery; or
 - (B) 2 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,whichever happens first,
- but if the delivery or transmission under clause 6.1(c)(i) or 6.1(c)(ii) is not on a Business Day or after 7.00 pm on a Business Day, the Notice is taken to be received at 9.00 am on the Business Day after that delivery, receipt or transmission.

7. General

Stamp duty

7.1 PGF will:

- (a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this Deed Poll, the performance of this Deed Poll and each transaction effected by or made under this Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

Waiver

- 7.2 Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Deed Poll by any party will 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 Deed Poll.
- 7.3 No waiver of a breach of any term of this Deed Poll will operate as a waiver of another breach of that term or of a breach of any other term of this Deed Poll.
- 7.4 Nothing in this Deed Poll obliges a party to exercise a right to waive any conditional term of this agreement that may be in its power.
- 7.5 A waiver of any right arising from a breach of this Deed Poll or of any right, power, authority, discretion or remedy arising upon default under this Deed Poll must be in writing and signed by the party granting the waiver.
- 7.6 This clause may not itself be waived except in writing.

Variation

- 7.7 A provision of this Deed Poll may not be varied unless the variation is agreed to by PGF and:
- (a) if before the Second Court Date, the variation is agreed to in writing by PAF; or
 - (b) if on or after the Second Court Date, the variation is agreed to in writing by PAF and the Court indicates that the variation would not of itself preclude approval of the Scheme,
- in which event PGF will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such amendment or variation.

Cumulative rights

- 7.8 The rights, powers and remedies of PGF and each Scheme Shareholder under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this Deed Poll.

No assignment

- 7.9 The rights and obligations of PGF and the rights of each Scheme Shareholder under this Deed Poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.
- 7.10 Any purported dealing in contravention of clause 7.9 is invalid.

Further assurances

- 7.11 PGF will, at its own expense and, to the extent authorised by the Scheme, on behalf of each Scheme Shareholder, promptly do all acts or things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

Consent

- 7.12 PGF consents to PAF producing this Deed Poll to the Court.

Severance and enforceability

7.13 Any provision of this Deed Poll that is void, illegal or unenforceable:

- (a) in a particular jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions of this Deed Poll in that or any other jurisdiction; and
- (b) is, where possible, to be severed to the extent necessary to make this Deed Poll valid, legal or enforceable, unless this would materially change the intended effect of this Deed Poll.

Governing law

7.14 This Deed Poll is governed by the laws of the State of Victoria. PGF submits to the non-exclusive jurisdiction of the courts of Victoria, Australia for any proceedings in connection with this Deed Poll or the Scheme.

Execution

Executed as a deed poll.

**Signed, sealed and delivered by
PM Capital Global Opportunities
Fund Limited**

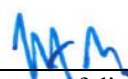
in accordance with section 127 of the
Corporations Act 2001 by a director and
secretary/director:



Signature of director

Chris Knoblanche

Name of director (please print)



Signature of director/~~secretary~~

Brett Spork

Name of director/~~secretary~~ (please print)

Annexure D – Notice of Scheme Meeting

Notice of Scheme Meeting

PM Capital Asian Opportunities Fund Limited ACN 168 666 171 (“PAF”)

Notice is hereby given that by an order of the Federal Court made on 4 November 2021 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (“Corporations Act”) a meeting of the holders of ordinary shares of PAF will be held virtually at web.lumiagm.com/392-405-628 on 13 December 2021 at 11.00am (Sydney time).

Accessing the Scheme Meeting online, voting and shareholder questions

PAF Shareholders, and their proxies, attorneys or corporate representatives, will only be able to attend the Scheme Meeting virtually, and not in person.

PAF Shareholders and their proxies, attorneys or corporate representatives will not be able to attend the physical Scheme Meeting. PAF Shareholders wishing to participate in the Scheme Meeting must do so via the online platform at web.lumiagm.com/392-405-628 and are encouraged to submit questions to PAF in advance of the Scheme Meeting by sending their questions to PAFQuestions@pmcapital.com.au.

Details on how PAF Shareholders can participate in the Scheme Meeting via the online platform and how to ask questions are contained in the Explanatory Notes to this Notice of Scheme Meeting and in the Virtual Meeting Online Guide at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf.

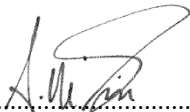
Business of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between PAF and PM Capital Global Opportunities Fund Limited (ACN 166 064 875) (“PGF”) or any alterations or conditions required by the Court to which PAF and PGF agree) to a scheme of arrangement proposed to be made between PAF and the holders of its ordinary shares (“Scheme”).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Explanatory Memorandum of which this Notice of Scheme Meeting forms part.

The Scheme Meeting will be asked to consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth) the members agree to the scheme of arrangement proposed between PAF and the holders of its ordinary shares, as contained in and more particularly described in the Explanatory Memorandum accompanying the notice convening this meeting (with or without any alterations or conditions agreed to in writing between PAF and PGF or any alterations or conditions required by the Court to which PAF and PGF agree).”



.....
Andrew McGill, Chairman
4 November 2021

Explanatory Notes:

These notes should be read in conjunction with this Notice of Scheme Meeting.

Terminology

Capitalised terms which are defined in section 10 of the Explanatory Memorandum which accompanies this Notice of Scheme Meeting have the same meaning when used in this notice (including these notes) unless the context requires otherwise.

Chair

The Court has ordered that Andrew McGill be Chair of the Scheme Meeting (or, failing him, that Mr Benjamin Skilbeck be Chair of the Scheme Meeting).

Requisite Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of those PAF Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative); and
- (b) at least 75% of the total votes cast on the resolution contained in this Notice of Scheme Meeting by PAF Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative).

The vote will be conducted by poll.

Entitlement to vote

For the purposes of the Scheme Meeting, PAF Shares will be taken to be held by the persons who are registered as PAF Shareholders in the Register at 7.00pm (Sydney time) on 11 December 2021. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

How to vote

PAF Shareholders will only be able to attend the Scheme Meeting virtually. PAF Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

The Scheme Meeting is to be held at 11.00am (Sydney time) on 13 December 2021. PAF Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting to be held via an online platform at web.lumiagm.com/392-405-628 which will enable Scheme Shareholders to listen to the Scheme Meeting live, vote on the resolution in real time and ask questions online. Registration will commence from 10.30am (Sydney time).

PAF Shareholders may vote by either joining the Scheme Meeting virtually, or by proxy.

(a) Voting using the online platform

We recommend logging in to the online platform at least 30 minutes prior to the scheduled start time for the Scheme Meeting using the instructions below:

- enter web.lumiagm.com/392-405-628 into a web browser on your computer or online device;
- PAF Shareholders will need their SRN or HIN and postcode (or country code, if outside Australia) to vote at the Scheme Meeting. Please note this includes the 'X' or the 'I' which precedes the number; and
- Proxyholders will need their username and password issued by Boardroom, to register to vote at the Scheme Meeting. If you have not received confirmation of your username and password prior to the Scheme Meeting, please call Boardroom on +612 9290 9600 on the day of the Scheme Meeting.

Unless otherwise determined by the Chair, online voting will be open from when the Chair declares the poll to be open at the Scheme Meeting, until the time at which the Chair closes the voting.

(b) **Voting by proxy**

PAF Shareholders can appoint a proxy to vote on their behalf at the Scheme Meeting electronically by following the instructions below OR if you received a paper copy proxy form, by following the instructions below.

If you wish to appoint a proxy electronically, you must: lodge the proxy form online by going to www.investorvote.com.au or by scanning the QR Code, found on the proxy form, with your mobile device

If you wish to appoint a proxy using the paper copy proxy form, you must do one of the following:

- **Deliver** the completed proxy form to Boardroom located at Level 12, 225 George Street. Sydney NSW 2000. PAF encourages PAF Shareholders to return their proxy forms by fax or by mail (see details below).
- **Mail** the completed proxy form to Boardroom using the reply paid envelope. Should a PAF Shareholder choose to return their paper copy proxy form via mail, please be aware of the current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries. If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must be received by Boardroom at least 48 hours before the Scheme Meeting unless the power of attorney or other authority has previously been received by Boardroom.
- **Fax** the completed proxy form to Boardroom on +612 9290 9655.

Proxies must be received by Boardroom by no later than 11.00am (Sydney time) on 11 December 2021. Proxy forms received after this time will be invalid.

A PAF Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a PAF Shareholder appoints two proxies and does not specify the percentage of votes each proxy may exercise, each proxy may exercise 50 per cent of the votes.

Fractions of votes are to be disregarded.

If PAF Shares are jointly held, either shareholder may sign the proxy form.

A proxy need not be a PAF Shareholder. A body corporate appointed as a PAF Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Scheme Meeting (see "Voting by corporate representative" below).

PAF Shareholders who have appointed a proxy prior to the Scheme Meeting can still attend and take part in the Scheme Meeting. If the PAF Shareholder votes on a resolution during the Scheme Meeting, the proxy is not entitled to vote and must not vote as the PAF Shareholder's proxy on that resolution.

PAF encourages you to direct your proxy how to vote. As the Scheme will be voted on by a poll, if you direct your proxy how to vote at the Scheme Meeting, your proxy must vote as directed. The Chair intends to vote all undirected proxies in favour of the Scheme.

If you return your proxy form with a proxy identified on it but your proxy does not attend the Scheme

Meeting or does not vote as directed, the Chair will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

It is important that you vote or instruct your proxy, attorney or corporate representative to vote in favour of the Scheme (see the Notice of Scheme Meeting) if you want the Scheme to proceed.

Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chair has discretion as to whether, and how, the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of PAF Shareholders impacted and the extent to which participation in the business of the Scheme Meeting is affected.

In these circumstances, where the Chair considers it appropriate, the Chair may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, PAF Shareholders are encouraged to lodge a proxy form that accompanies this Explanatory Memorandum by no later than 11.00am (Sydney time) on 11 December 2021 even if they plan to attend the Scheme Meeting.

Jointly held securities

If the PAF Shares are jointly held, only one of the joint PAF Shareholders is entitled to vote. If more than one joint PAF Shareholder votes, only the vote of the PAF Shareholder whose name appears first in the Register will be counted.

Voting by attorney

A PAF Shareholder entitled to attend (virtually) and vote at the Scheme Meeting may appoint an attorney to virtually attend and vote at the Scheme Meeting on his/her behalf. For an appointment to be effective for the Scheme Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by Boardroom at the address listed above for the receipt of proxy appointments by no later than 11.00am (Sydney time) on 11 December 2021.

Voting by corporate representative

A body corporate which is a PAF Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act 2001.

The representative should provide a certified copy of the original form of appointment, a certified copy of appointment, or a certificate of the body corporate evidencing the appointment which must be received by Boardroom at the address listed above for the receipt of proxy appointments by no later than 11.00am (Sydney time) on 11 December 2021.

Other approvals

If the resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the Requisite Majority, the implementation of the Scheme (with or without modification) will be subject to, among other things, the subsequent approval of the Court and the Scheme becoming Effective upon lodgement of an office copy of the Court orders with ASIC.

Further information

For further details on how to vote, appointing a proxy, or any other Scheme Meeting related queries, please refer to the "Virtual Meeting Online Guide" available online at www.pmcapital.com.au/sites/default/files/2021-10/VMUG.pdf, or please call the PAF Investor Services on +612 8243 0888 between Monday and Friday from 8.30am to 5.30pm (Sydney time).

CORPORATE DIRECTORY

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Corporate Adviser

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Baker McKenzie

Level 19, 181 William Street

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Share registry

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

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Website: www.boardroomlimited.com.au

Stock exchange listing

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