



Contango Income Generator proposal for new manager and investment mandate

18 August 2020
ASX announcement

We refer to the Australian Financial Review (AFR) [article](#) dated 17 August 2020 in relation to the proposal submitted by Wilson Asset Management (International) Pty Limited (**Wilson Asset Management**) to reposition Contango Income Generator Limited (ASX: CIE) as a listed investment company (LIC), actively investing in the highest quality Australian companies, to be managed by Wilson Asset Management (**Proposal**).

Wilson Asset Management is the investment manager for the entities forming part of the Wilson Asset Management Group, WAM Capital Limited (ASX: WAM), WAM Leaders Limited (ASX: WLE), WAM Active Limited (ASX: WAA) and the Wilson Asset Management Equity Fund, who collectively hold approximately 14.3% of the issued capital of CIE.

We confirm that Wilson Asset Management, as investment manager for the entities comprising the Wilson Asset Management Group, submitted the Proposal to CIE on 13 August 2020 and provided the Proposal again to the company on 14 August 2020, together with the notice of intention to remove and appoint directors of CIE at the upcoming extraordinary general meeting to be held on 18 September 2020.

A copy of the Proposal submitted to CIE is attached to this announcement.

This announcement has been authorised by the Board of WAM Capital, WAM Leaders and WAM Active.

About Wilson Asset Management

Wilson Asset Management has a track record of making a difference for shareholders and the community for more than 20 years. As the investment manager for six leading LICs: WAM Capital, WAM Leaders, WAM Global, WAM Microcap, WAM Research and WAM Active, Wilson Asset Management invests over \$3 billion on behalf of more than 85,000 retail investors. Wilson Asset Management is the creator and lead supporter of Future Generation Australia and Future Generation Global, a passionate advocate for retail investors and a member of the global philanthropic Pledge 1% movement.



For more information visit www.wilsonassetmanagement.com.au or contact:

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13 August 2020

Mr Mark Kerr
Chairman
Contango Income Generator Limited
Level 6
10 Spring Street
Sydney NSW 2000

Dear Mr Kerr,

Proposal for new manager and investment mandate

Wilson Asset Management (International) Pty Limited (**Wilson Asset Management**) is pleased to provide our Proposal to reposition Contango Income Generator Limited (ASX: CIE) (**Contango** or the **Company**) to join the Wilson Asset Management stable of listed investment companies (LIC) and actively invest in the highest quality Australian companies. This Proposal follows the recent announcement by Contango regarding the proposed change of investment manager and strategy and our previous letter dated 11 August 2020.

Our proposal would provide Contango shareholders with access to a proven investment manager and LIC specialist with a 21-year track record, under more favorable terms than the WCM Investment Management LLC (**WCM**) proposal announced by Contango on 12 August 2020. We believe that our attached Proposal will provide a superior outcome for existing Contango shareholders than the recent one proposed by the Contango Board of Directors. We look forward to the Contango Board of Directors reviewing the merits of both proposals and making its recommendation to shareholders at the extraordinary general meeting (**EGM**) on 18 September 2020.

We note that we are yet to receive a response to our previous letter, despite the serious nature of our concerns.

Proposal summary

The Proposal offers substantial benefits for Contango shareholders, including but not limited to:

- Wilson Asset Management is a specialist LIC manager with a 21-year track record.
- Shares in the majority of the LICs managed by Wilson Asset Management trade at a premium to their underlying net tangible asset backing (NTA).
- The LIC managed by WCM is currently trading at a share price discount to NTA.
- Wilson Asset Management has a strong track record of engaging with shareholders and marketing the LICs for which it is the investment manager.
- Under the new investment mandate for Contango, Wilson Asset Management will provide investors with exposure to an active investment process focused on identifying Australian companies with compelling fundamentals, a robust macroeconomic thematic and a catalyst to drive the share price higher.
- Wilson Asset Management would be entitled to be paid a monthly management fee equal to

approximately 0.083333% per month or 1.0% per annum (plus GST) of the value of the portfolio (calculated on the last business day of each month and paid at the end of each month in arrears). This fee is lower than that proposed by WCM and the continued costs associated with “marketing services” would not be incurred by the Company.

- Wilson Asset Management would be entitled to be paid, annually in arrears, a performance fee being 20% (plus GST) of the amount by which the value of the portfolio exceeds the return of the S&P/ASX 300 Accumulation Index over the calculation period, subject to the recoupment of any prior underperformance.
- The investment management agreement with Wilson Asset Management is to be for an initial term of five years.
- Wilson Asset Management representatives would be appointed to the Contango Board of Director.
- The new Contango Board of Directors will be committed to effective capital management initiatives to ensure the share price of the company reflects the underlying asset value of the portfolio.
- EGM for shareholder approval to be held on 18 September 2020, pending further discussions in relation to this Proposal.

Proposed new manager

Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years. Established in 1997 by Geoff Wilson AO, Wilson Asset Management is a boutique fund manager with over 35 staff who are responsible for investing more than \$3 billion in Australian and international companies on behalf of 85,000 retail investors across six LICs:

- WAM Capital (ASX: WAM) – the most compelling undervalued growth companies in the Australian market;
- WAM Leaders (ASX: WLE) – actively investing in the highest quality Australian companies;
- WAM Global (ASX: WGB) – the world’s most compelling undervalued growth companies;
- WAM Microcap (ASX: WMI) – the most exciting undervalued growth companies in the Australian micro-cap market;
- WAM Research (ASX: WAX) – the most compelling undervalued growth companies in the Australian market; and
- WAM Active (ASX: WAA) – market mispricing opportunities in the Australian market.

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

An investment management agreement with Wilson Asset Management provides shareholders with the following benefits:

Risk-adjusted returns. Wilson Asset Management is focused on delivering strong returns while taking the least risk possible to protect shareholders' capital.

Diversification. LICs managed by Wilson Asset Management hold small positions in many companies, providing shareholders with access to highly diversified portfolios.

Experience. Wilson Asset Management's investment team is comprised of 13 professionals with a total focus on protecting and growing shareholder capital and is informed by more than 170 years' of combined equity market experience.

Market access. Wilson Asset Management's investment team hold more than 2,500 company meetings each year, that coupled with their extensive network in the market, provides insight, intelligence and opportunities.

Transparency. Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

Shareholder advocacy. Wilson Asset Management regularly and actively engages in public debate on behalf of self-managed superannuation funds and retail investors.

A positive impact. Wilson Asset Management is passionate about making a difference to the broader community.

Improved investment mandate

The proposed investment mandate under our Proposal is to reposition Contango as a leading LIC actively investing in the highest quality Australian companies. The new investment mandate under our Proposal will provide investors with exposure to an active investment process focused on identifying Australian companies with compelling fundamentals, a robust macroeconomic thematic and a catalyst to drive the share price higher.

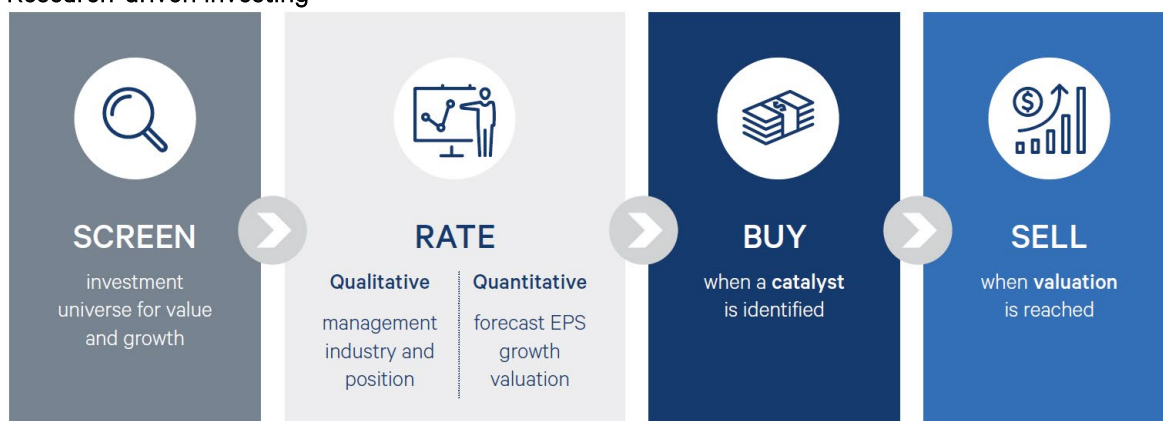
The investment objectives under our Proposal are to:

- deliver investors a stream of fully franked dividends;
- provide capital growth; and
- preserve shareholder capital.

Under our Proposal, Contango will provide investors with access to Wilson Asset Management's two distinctive processes:

- a research-driven process focused on identifying undervalued growth companies; and
- a market-driven process that takes advantage of mispricing opportunities.

Research-driven investing



Market-driven investing



Under our direction and through our appointed representatives, the new Board of Directors will be committed to effective capital management initiatives to ensure the share price of the company reflects the underlying asset value of the portfolio.

Key dates and shareholder approval

We want to pursue discussions with Contango in relation to the Proposal in a compelling and constructive manner to bring this offer to Contango shareholders. We believe it is in the best interest of Contango shareholders that our superior Proposal be put to them as soon as possible. Subject to further discussions with yourself and the Directors of Contango, we aim to set a mutually agreeable and beneficial timetable in relation to the Proposal and obtaining shareholder approval.

Confidentiality

Wilson Asset Management has taken appropriate steps to maintain the confidentiality of this letter and has confined knowledge of this initiative and the Proposal to a very small circle of persons on a need-to-know basis. However, we acknowledge that the Board may wish to announce the submission of our Proposal to the ASX and we consent to that announcement.

Conclusion

Wilson Asset Management believes that the Proposal is a compelling proposition for Contango and its shareholders. We believe this Proposal from Wilson Asset Management would provide all shareholders a superior outcome to the appointment of WCM. We look forward to working with you on this superior proposal and to you recommending it to shareholders for their approval. We will instruct our lawyers to work with your team to finalise any required documentation once we hear back from you.

All rights are reserved in relation to these matters, including the right to remove the current Directors of Contango.

If you would like further information with respect to the above, have any questions or queries, please contact me on 02 9247 6755 and 0412 242 712 or Chief Financial Officer, Jesse Hamilton on 02 9258 4953 and 0401 944 807. We look forward to hearing from you as soon as possible regarding our Proposal and previously stated concerns. Please provide a response by 12pm on Thursday, 13 August 2020.

Yours sincerely,



Geoff Wilson AO
Chairman
Wilson Asset Management (International) Pty Limited

About Wilson Asset Management

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