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BY ELECTRONIC LODGEMENT

Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Proposed Off-Market Takeover Bid for PM Capital Asian Opportunities Fund Limited (ASX: PAF)

WAM Capital Limited (ACN 086 587 395) (**WAM Capital**) is intending to make an off-market takeover bid under Part 6.5 of Chapter 6 of the *Corporations Act 2001* (Cth) (**Corporations Act**) for all of the issued fully paid ordinary shares in PM Capital Asian Opportunities Fund Limited (ACN 168 666 171) (**PAF**), subject to certain conditions (**Offer**).

Under the Offer, accepting PAF shareholders will receive **1 WAM Capital share for every 1.99 PAF shares** they own. The WAM Capital takeover Offer is a superior proposal to the Scheme (defined below) proposed by the PAF board of directors representing a premium to the implied value to PAF shareholders under the Scheme. Based on the 24 September 2021 scheme exchange ratio of 0.7347¹ and the PGF closing share price of \$1.49 per share on 27 September 2021, the Scheme represents \$1.095 per share of implied value for PAF shareholders.

Based on WAM Capital's 27 September 2021 share price, adjusted for the 7.75 cents per share fully franked final dividend payable on 29 October 2021, the Offer represents \$1.147 per share of implied value for PAF shareholders. The implied value represents a premium of 9.8% to PAF's 27 September 2021 share price, a premium of 6.2% to PAF's 24 September 2021 after-tax net tangible asset backing (**NTA**), a premium of 4.8% to the implied value under the Scheme and a premium of 4.3% to PAF's 24 September pre-tax NTA.

In the event the Break Fee (defined below) imposed under the Scheme is removed, WAM Capital's intention is to increase its Offer to **1 WAM Capital share for every 1.975 PAF shares**, representing \$1.156 per share of implied value for PAF shareholders which represents a premium of 10.6% to PAF's 27 September 2021 share price, a premium of 7.0% to PAF's 24 September 2021 after-tax NTA, a premium of 5.6% to the implied value under the Scheme and a premium of 5.1% to PAF's 24 September pre-tax NTA.

As announced on 15 September 2021, PAF entered into a Scheme Implementation Deed with PM Capital Global Opportunities Fund Limited (ACN 166 064 875) (**PGF**) (**Scheme Implementation Deed**) under which PGF and PAF agreed to merge by means of a scheme of arrangement under Part 5.1 of the *Corporations Act* (**Scheme**). The Scheme Implementation Deed provides for a mutual break fee of

¹ The scheme calculation ratio of 0.7347 is calculated based on the PAF 24 September 2021 post-tax NTA (excluding deferred tax assets) announced on 27 September 2021 of \$1.08 per share divided by the PGF 24 September 2021 post-tax NTA (excluding deferred tax assets) announced on 27 September 2021 of \$1.47 per share.

\$500,000 payable by each of PAF and PGF to the other in certain circumstances under which the Scheme does not proceed (**Break Fee**).

PM Capital Limited (ACN 083 644 731) is the investment manager for both PAF and PGF, and PGF presently holds a 19.9% shareholding interest in PAF.

PAF has not undertaken a public, transparent process designed to elicit proposals to achieve the best possible outcome for its shareholders. As associates with a common investment manager, the cost, effort or risk involved for PAF and PGF in proposing the Scheme is minimal. The mutual Break Fee does not reimburse actual expenses, particularly in circumstances where PAF is primarily responsible for Scheme expenses. PGF's 19.9% holding in PAF means the benefit of any Break Fee payment is similarly inappropriate. Under a competing proposal (such as the Offer proposed by WAM Capital) PGF could benefit both from receiving the Break Fee and the ability to participate in the superior Offer.

In these circumstances, the Break Fee should not have been agreed to by the PAF and PGF Board of Directors and WAM Capital encourages the Boards of PGF and PAF to remove the Break Fee by mutual agreement. If the Break Fee is removed, WAM Capital's intention is to increase its Offer to **1 WAM Capital share for every 1.975 PAF shares**, representing an additional implied value of 0.9 cents per PAF share. On the information available, the Offer is already a Superior Proposal, as defined in the Scheme Implementation Deed. WAM Capital looks forward to PAF's confirmation of this position and the recommendation of the Offer to PAF shareholders.

The proposed off-market takeover offer by WAM Capital will be subject to the defeating conditions enclosed.

A bidder's statement, which will contain further information about the Offer, will be prepared in due course and sent to PAF's shareholders in accordance with the requirements of the Corporations Act. The Offer will open for acceptance around that time and will be open for at least one month (unless withdrawn during that period under section 652B of the Corporations Act).

For further information in relation to the proposed takeover, please contact Head of Operations and Key Account Manager Martyn McCathie on 0433 312 603 or myself on 02 9247 6755.

Yours sincerely,

WAM Capital Limited



Geoff Wilson AO
Chairman

Conditions

The proposed Offer by WAM Capital will be subject to the following defeating conditions:

(1) **50.1% minimum acceptance**

WAM Capital has a relevant interest in at least 50.1% (by number) of PAF shares on issue before the end of the period that the Offer is open for acceptance (**Offer Period**).

(2) **Scheme of Arrangement**

The merger by way of scheme of arrangement announced on 15 September 2021 (**Scheme of Arrangement**) between PAF and PGF does not progress.

(3) **Regulatory actions**

During the period starting on the date that the Offer was announced (**Announcement Date**) and ending at the end of the Offer Period:

- (i) no preliminary or final decision, order or decree is made or issued;
- (ii) no action, proceeding or investigation is announced, commenced or threatened; and
- (iii) no application is made (other than by WAM Capital or its associates),

by or to any regulatory organisation or government agency which is likely to or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the PAF shares by WAM Capital, the rights of WAM Capital in respect of PAF and the PAF shares or the continued operation of the businesses of PAF or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

(4) **No change to the investment management agreement**

During the period starting on the Announcement Date and ending at the end of the Offer Period, there is no amendment or change to, or agreement to amend or change, the terms of the investment management agreement between PAF and its investment manager, PM Capital Limited.

(5) **No Prescribed Occurrences**

None of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (a) PAF converts all of any of its shares into a larger or smaller number of shares;
- (b) PAF or a subsidiary of PAF resolves to reduce its share capital in any way;

- (c) PAF or a subsidiary of PAF:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under sections 257C(1) or 257D(1) of the Corporations Act;
 - (d) PAF or a subsidiary of PAF issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (e) PAF or a subsidiary of PAF issues or agrees to issue convertible notes;
 - (f) PAF or a subsidiary of PAF disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
 - (g) PAF or a subsidiary of PAF grants or agrees to grant a security interest in the whole, or a substantial part, of its business or property;
 - (h) PAF or a subsidiary of PAF resolves to be wound up;
 - (i) a liquidator or provisional liquidator of PAF or a subsidiary of PAF is appointed;
 - (j) a court makes an order for the winding up of PAF or a subsidiary of PAF;
 - (k) an administrator of PAF or a subsidiary of PAF is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (l) PAF or a subsidiary of PAF execute a deed of company arrangement; or
 - (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part of the property of PAF or a subsidiary of PAF.
- (6) **No material transactions**

Except for any proposed transaction reasonably full details of which are publicly announced by PAF before the Announcement Date, none of the following events occurs during the period starting on the Announcement Date and ending at the end of the Offer Period without the written consent of WAM Capital:

- (a) PAF or any of its subsidiaries acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than \$250,000 or an amount in aggregate in any series of transactions of more than \$250,000, or makes an announcement about such an acquisition or acquisitions;
- (b) PAF or any of its subsidiaries disposes, offers to dispose or agrees to dispose of one or more companies or assets (or an interest in one or more companies or assets) for an

amount in any single transaction of more than \$250,000 or an amount in aggregate in any series of transactions of more than \$250,000, or makes an announcement about such a disposal;

- (c) PAF or any of its subsidiaries enters into, offers to enter into or announces that it proposes to enter into any joint venture, partnership or dual listed company structure involving a commitment of greater than \$250,000 in any single transaction or an amount in aggregate in any series of transactions of more than \$250,000, or makes an announcement about such a commitment; or
- (d) PAF or any of its subsidiaries incurs or commits to, or grants to another person a right the exercise of which would involve PAF or any of its subsidiaries incurring or committing to any capital expenditure or liability for one or more related items of greater than \$250,000, or makes an announcement about such a commitment.

(7) **No material adverse change**

Between the Announcement Date and the end of the Offer Period, there is no occurrence of any change which has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of PAF and/or its subsidiaries.

(8) **Conduct of PAF's business**

Between the Announcement Date and the end of the Offer Period, none of PAF and any body corporate which is or becomes a subsidiary of PAF, without the written consent of WAM Capital:

- (a) adopts a new constitution or makes any change to its constitution or passes any special resolution or proposes to do so;
- (b) gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business; or
- (c) changes its board composition, including appointing additional directors, whether to fill a casual vacancy or otherwise.

(9) **No superior alternative proposal**

During the Offer Period, no alternative proposal to the Offer, other than the Scheme of Arrangement as announced on 15 September 2021, is announced that:

- (a) is recommended by any PAF director; or
- (b) offers consideration that is higher than the consideration offered under the bid valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids.

(10) Restriction on others acquiring PAF shares

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person other than WAM Capital or an associate of WAM Capital gains or increases their voting power in PAF by 5% or more.

(11) No material litigation

Between the Announcement Date and the end of the Offer Period:

- (a) none of PAF and its subsidiaries has threatened or commenced against it any material claims or proceedings in any court or tribunal (and a claim or proceeding is taken to be material if it may reasonably result in a judgment of \$50,000 or more), other than that which has been fully and fairly publicly disclosed to the ASX prior to the Announcement Date;
- (b) the consideration under the Offer is required to be increased or WAM Capital or one of its associates is required or is reasonably likely to be required to pay any amount to any one or more PAF shareholders in connection with the Offer as a result of:
 - (i) any litigation that is commenced, is threatened to be commenced, announced or is made known to PAF (whether or not becoming public); or
 - (ii) any preliminary or final decision or order of any regulator or other government agency, other than as a result of WAM Capital publicly undertaking to increase the consideration under the Offer or WAM Capital lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Offer; or
- (c) the aggregate liability of PAF and its subsidiaries under or in connection with any existing claim or proceeding in any court or tribunal is or is likely to be materially more than the provision made for the claim or proceeding in PAF's last audited annual financial statements or, if no provision has been made, is or likely to be more than \$50,000.

(12) No de-listing

Between the Announcement Date and the end of the Offer Period, PAF is not removed from the official list of the ASX.

(13) No NTA fall

At any time after the Announcement Date, the reported pre-tax NTA of PAF not declining by 5% or more below the pre-tax NTA of PAF of \$1.10 per PAF share as at 24 September 2021, announced to the ASX on 27 September 2021.

(14) **No market fall**

The S&P/ASX All Ordinaries Accumulation Index not closing at a level that is 5% or more below the level of that index at 5.00pm (Sydney time) on the trading day immediately prior to Announcement Date and remaining at or below that level for at least two consecutive trading days.